

In the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, subject to compliance by the District with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. It is also the opinion of Special Counsel that the Lease Agreement is a “qualified tax-exempt obligation” under section 265(b)(3) of the Internal Revenue Code of 1986. In addition, in the opinion of Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.

\$3,185,000
CERTIFICATES OF PARTICIPATION
(2019 Capital Improvements Project)
Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
WILLIAMS UNIFIED SCHOOL DISTRICT
(Colusa County, California)
as the Rental for Certain Property Pursuant to a Lease
Agreement with the Local Facilities Finance Corporation

Dated: Date of Delivery

Due: November 1, as shown on the inside cover

The \$3,185,000 Certificates of Participation (2019 Capital Improvements Project) (the “Certificates”), are being executed and delivered to provide funds to (a) finance the acquisition, construction, installation, improvement and equipping of various District facilities, as described herein, (b) purchase a municipal bond insurance policy and a reserve fund municipal bond insurance policy in lieu of cash funding a bond reserve fund for the Certificates; and (c) pay the costs of the execution and delivery of the Certificates. See “THE PROJECT” herein. The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the District to the Local Facilities Finance Corporation (the “Corporation”) for the use and occupancy of the Property (as defined herein) under and pursuant to a Lease Agreement, dated as of July 1, 2019, by and between the Corporation and the District (the “Lease Agreement”). The Corporation will assign its right to receive Lease Payments from the District under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the District thereunder to Wilmington Trust, National Association, Costa Mesa, California, as trustee (the “Trustee”), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered in book-entry form only and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually on each May 1 and November 1, commencing November 1, 2019. The Certificates may be executed and delivered in denominations of \$5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See “THE CERTIFICATES—Book-Entry-Only System” herein).

The Certificates are subject to redemption. See “THE CERTIFICATES—Redemption” herein.

The District will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement, subject to abatement during any period in which by reason of damage or destruction of the Property, or by reason of eminent domain proceedings with respect to the Property, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof. The District will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE DISTRICT OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by **MUNICIPAL ASSURANCE CORP.**



MATURITY SCHEDULE

SEE THE INSIDE COVER

The cover page contains certain information for general reference only. It is *not* a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, Larkspur, California, as Special Counsel. Certain matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. Certain legal matters will also be passed on for the Underwriter by Dannis Woliver Kelley, Long Beach, California. It is anticipated that the Certificates will be available for through the facilities of DTC on or about July 11, 2019.

\$3,185,000
Certificates of Participation
(2019 Capital Improvements Project)
Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
WILLIAMS UNIFIED SCHOOL DISTRICT
(Colusa County, California)
as the Rental for Certain Property Pursuant to a Lease
Agreement with the Local Facilities Finance Corporation

\$2,545,000 Serial Certificates

CUSIP Prefix: 96944P †

Maturity (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† Suffix
2020	\$115,000	2.000%	1.280%	100.928%	BB6
2021	115,000	3.000	1.300	103.847	BC4
2022	120,000	3.000	1.350	105.315	BD2
2023	125,000	3.000	1.400	106.661	BE0
2024	125,000	3.000	1.470	107.780	BF7
2025	130,000	3.000	1.550	108.677	BG5
2026	135,000	4.000	1.650	116.109	BH3
2027	140,000	4.000	1.740	117.404	BJ9
2028	145,000	4.000	1.810	116.815c	BK6
2029	150,000	4.000	1.900	116.062c	BL4
2030	160,000	4.000	2.000	115.232c	BM2
2031	165,000	4.000	2.150	114.000c	BN0
2032	170,000	4.000	2.250	113.187c	BP5
2033	175,000	4.000	2.330	112.541c	BQ3
2034	185,000	4.000	2.430	111.740c	BR1
2035	190,000	4.000	2.520	111.025c	BS9
2036	200,000	4.000	2.610	110.315c	BT7

\$640,000 3.000% Term Certificates Maturing November 1, 2039; Price: 98.054, to Yield 3.130%—CUSIP† 96944P BW0

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c Priced to the November 1, 2027, par call date

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

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

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.

The information set forth herein has been obtained from the District and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Director Finance for further information. See "INTRODUCTION—Other Information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the District's forecasts in any way. Neither the District nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

The execution, sale and delivery of the Certificates has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

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

The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates.

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WILLIAMS UNIFIED SCHOOL DISTRICT

499 Marguerite Street, Suite C
Williams, California 95987
(530) 473-2550
<http://www.williamsusd.net/>*

BOARD OF TRUSTEES

Silvia Vaca, *President*
George W. Simmons, Jr., *Vice President*
Ana Leos-Vera, *Board Member*
Yareli Mora, *Board Member*
Maryah Stoots, *Board Member*

DISTRICT ADMINISTRATION

Dr. Edgar Lampkin, *Superintendent*
Mechele Coombs, *Director of Fiscal Services and Accountability*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR
Isom Advisors, A Division of Urban Futures, Inc.,
Walnut Creek, California

SPECIAL COUNSEL and DISCLOSURE COUNSEL
Quint & Thimmig LLP
Larkspur, California

TRUSTEE
Wilmington Trust, National Association
Costa Mesa, California

*Information therein is not incorporated by reference into this Official Statement.

\$3,185,000
CERTIFICATES OF PARTICIPATION
(2019 Capital Improvements Project)
Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
WILLIAMS UNIFIED SCHOOL DISTRICT
(Colusa County, California)
as the Rental for Certain Property
Pursuant to a Lease Agreement with the
Local Facilities Finance Corporation

INTRODUCTION

This introduction does not purport to be complete and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the captioned Certificates. Potential investors are encouraged to read this entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement and in APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.

General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the execution, sale and delivery of \$3,185,000 aggregate principal amount of Certificates of Participation (2019 Capital Improvements Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2019 (the “Trust Agreement”), by and among the Williams Unified School District (the “District”), the Local Facilities Finance Corporation (the “Corporation”) and Wilmington Trust, National Association as trustee (the “Trustee”).

Proceeds of the Certificates will be used to (a) to finance the acquisition, construction, installation, improvement and equipping of various District facilities (the “Project”), (b) purchase a municipal bond insurance policy and a reserve fund municipal bond insurance policy in lieu of cash funding a bond reserve fund for the Certificates; and (c) pay the costs of the execution and delivery of the Certificates. See “PLAN OF FINANCING.”

The District will lease certain of its facilities and the sites thereof (collectively, the “Property”) to the Corporation pursuant to a Site and Facility Lease, dated as of July 1, 2019 (the “Site and Facility Lease”), between the District and the Corporation. The Corporation will lease the Property back to the District pursuant to a Lease Agreement, dated as of July 1, 2019 (the “Lease Agreement”). The Certificates are payable solely from and secured by certain lease payments (“Lease Payments”) to be made by the District to the Corporation pursuant to the Lease Agreement. See “SOURCE OF PAYMENT FOR THE CERTIFICATES” and “THE PROPERTY.”

Interest with respect to the Certificates is payable on May 1 and November 1 of each year, commencing November 1, 2019. The Certificates will mature in the amounts and on the dates and be payable at the interest rates shown on the cover of this Official Statement. See “THE CERTIFICATES.”

The Certificates will be delivered in fully registered form only, in the name of Cede & Co., as nominee of the Depository Trust Company (“DTC”). DTC will act as the depository for the Certificates and all payments due with respect to the Certificates will be made to Cede & Co. Ownership interests in the Certificates may be purchased only in book-entry form. See “THE CERTIFICATES—Book-Entry Only System” and APPENDIX E—DTC’S BOOK-ENTRY ONLY SYSTEM.

The District

The Williams Unified School District (the “District”) provides pre-k and kindergarten through twelfth grade education within an approximately 256.67 square mile area, including the City of Williams (the “City”) and certain unincorporated county lands in Colusa County, California (the “County”). The District is governed by a five-member Board of Trustees (the “District Board”) which is elected in alternating four-year terms. The chief executive officer of the District is the Superintendent, who is appointed by the District Board. The District operates one elementary school (TK-3), one upper elementary school (4-6), one junior/high school (7-12) and one continuation high school, with a current average daily attendance of 1,224 students. The District is under the authority of the Colusa County Office of Education.

For more complete information concerning the District, including certain financial information, see “THE DISTRICT,” “DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION” and APPENDIX A—THE ECONOMY OF THE DISTRICT. The District’s audited financial statements for the fiscal year ended June 30, 2018, are included as APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018.

Source of Payment for the Certificates

The Certificates represent direct, undivided fractional interests of the Owners thereof in the Lease Payments to be paid by the District to the Corporation pursuant to the Lease Agreement. Lease Payments are calculated to be sufficient to permit the payment of the principal and interest with respect to the Certificates when due. The Lease Payments are payable by the District from its general fund for the right to use and possess the Property. The Lease Payments are subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the District of the Property or any portion thereof. The District will covenant under the Lease Agreement to take such action as necessary to include the Lease Payments in its annual budget and to make all necessary appropriations therefor (subject to abatement under certain circumstances described in the Lease Agreement). Pursuant to an Assignment Agreement, dated as of July 1, 2019 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, certain of its rights under the Lease Agreement, including its right to receive Lease Payments from the District for the purpose of securing the payment of principal and interest with respect to the Certificates. See “SOURCE OF PAYMENT FOR THE CERTIFICATES” and “RISK FACTORS.”

THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR

WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Municipal Bond Insurance Policy; Reserve Policy

The scheduled payment of the principal and interest with respect to the Certificates when due will be guaranteed under a municipal bond insurance policy (the “Municipal Bond Insurance Policy”) to be issued by Municipal Assurance Corp. (the “Municipal Bond Insurer”) simultaneously with the delivery of the Certificates. See “MUNICIPAL BOND INSURANCE.” In addition, the Municipal Bond Insurer has made a commitment to issue a municipal bond insurance policy for the Reserve Fund (the “Reserve Policy”) in an amount equal to the Reserve Requirement. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Reserve Fund.”

Continuing Disclosure

The District will covenant in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system. See “CONTINUING DISCLOSURE” and APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Summaries of Documents

This Official Statement contains descriptions of the Certificates, the Trust Agreement, the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors’ rights generally. Copies of the various documents described herein are available for inspection during business hours at the corporate trust office of the Trustee at 650 Town Center Drive, Suite 600, Costa Mesa, CA 92626.

Other Information

This Official Statement speaks only as of its date as set forth on the cover hereof, the information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof.

Unless otherwise expressly noted, all references to internet websites in this Official Statement, including without limitation, the District’s website, are shown for reference and convenience only and none of their content is incorporated herein by reference. The information contained within such websites has not been reviewed by the District and the District makes no representation regarding the accuracy or completeness of the information therein.

SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of the proceeds from the sale of the Certificates and other moneys:

Sources	
Par Amount of the Certificates	\$3,185,000.00
Plus: Net Original Issue Premium	278,466.05
Total Sources	<u>\$3,463,466.05</u>
Uses	
Deposit to Project Fund	\$3,230,000.00
Delivery Costs ⁽¹⁾	233,466.05
Total Uses	<u>\$3,463,466.05</u>

- (1) Delivery Costs include the Underwriter's discount, fees and expenses of the Municipal Advisor, special counsel, disclosure counsel and the Trustee, printing expenses, rating fees, title insurance, premiums for the Municipal Bond Insurance Policy and the Reserve Policy and other costs.

PLAN OF FINANCING

Proceeds of the Certificates will be used to (a) finance the Project, (b) purchase the Municipal Bond Insurance Policy and the Reserve Policy; and (c) pay the costs of the execution and delivery of the Certificates.

The Project includes (a) modernization of the high school gymnasium with new floors and bleachers, (b) two story classrooms at both the elementary school and the high school, (c) modernization of the high school's north and south wings, (d) a new little league field, and (e) acquisition and renovation of a house to be used as the District's administration building.

THE PROPERTY

Pursuant to the Site and Facility Lease, the District will lease the Property to the Corporation. Pursuant to the Lease Agreement, the Corporation will, in turn, lease the Property back to the District. See APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SITE AND FACILITY LEASE and APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The Property consists of (a) Williams High School, including the District office, the mail school building, 14 portable classrooms, a greenhouse, an agriculture welding shop, bus barn/maintenance shop, warehouse, stadium and storage units, (b) the Williams Upper Level Elementary School, including the main school building, band building, multi-purpose building, and 11 portable classrooms, and (c) the Williams Elementary School, including the main school building, a multi-purpose building, a maintenance shop and 16 portable classrooms. The value of the Property, excluding the value of the land or the building contents, exceeds \$24,000,000. The Property is also the subject of the lease agreement executed by the District in connection with its Certificates of Participation (2016 Capital Improvements Project).

Pursuant to the Lease Agreement, the District may substitute the Property, in whole or in part, by other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see “SOURCE OF PAYMENT FOR THE CERTIFICATES—Substitution of Site or Facility” and APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The District has not granted any security interest in the Property for the benefit of the Certificates and there is no remedy of foreclosure on the Property upon the occurrence of an Event of Default under the Lease Agreement. For a discussion of remedies upon an Event of Default under the Lease Agreement, see “RISK FACTORS—Limited Recourse on Lease Agreement Default” and “—Limitations on Remedies.”

ANNUAL DEBT SERVICE

The following table shows the scheduled annual debt service for the Certificates:

Year Ending (November 1)	Principal ⁽¹⁾	Interest ⁽²⁾	Total
2019	—	\$ 34,390.28	\$ 34,390.28
2020	\$ 115,000.00	112,550.00	227,550.00
2021	115,000.00	110,250.00	225,250.00
2022	120,000.00	106,800.00	226,800.00
2023	125,000.00	103,200.00	228,200.00
2024	125,000.00	99,450.00	224,450.00
2025	130,000.00	95,700.00	225,700.00
2026	135,000.00	91,800.00	226,800.00
2027	140,000.00	86,400.00	226,400.00
2028	145,000.00	80,800.00	225,800.00
2029	150,000.00	75,000.00	225,000.00
2030	160,000.00	69,000.00	229,000.00
2031	165,000.00	62,600.00	227,600.00
2032	170,000.00	56,000.00	226,000.00
2033	175,000.00	49,200.00	224,200.00
2034	185,000.00	42,200.00	227,200.00
2035	190,000.00	34,800.00	224,800.00
2036	200,000.00	27,200.00	227,200.00
2037	205,000.00	19,200.00	224,200.00
2038	215,000.00	13,050.00	228,050.00
2039	220,000.00	6,600.00	226,600.00
TOTAL	3,185,000.00	\$1,376,190.28	\$4,561,190.28

(1) Includes mandatory sinking fund installment.

(2) Interest is paid on each May 1 and November 1, commencing November 1, 2019.

THE CERTIFICATES

General

The Certificates will be executed and delivered in the aggregate principal amount and will mature in the years and interest with respect to the Certificates will be paid at the rates shown on the cover page of this Official Statement.

The Certificates will be delivered in the form of fully registered Certificates without coupons in the denomination of \$5,000 or any integral multiple thereof. Interest with respect to the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on May 1 and November 1 of each year, commencing November 1, 2019 (each an “Interest Payment Date”), until maturity or earlier redemption thereof. The Certificates will be initially executed, delivered and registered in the name of “Cede & Co.” as nominee of DTC and will be evidenced by one Certificate maturing on each of the maturity dates in a denomination corresponding to the total principal therein designated to mature on such date. See “THE CERTIFICATES—Book-Entry Only System.”

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is executed after a Regular Record Date (i.e., the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day) and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before October 15, 2019, in which event interest with respect thereto will be payable from its dated date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Redemption

Optional Redemption. The Certificates maturing on and prior to November 1, 2027, are non-callable. The Certificates maturing on and after November 1, 2028, are subject to optional redemption in whole or in part on any date on and after November 1, 2027, in such order of maturity as shall be designated by the

District (or, if the District shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium, from the proceeds of the optional prepayment of Lease Payments made by the District pursuant to the Lease Agreement.

Mandatory Sinking Fund Redemption. The Certificates maturing on November 1, 2039, are subject to mandatory redemption in part on November 1 in each year on and after November 1, 2037, to and including November 1, 2039, from the principal components of scheduled Lease Payments required to be paid by the District pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Sinking Fund Redemption Date (November 1)	Principal Amount of Certificates to be Redeemed
2037	\$205,000
2038	215,000
2039†	220,000

†Maturity.

Extraordinary Redemption. The Certificates are subject to extraordinary redemption, in whole or in part, on any Interest Payment Date, in an order of maturity determined by the District, from the Net Proceeds of insurance or eminent domain proceedings credited towards the redemption of the Lease Payments pursuant to the Lease Agreement, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest represented thereby to the date fixed for redemption, without premium.

Selection of Certificates for Redemption. Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all of the Outstanding Certificates are to be redeemed, the Trustee will select Certificates for redemption from the Outstanding Certificates not previously called for redemption in such order of maturity as will be designated by the District (and, in lieu of such designation, *pro rata* among maturities) and by lot within a maturity. The Trustee will select Certificates for redemption within a maturity by lot in any manner which the Trustee will, in its sole discretion, deems appropriate. For purposes of such selection, Certificates will be deemed to be composed of \$5,000 portions and any such portion may be separately redeemed. The Trustee will promptly notify the District in writing of the Certificates so selected for redemption. Selection by the Trustee of Certificates for redemption will be final and conclusive.

Notice of Redemption. Unless waived in writing by any Owner of a Certificate to be redeemed, notice of any such redemption will be given by the Trustee on behalf and at the expense of the District, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least 20 days and not more than 60 days prior to the date fixed for redemption, to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Registration Books or at such other address as is furnished in writing by such Owner to the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice will affect the sufficiency of the proceedings for the redemption of the Certificates.

Any notice of optional redemption of the Certificates may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Certificates; (iii) the redemption shall be cancelled and (iv) the Trustee shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. The actual receipt by the owner of any Certificates of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

Effect of Redemption. If notice of redemption has been given as described above, the Certificates or portions of Certificates so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date, interest with respect to such Certificates or portions of Certificates will cease to be payable.

Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee will execute and deliver to the Owner thereof a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Transfer and Exchange of Certificates

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his or her attorney duly authorized in writing upon surrender of such Certificate for cancellation at the Principal Corporate Trust Office, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The District shall pay any costs of the Trustee incurred in connection with such transfer, except that the Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer (i) any Certificates or portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificates selected for redemption.

Certificates may be exchanged, upon surrender thereof, at the Principal Corporate Trust Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. Whenever any Certificate or Certificates shall be surrendered for exchange, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The District shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to exchange (i) any Certificate or any portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificate selected for redemption.

Book-Entry Only System

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the District or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX E—DTC'S BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the District will cause the Trustee to execute and deliver replacements in the form of registered certificates and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request will remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

SOURCE OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, undivided fractional interest in the Lease Payments. Pursuant to the Lease Agreement, the District will lease the Property from the Corporation and agree to make Lease Payments. See "PROPERTY." Upon satisfaction of certain conditions set forth in the Lease Agreement, the District may substitute the Property with other properties. See "Substitution of Site or Facility" below.

As security for the Certificates, the Corporation will assign to the Trustee for the payment of principal and interest with respect to the Certificates, the Corporation's rights, title and interest in the Lease Agreement (with certain exceptions), including the right to receive Lease Payments to be made by the District under the Lease Agreement. The Lease Payments are designed to be sufficient, in both time and amount, to pay when due, the principal and interest with respect to the Certificates. The Lease Payments are payable by the District from any source of available funds.

THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Lease Payments; Covenant to Appropriate

Pursuant to the Lease Agreement, the District has agreed to make Lease Payments for the lease of the Property which are calculated to be sufficient to pay principal and interest due with respect to the Certificates. The District will also pay as additional payments (“Additional Payments”), amounts required for the payment of all costs and expenses incurred by the District to comply with the provisions of the Trust Agreement and the Lease Agreement or in connection with the execution and delivery of the Certificates. The District has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments and Additional Payments in its annual budget and to make the necessary annual appropriations for all such payments. Under certain circumstances described under the Lease Agreement, however, Lease Payments are subject to abatement during periods of substantial interference with the District’s use and occupancy of the Property or any portion thereof. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Abatement.”

Insurance

The District is required to keep or cause to be kept casualty insurance against loss or damage by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, in an amount at least equal to one hundred percent (100%) of the replacement cost of the Property. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. The District is not required by the Lease Agreement to maintain earthquake coverage with respect to the Property and the District does not expect to purchase such coverage.

To insure against loss of rental income caused by perils mentioned above, the District is required to maintain, or cause to be maintained throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property as a result of any of the hazards described above in an amount equal to two times the maximum annual Lease Payments.

Public liability and property damage insurance coverage is required in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District and may be maintained in the form of insurance maintained through a nonprofit, public benefit corporation created for such purpose or, with the prior written consent of the Municipal Bond Insurer, in the form of self-insurance by the

District. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

The District shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, a CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the District's leasehold estate in the Property, subject only to Permitted Encumbrances.

See APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Insurance.

Abatement

Pursuant to the Lease Agreement, Lease Payments will be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof (other than certain portions of the Property which have been modified by the District as described in the Lease Agreement) to the extent to be agreed upon by the District and the Corporation and communicated by a District Representative to the Trustee. The parties agree that amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in an exhibit attached to the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed (giving due consideration to the factors identified related to fair rental value as discussed in the Lease Agreement), based upon the opinion of an MAI appraiser with expertise in valuing such properties, or based upon any other appropriate method of valuation, in which event the Lease Payments will be abated such that they represent said fair rental value. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a District Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there will be no abatement of Lease Payments under the Lease Agreement to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Reserve Fund and/or the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance," APPENDIX D—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Insurance and APPENDIX D—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Abatement of Lease Payments in the Event of Damage or Destruction.

Eminent Domain

Pursuant to the Lease Agreement, if all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if all of the Property or any part thereof is taken temporarily under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments under the Lease Agreement, in an amount to be agreed

upon by the District and the Corporation and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds, such as amounts in the Reserve Fund available for the payment of Lease Payments. The Net Proceeds of such eminent domain award are required to be applied to the redemption of Certificates as provided in the Lease Agreement and the Trust Agreement.

Reserve Fund

The Trust Agreement provides that the Trustee will establish and maintain a reserve fund (the “Reserve Fund”) equal to the “Reserve Requirement.” On the date of Delivery of the Certificates, in lieu of a cash deposit to the Reserve Fund, the Municipal Bond Insurer will issue the Reserve Policy, in an amount equal to the Reserve Requirement. “Reserve Requirement” means an amount equal to the least of maximum annual Lease Payment, 125% of average annual Lease Payments and 10% of the principal amount of the Certificate, which amount shall be \$229,000 on the Closing Date. The amount of the Reserve Requirement shall not be reduced unless the Certificates are partially refunded, in which such amount shall be reduced to an amount equal to the maximum annual Lease Payments relating to the Certificates not so refunded.

Optional Prepayment

Pursuant to the Lease Agreement, the District has an option to prepay the principal components of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, together with the premium set forth for the redemption of Certificates. See “THE CERTIFICATES—Redemption—Optional Redemption.”

Said option may be exercised with respect to Lease Payments due on and after October 15, 2028, in whole or in part on any Lease Payment Date, commencing October 15, 2027. Said option shall be exercised by the District by giving written notice to the Corporation and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date (or such fewer number of days as shall be acceptable to the Trustee). In the event of prepayment in part, the partial prepayment will be applied against Lease Payments in such order of payment date as will be selected by the District. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the District to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Corporation in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Mandatory Prepayment from Net Proceeds of Insurance, Title Insurance or Eminent Domain

The District will be obligated to prepay the principal component of Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Agreement Payment Fund for such purpose pursuant to the Lease Agreement and the Trust Agreement. The District and the Corporation agree that such Net Proceeds will be applied first to the payment of any delinquent Lease Payments, and thereafter will be credited towards the District’s obligations under the mandatory prepayment provisions of the Lease Agreement. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by,

or caused to be provided by, the District to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. See “THE CERTIFICATES—Redemption—Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award.”

Substitution or Release of Site or Facility

Substitution of Site or Facility. The District shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a “Substitute Site”) and/or a substitute facility (a “Substitute Facility”) for the Site (the “Former Site”), or a portion thereof, and/or the Facility (the “Former Facility”), or a portion thereof, provided that the District shall satisfy all of the following requirements (to the extent applicable) which are declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The District shall certify in writing to the Corporation, the Trustee and the Municipal Bond Insurer that such Substitute Site and/or Substitute Facility serve the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the District is permitted to lease under the laws of the State;

(vi) The District delivers to the Corporation, the Trustee and the Municipal Bond Insurer an Officer’s Certificate of the District based on insurance values or any other reasonable basis of valuation received by the District (which need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement, as evidenced by an officer’s certificate delivered to the Trustee;

(viii) The District shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The District shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation;

(x) The District shall furnish the Corporation, the Trustee and the Municipal Bond Insurer with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes; and

(xi) The Municipal Bond Insurer shall provide prior written consent to such substitution.

Release of Site. The District shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the District shall satisfy all of the following requirements which are declared to be conditions precedent to such release:

(i) The District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which describes the Site, as revised by such release;

(iii) The District delivers to the Corporation, the Trustee and the Municipal Bond Insurer an Officer's Certificate of the District based on insurance values or any other reasonable basis of valuation received by the District (which need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iv) Such release shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Trustee;

(v) The District shall obtain an amendment to the title insurance policy required pursuant to the Site and Facilities Lease which describes the Site, as revised by such release;

(vi) The District shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation; and

(vii) The Municipal Bond Insurer shall provide prior written consent to such release.

Release of Facility. The District shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Facility, provided that the District shall satisfy all of the following requirements which are declared to be conditions precedent to such release:

(i) The District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which describes the Facility, as revised by such release;

(ii) The District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which describes the Facility, as revised by such release;

(iii) The District delivers to the Corporation, the Trustee and the Municipal Bond Insurer an Officer's Certificate of the District based on insurance values or any other reasonable basis of valuation received by the District (which need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Facility, as revised by such release;

(iv) Such release shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement, as evidenced by an officer's certificate delivered to the Trustee;

(v) The District shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation; and

(vi) The Municipal Bond Insurer shall provide prior written consent to such release.

Generally. The Corporation and the District may at any time amend or modify any of the provisions of the Lease Agreement, but only (i) with the prior written consent of the Municipal Bond Insurer, or if the Municipal Bond Insurer is in breach of its obligation under the Municipal Bond Insurance Policy or the Reserve Policy, the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (ii) without the consent of any of the Owners, but with the prior written consent of the Municipal Bond Insurer, but only if such amendment or modification is for any one or more of the following purposes:

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

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, or in any other respect whatsoever as the Corporation and the District may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

Concurrently with the issuance of the Certificates, the Municipal Bond Insurer will issue the Municipal Bond Insurance Municipal Bond Insurance Policy for the Certificates. The Municipal Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Municipal Bond Insurance Policy included as APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

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

Municipal Bond Insurer

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

The Municipal Bond Insurer is wholly owned by Municipal Assurance Holdings Inc., which, in turn, is owned 61% by Assured Guaranty Municipal Corp. and 39% by Assured Guaranty Corp.

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

Current Financial Strength Ratings

On June 27, 2019, S&P announced it had affirmed the Municipal Bond Insurer’s financial strength rating of “AA” (stable outlook). The Municipal Bond Insurer can give no assurance as to any further ratings action that S&P may take.

On July 12, 2018, KBRA announced it had affirmed the Municipal Bond Insurer’s financial strength rating of “AA+” (stable outlook). The Municipal Bond Insurer can give no assurance as to any further ratings action that KBRA may take.

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

Capitalization of the Municipal Bond Insurer

As of March 31, 2019, the Municipal Bond Insurer’s policyholders’ surplus and contingency reserve were approximately \$526 million and its unearned premium reserve was approximately \$183 million, in each case, determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to the Municipal Bond Insurer are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

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

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

Miscellaneous Matters

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

COLUSA COUNTY INVESTMENT POOL

In accordance with Section 41001 of the California Education Code, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer-tax collector serves as ex officio treasurer for those school districts located within the county. Each treasurer-tax collector has the authority to invest school district funds held in the county treasury. Generally, the treasurer-tax collector pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis.

Each treasurer-tax collector is required to invest funds, including those pooled funds described above, in accordance with Section 53601 et seq. of the California Government Code. In addition, each treasurer-tax collector is required to establish an investment policy which may impose further limitations beyond those required by the California Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the Treasurer-Tax Collector, 546 Jay Street, Suite 202, Colusa, California 95932, Phone (530) 458-0400. It is not intended that such information be incorporated into this Official Statement by such references.

THE DISTRICT

General Information

The District provides pre-k and kindergarten through twelfth grade education within an approximately 256.67 square mile area, including the City and certain unincorporated county lands in the County. The District is governed by the five-member District Board which is elected in alternating four-year terms. The chief executive officer of the District is the Superintendent, who is appointed by the District Board. The District operates one elementary school (TK-3), one upper elementary school (4-6), one junior/high school (7-12) and one continuation high school. The District is under the authority of the Colusa County Office of Education.

Board of Trustees and Administration

The District is governed by a five-member District Board, each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions.

<u>District Board Member</u>	<u>Office</u>	<u>Current Term Expires (November)</u>
Silvia Vaca	President	2022
George W. Simmons, Jr.	Vice President	2020
Ana Leos-Vera	Boardmember	2022
Yareli Mora	Boardmember	2020
Maryah Stoots	Boardmember	2020

The administrative staff of the District includes Superintendent Dr. Edgar Lampkin and Director of Fiscal Services and Accountability Mechele Coombs.

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts. Commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaced the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The new formula for school funding is known as the “Local Control Funding Formula” (the “Local Control Funding Formula” or “LCFF”). The State budget provided funding in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a base rate per student multiplied by the school district’s average daily attendance (“ADA”) for each of several grade levels. The base rates are augmented by several funding supplements such as for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; and (2) school districts with high concentrations of English learners and lower income families. The new funding system requires school districts to develop local control and accountability plans describing how the school district intends to educate its students and achieve annual education goals to be achieved in state-mandated areas of priority.

Under the prior system, California Education Code Section 42238 and following, each school district was determined to have a target funding level: a “base revenue limit” per student multiplied by the school district’s ADA. The base revenue limit was calculated from the school district’s prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district’s base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This was referred to as State “equalization aid.” To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State’s contribution. A school district whose local property tax revenue exceeds its base revenue limit

is entitled to receive no State equalization aid, and receives only its special categorical aid, which is deemed to include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as “basic aid districts,” which are now referred to as “community funded districts.” School districts that received some equalization aid were commonly referred to as “revenue limit districts,” which are now referred to as “LCFF districts.” The District is a LCFF district.

The Local Control Funding Formula is also based on ADA. ADA can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in ADA will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

Average Daily Attendance

In the past, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Prior to Fiscal Year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in Fiscal Year 1998-99, only actual attendance is counted in the calculation of ADA. This change was essentially fiscally neutral for school districts which maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. After Fiscal Year 1998-99, school districts which improved their actual attendance rate received additional funding.

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The following table shows the District’s enrollment, ADA and LCFF Revenues for the most recent fiscal years.

AVERAGE DAILY ATTENDANCE, LCFF AND ENROLLMENT Fiscal Years 2014-15 to 2018-19

Fiscal Year	Average Daily Attendance ⁽¹⁾	LCFF Revenues ⁽²⁾	Enrollment ⁽³⁾
2014-15	1,298	\$10,607,721	1,377
2015-16	1,263	12,335,147	1,345
2016-17	1,277	13,001,259	1,382
2017-18	1,242	13,438,525	1,346
2018-19 ⁽⁴⁾	1,223	14,048,068	1,335

Source: Williams Unified School District

- (1) Except for fiscal year 2018-19, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.
- (2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State’s practice of deficit revenue limit funding was most recently reinstated beginning in Fiscal Year 2008-09 and discontinued following the implementation of the LCFF.
- (3) Except for fiscal year 2018-19, enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”) in each school year.
- (4) As projected in the District’s 2018-19 Second Interim report, adopted March 14, 2019.

Effect of Changes in ADA. Changes in local property tax income and student enrollment (or ADA) affect community funded districts and revenue limit districts, now known as “LCFF districts,” differently. In a LCFF district increasing enrollment increases the amount allocated under LCFF and thus generally increases a district’s entitlement to State aid, while increases in property taxes do nothing to increase district revenues, but only offset the State aid funding requirement. Operating costs typically increase disproportionately slower than enrollment growth until the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State aid, while operating costs typically decrease slowly until the district decides to lay off teachers, close schools, or initiate other cost-saving measures.

In community funded districts the opposite is generally true: increasing enrollment does increase the amount allocated under LCFF, but since all LCFF income (and more) is already generated by local property taxes, there is typically no increase in State income. New students impose increased operating costs, but typically at a slower pace than enrollment growth, and the effect on the financial condition of a community funded district would depend on whether property tax growth keeps pace with enrollment growth. Declining enrollment typically does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

For LCFF districts, such as the District, any loss of local property taxes is made up by an increase in State aid. For community funded districts, the loss of tax revenues is not reimbursed by the State.

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

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State’s ability to meet the revenue and spending assumptions in the State’s adopted budget, and the effect of these changes on school finance. The District’s Second Interim report and projected ADA are used for planning purposes only, and do not represent a prediction as to the actual financial performance, attendance, or the District’s actual funding level for fiscal year 2018-19 or beyond. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

District Budget

State Budgeting Requirements. The District is required by the 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. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets’ ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill

2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

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

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 boards must be notified by August 15 of the county 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 September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be 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. No later than October 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. 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 Reporting. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and 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 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 two subsequent fiscal years.

The District's Second Interim report for fiscal year 2018-19 was certified as "Positive." The District has not received a qualified or negative certification in any of the last five years.

Accounting Practices

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

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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

Financial Statements

The District's general fund finances the basic operating activities of the District. 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, 499 Marguerite Street, Suite C, Williams, CA 95987, telephone number (530) 473-2550. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018.

The following table shows the District's audited revenues, expenditures and changes in fund balances for the past three fiscal years, estimated actuals for 2018-19 and budgeted projections from the District's 2019-20 Budget.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2015-16 to 2019-20

	FY2015-16 Audited	FY2016-17 Audited	FY2017-18 Audited	FY2018-19 ⁽¹⁾ Estimated Actuals	FY2019-20 Budgeted
REVENUES					
Revenue Limit/LCFF Sources	\$ 12,335,147	\$ 13,001,259	\$ 13,438,525	\$ 14,048,068	\$ 14,493,834
Federal Sources	213,855	420,477	950,633	1,486,453	1,372,190
Other State Sources	1,827,152	1,488,496	1,537,214	1,475,426	1,112,382
Other Local Sources	266,750	460,673	151,951	421,391	187,247
Total Revenues	14,642,904	15,370,905	16,078,323	17,431,338	17,165,653
EXPENDITURES					
Certificated Salaries	5,727,250	6,128,838	6,471,063	6,246,137	6,698,554
Classified Salaries	1,963,343	1,962,503	2,003,584	1,968,717	2,107,781
Employee Benefits	2,474,226	2,768,327	3,189,396	3,336,116	3,717,625
Books and Supplies	884,381	812,355	863,334	1,154,652	733,715
Contract Services	1,234,809	1,706,438	2,194,555	2,272,476	2,204,327
Capital Outlay	264,873	314,935	284,043	637,051	163,422
Other Outgo	726,599	752,407	838,197	1,407,448	1,403,142
Debt Service - Principal	60,110	464,061	341,655	-	-
Debt Service - Interest	-	-	131,824	-	-
Total Expenditures	13,335,591	14,909,864	16,317,651	17,022,597	17,028,566
Excess (Deficiency) of Revenues over Expenditures	1,307,591	461,041	(239,328)	408,741	137,087
OTHER FINANCING SOURCES					
Operating transfers in	26,004	48,621	52,284	-	-
Operating transfers out	(347,876)	(118,824)	(223,615)	(260,629)	(250,000)
Other sources	-	-	55,069	-	-
Total financing sources (uses)	(321,872)	(70,203)	(116,262)	(260,629)	(250,000)
Net change in fund balances	985,441	390,838	(355,590)	148,112	(112,913)
Fund Balance, July 1	3,566,421	4,551,862	4,942,700	4,004,407 ⁽²⁾	4,152,519 ⁽²⁾
Fund Balance, June 30	4,551,862	4,942,700	4,587,110	4,152,519 ⁽²⁾	4,039,606 ⁽²⁾

Source: Williams Unified School District 2014-2018 audited financial statements and the District's 2019-20 Budget, adopted June 12, 2019.

(1) Fund balances for 2018-19 and 2019-20 do not include the following funds otherwise included in General Fund Balances for 2014-15 through 2017-18: Fund 14 and Fund 20.

District Revenues

The District's audited financial statements for the year ending June 30, 2018, are reproduced in Appendix B. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves, including a “reserve for economic uncertainty” equal to no less than 3% of general fund expenditures and other financing uses. For fiscal year 2019-20, the District has budgeted \$521,887 for its reserve for economic uncertainty. Substantially all funds of the District are required by law to be deposited with and invested by the County Treasurer-Tax Collector on behalf of the District, pursuant to law and the investment policy of the County. See “INVESTMENT OF DISTRICT FUNDS” in the front portion of this Official Statement.

Local Control Funding Formula. The State Constitution requires that from all State revenues there will be funds set aside to be allocated by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from these State allocations. The general operating income of school districts in California is comprised of two major components: (i) a State portion funded from the State’s general fund, and (ii) a local portion derived from the School District’s share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical and grant funding from State and federal government programs.

As part of the State Budget for Fiscal Year 2013-14 (the “2013-14 State Budget”), State Assembly Bill 97 (Stats. 2013, Chapter 47) (“AB 97”) was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013 Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district’s student demographic. Each school district and charter school will receive a base grant per its ADA used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years. Beginning in fiscal year 2013-14 an annual transition adjustment has been calculated for each individual school district, equal to such district’s proportionate share of appropriations included in the State Budget. The Governor’s Department of Finance estimates the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by 2018-19.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to \$7,643 per unit of ADA (by the end of the implementation period). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site by the target year so as to continue receiving its adjustment to the K-3 base grant.
- A 20% supplemental grant for students classified as English learners (“EL”), those eligible to receive a free or reduced price meal (“FRPM”) and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an “unduplicated count.”

- An additional concentration grant equal to 50% of a local education agency’s base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district’s or charter school’s total enrollment.

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for the most recent fiscal years.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2014-15 through 2018-19

Fiscal Year	Average Daily Attendance				Total District ADA	Total District Enrollment ⁽²⁾	% of EL/LI Enrollment ⁽³⁾
	K-3	4-6	7-8	9-12			
2014-15	445.50	270.71	176.13	362.63	1,254.97	1,377	86.5%
2015-16	433.89	296.06	173.54	359.91	1,263.40	1,345	87.3
2016-17	434.56	313.45	174.05	354.57	1,276.63	1,368	88.0
2017-18	407.23	303.53	187.21	344.24	1,242.21	1,346	89.9
2018-19 ⁽⁴⁾	368.57	303.16	205.49	346.34	1,223.56	1,335	91.3

Source: Williams Unified School District

(1) Reflects P-2 ADA.

(2) Reflects CBEDS enrollment.

(3) For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students will be based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(4) As projected in the District’s 2018-19 Second Interim report, adopted March 14, 2019.

Of the more than \$25 billion in funding to be invested through the LCFF through full implementation of the LCFF, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 State Budget, the target average base grant was \$7,643, which was an increase of \$2,375 from the prior year’s average revenue limit. Base grants are adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be 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. 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 and restoration of categorical funding to pre-recession levels. The sum of a school district’s adjusted base, supplemental and concentration grants will be multiplied by such district’s Second Principal Apportionment (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 categorical block grant add-ons, will yield a school 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 the individual school district’s share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State

apportionments. As a result, decreases in State revenues in a particular year may significantly affect appropriations made by the State Legislature to school districts.

The new legislation includes a “hold harmless” provision which provides that a school district or charter school will maintain total revenue limit and categorical funding at its Fiscal Year 2012-13 level, unadjusted for changes in ADA, or cost of living adjustments.

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors (“unduplicated” count) is shown below:

**CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS
GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION
LOCAL CONTROL TARGET FUNDING FORMULA 2018-19**

Grade Levels	2017-18 Base Grants per ADA	2018-19 “Super COLA” (3.70%)	Grade Span Adjustments	2018-19 Grant/Adjusted Base Grant per ADA
K-3	\$7,193	\$266	\$776	\$8,235
4-6	7,301	270	n/a	7,571
7-8	7,518	278	n/a	7,796
9-12	8,712	322	235	9,269

Source: California Department of Education

Since July 1, 2015, school districts have been required to develop a three-year Local Control and Accountability Plan (each, a “LCAP”). County Superintendents of Schools and the State Superintendent of Public Instruction review and provide support to school districts and county offices of education under their jurisdictions. In addition, the 2013-14 State budget created the California Collaborative for Education Excellence (the “Collaborative”) to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to school district or county office’s local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce a dash board system for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Federal Sources. 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 Education for Economic Security, and the free and reduced lunch program.

Other State Sources. In addition to LCFF revenues, the District receives substantial other State revenues. The LCFF replaced most of the State categorical program funding that existed prior to Fiscal Year 2013-14. Categorical funding for certain programs was excluded from the LCFF, and school districts

continue to receive restricted State revenues to fund these programs. These other State revenues are primarily restricted revenue funding items such as the Special Education Master Plan, Economic Impact Aid, and Tier 3 Funding.

Other State revenues include 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.

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

Recent State Budgets

Information regarding the State Budget is regularly available at various State-maintained websites. The Fiscal Year 2018-19 State Budget and 2019-20 Proposed State Budget further described below may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” Additionally, an impartial analysis of the State’s Budgets is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes. State funds typically make up the majority of a district’s LCFF allocation, although Community Funded school districts derive most of their revenues from local property taxes. School districts also receive some funding from the State for certain categorical programs. The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS”), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

2018-19 State Budget

On June 28, 2018, Governor Jerry Brown approved the final 2018-19 State Budget (the “2018-19 Budget”), a \$201.4 billion plan which includes funding of \$97.2 billion (\$56.1 billion General Fund and \$41.1 billion other funds) for K-12 education programs and a \$6.16 billion increase in one-time and ongoing appropriations for K-12 school districts in Fiscal Year 2018-19. The 2018-19 Budget also includes \$500 million in grants for cities to use to address homelessness and anticipates placing the \$2 billion ‘No Place Like Home’ bond on the November 2018 ballot to accelerate the delivery of housing projects to serve individuals with mental illness. Altogether, the 2018-19 Budget includes \$5 billion related to affordable housing and homelessness, across multiple State departments and programs and increases the value of welfare grants through the CalWORKS program by approximately \$360 million. The 2018-19 Budget also includes \$79 million for programs to help those in the U.S. illegally by funding legal services programs and assistance for young adults who signed up with the Deferred Action for Childhood Arrivals program.

For K-12 schools, the 2018-19 Budget provides an increase in funding levels of approximately \$4,633 per student over Fiscal Year 2011-12 levels and notes that available funding will allow the State to reach 100-percent implementation of the LCFF. In an effort to improve student achievement and transparency, the 2018-19 Budget requires school districts to create a link between their local accountability plans and their budgets to show how increased funding is being spent to support English learners, students from low-income families, and youth in foster care. The 2018-19 Budget also provides \$300 million to school district targeting improvements for the State’s lowest performing students, and includes \$82.8 million in specific funding for K-12 accountability measures including the following:

- *Statewide System of Support.* \$57.8 million Proposition 98 General Fund for county offices of education to provide technical assistance to school districts.
- *Multi-Tiered Systems of Support (“MTSS”).* \$15 million one-time Proposition 98 General Fund to expand the state’s MTSS framework.
- *Community Engagement Initiative.* \$13.3 million one-time Proposition 98 General Fund for the California Collaborative for Educational Excellence.
- *Special Education Local Plan Area (“SELPA”) Technical Assistance.* \$10 million Proposition 98 General Fund for SELPAs to assist county offices of education in providing technical assistance.

In addition, the 2018-19 Budget includes the following features affecting K-12 school districts:

- *Classified School Employee Summer Assistance Program.* \$50 million one-time Proposition 98 General Fund to provide State matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the school year and then paid during the summer recess period.
- *Classified School Employee Professional Development Block Grant Program.* \$50 million one-time Proposition 98 General Fund for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- *English Language Proficiency Assessment for California (“ELPAC”).* \$27.1 million one-time Proposition 98 General Fund 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 General Fund to reflect increases in programmatic costs.
- *Kids Code After School Program.* \$15 million one-time Proposition 98 General Fund to increase opportunities for students in after-school programs to access computer coding education.
- *Fire-Related Support.* \$4.4 million Proposition 98 General Fund over two years in property tax relief to schools impacted by the fires in Northern and Southern California in 2017, and an additional \$25 million Proposition 98 General Fund relief through the LCFF.
- *Local Solutions Grant Program.* \$50 million one-time Proposition 98 General Fund to provide one-time competitive grants to local educational agencies to develop and implement new, or expand existing, locally identified solutions that address a local need for special education teachers.
- *Teacher Residency Grant Program.* \$75 million one-time Proposition 98 General Fund to support locally sponsored, one-year intensive, mentored, clinical teacher preparation programs with \$50 million aimed at preparing and retaining special education teachers and \$25 million aimed at bilingual and science, technology, engineering and mathematics teachers.

2019-20 Proposed State Budget

On January 10, 2019, Governor Gavin Newsom released his proposed State budget for Fiscal Year 2019-20 (the “2019-20 Proposed State Budget”). The \$209 billion 2019-20 Proposed State Budget represents a 4 percent increase over the previous year. According to analysis of the 2019-20 Proposed State Budget by the Legislative Analyst’s Office (the “LAO Analysis”), lower-than-expected state spending on health and human services programs during the 2018-19 fiscal year lead to an additional \$20.6 billion in available discretionary resources for Governor Newsom to allocate in 2019-20. According to the LAO Analysis, the 2019-20 Proposed State Budget will spend nearly half of these resources, \$9.7 billion, to pay down certain state liabilities, including unfunded retirement liabilities and budgetary debts; \$5.1 billion—25 percent—on one-time or temporary programmatic spending and \$3 billion—15 percent—on discretionary reserves.

The LAO Analysis of the 2019-20 Proposed State Budget estimates that revenues will grow by \$5.1 billion (3.6 percent) compared to 2018-19, a growth rate consistent with recent years. Spending is projected to remain flat compared to the prior year, though the 2019-20 Proposed State Budget attributes at least \$7 billion in certain debt repayment proposals to the 2018-19 fiscal year. The 2019-20 Proposed State Budget calls for putting \$1.8 billion into the state’s rainy-day fund, which would increase it to a total of \$15.3 billion.

The 2019-20 Proposed State Budget includes a record \$80.7 billion for K-12 education. Proposition 98 K-12 per-pupil funding is increased to \$12,003, up from \$11,568 in 2018-19. LCFF funding is set at approximately \$63 billion, representing a 3.46-percent cost-of-living adjustment over the prior year. Significant new K-12 related expenditures include \$125 million in funding to increase access to full-day preschool, \$750 million to fund more all-day kindergarten programs and a \$3 billion one-time payment to trim school districts’ pension costs, which is estimated to save school districts an estimated \$6.9 billion over

30 years. The 2019-20 Proposed State Budget also provides \$750 million for schools to build or retrofit classrooms to provide full-day kindergarten programs. The 2019-20 Proposed State Budget also includes the following adjustments to K-12 related expenditures relative to prior years:

- *School District Declining Average Daily Attendance*—A decrease of \$388 million Proposition 98 General Fund in 2018-19 for school districts resulting from a decrease in projected average daily attendance from the 2018 Budget Act, and a decrease of \$187 million Proposition 98 General Fund in 2019-20 for school districts resulting from a further projected decline in average daily attendance for 2019-20.
- *Local Property Tax Adjustments*—A decrease of \$283 million Proposition 98 General Fund 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 Proposition 98 General Fund for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes.
- *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. Total costs for Stage 2 and 3 are \$597 million and \$482.2 million, respectively.
- *Full-Year Implementation of Prior Year State Preschool Slots*—An increase of \$26.8 million Proposition 98 General Fund 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*—An increase of \$9 million Proposition 98 General Fund to reflect a 3.46-percent cost-of-living adjustment and average daily attendance changes applicable to the LCFF.
- *Instructional Quality Commission*—An increase of \$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.

2019-20 Proposed State Budget—May Revision

On May 9, 2019, the Governor released his May Revision (the “May Revision”) to the 2019-20 Proposed Budget. The following information is drawn from the summaries of the provisions of the May Revision.

The May Revision projects that state revenues will outpace expectations by \$3.2 billion relative to the 2019-20 State Budget proposed in January (the “January 2019-20 Proposed Budget”), however most of the increased revenues are constitutionally obligated to reserves, debt repayment, and schools. The May Revision overall budget surplus remains relatively unchanged. The May Revision recognizes slower growth in the state’s economy but does not predict a recession. Given the slowing economic forecast and the intensified risks, the May Revision proposes to sunset certain program expansions at the end of December 31, 2021. This includes programs in which the growth of expenditures continues to outpace long-term revenue growth. The May Revision allocates \$15 billion to building budgetary resiliency and paying down the state’s unfunded liabilities—\$1.4 billion higher than in the January 2019-20 Proposed Budget. This includes \$4.5 billion to eliminate debts and reverse deferrals, \$5.7 billion to build reserves, and \$4.8 billion to pay down unfunded retirement liabilities. The May Revision proposes to expand the Earned Income Tax

Credit (EITC) to include an additional \$210 million in state funding. A Cost-of-Living Refund will help low-income families with young children by expanding the additional credit proposed in January from \$500 to \$1,000. The May Revision also provides for monthly advanced payments contingent on a federal waiver to ensure participants do not lose federal benefits.

The 2019-20 Proposed State Budget established the goal to expand California's Paid Family Leave program so newborns can be cared for by a parent or close relative for the first six months of the child's life. The May Revision proposes to further this goal by expanding paid family leave for each parent from six to eight weeks which adds an additional month of paid leave for two-parent families allowing up to a combined four months of leave after the birth or adoption of their child. The May Revision invests an additional \$150 million over the January 2019-20 Proposed Budget for a total of \$650 million one-time to support local governments on the frontline combating the state's ongoing homelessness epidemic. The May Revision also includes additional funding to expand the whole person care pilot projects to additional counties and makes a major investment in workforce, education, and training of mental health professionals. In total, the May Revision includes \$1 billion to prevent and mitigate the homelessness epidemic.

Significant revisions made to the 2019-20 Proposed Budget relating to K-12 Education. The May Revision includes total funding of \$101.8 billion (\$58.9 billion General Fund and \$42.9 billion other funds) for all K-12 education programs. The May Revision increases the ongoing funding of K-12 education by over \$300 million compared to the January 2019-20 Proposed Budget. Modifications to the January Proposed 2019-20 Budget contained in the May Revision include the following:

- *Proposition 98 Funding* - Total K-14 Proposition 98 funding at May Revision is \$75.6 billion in 2017-18, \$78.1 billion in 2018-19, and \$81.1 billion in 2019-20. Relative to the January 2019-20 Proposed Budget, Proposition 98 funding at May Revision is up by \$78.4 million in 2017-18, \$278.8 million in 2018-19, and \$389.3 million in 2019-20. This assumes that average daily attendance continues to decline slightly. These changes are largely due to increases in General Fund revenues over the January Proposed 2019-20 Budget (\$2 billion in 2018-19 and \$1.6 billion in 2019-20), an increase in the minimum guarantee funding level in 2017-18 due to increases in prior year apportionment costs, and a slightly slower decline in average daily attendance than projected in the January 2019-20 Proposed Budget.
- *Special Education* - The May Revision proposes to allocate \$696.2 million ongoing Proposition 98 General Fund for special education. This is \$119.2 million more than was proposed in the January Proposed 2019-20 Budget and is a 21-percent year-over-year increase in state funding for services for students with disabilities. The May Revision also includes \$500,000 one-time non-Proposition 98 General Fund 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.
- *Retaining and Supporting Educators* - The May Revision includes \$89.8 million one-time non-Proposition 98 General Fund to provide an estimated 4,500 loan assumptions (repayments) of up to \$20,000 for newly credentialed teachers to work in high-need schools for at least four years. Funds will be prioritized for teachers in hard-to-hire subject matter areas (special education and STEM) and school sites with the highest rates of non-credentialed or waiver teachers. Additionally, the May Revision includes \$44.8 million one-time non-Proposition 98 General Fund to provide training and resources for classroom educators, including teachers and paraprofessionals, to build capacity around inclusive practices, social emotional learning,

computer science, and restorative practices as well as subject matter competency, including STEM. Finally, the May Revision includes \$13.9 million ongoing federal funds for professional learning opportunities for public K-12 school administrators to provide the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.

- *Computer Science* - The May Revision includes \$15 million one-time non-Proposition 98 General Fund for broadband infrastructure and \$1 million one-time non-Proposition 98 General Fund, available over four years, to the State Board of Education to establish a state Computer Science Coordinator.
- *CalSTRS* - The May Revision adds \$150 million one-time non-Proposition 98 General Fund to reduce the employer contribution rate to 16.7 percent in 2019-20.

For additional information regarding the May Revision, see the Department of Finance website at ebudget.ca.gov. The District can take no responsibility for the continued accuracy of the above-referenced internet address as for the or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference. The final fiscal year 2019-20 State budget, which will require approval by a majority vote of each house of the State legislature, may differ substantially from the May Revision. Accordingly, the District cannot predict the impact that the final fiscal year 2019-20 State budget, or subsequent State budgets, will have on its finances and operations.

On June 27, 2019, the Governor signed the final 2019-20 State Budget.

Future State Budgets

The District receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the District and other school districts in the State.

The District cannot predict the extent of the budgetary problems the State will encounter in this Fiscal Year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the District cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the District has no control.

Effect of State Budget on Revenues

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets, because the primary source of funding for school districts is LCFE funding, which is derived from a combination of State funds and local property taxes as previously described herein (see “—Education Funding Generally” above). The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS”), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education

funding may be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding generally. See “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS.”

District Expenditures

The largest part of each school district’s general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

Labor Relations. Currently the District employs 71.7 full-time equivalent (FTE) certificated employees and 35.1 FTE classified employees, and 14.7 management and confidential employees. There are two formal bargaining organizations operating in the District as detailed in the table below.

**LABOR ORGANIZATIONS
Williams Unified School District**

Labor Organization	Members	Contract Expiration
California Schools Employees Association	38	June 30, 2019
Williams Teacher Association	32	June 30, 2022

Source: Williams Unified School District

District Retirement Programs

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

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

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

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 (“AB 1469”) into law as a part of the State’s fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the “2014 Liability”), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

**MEMBER CONTRIBUTION RATES
STRS Defined Benefit Program**

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200%	8.560%
July 1, 2016	10.250%	9.205%
July 1, 2017	10.250%	9.205%
July 1, 2018	10.250%	10.250%

Source: AB 1469.

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

**K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS Defined Benefit Program**

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

Source: AB 1469.

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

adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District’s contribution to STRS for the most recent fiscal years was as follows:

<u>Fiscal Year</u>	<u>District STRS Contribution</u>
2014-15	\$ 433,994
2015-16	575,762
2016-17	723,721
2017-18	894,120
2018-19 ⁽¹⁾	1,437,249 ⁽²⁾
2019-20 ⁽¹⁾	1,536,582 ⁽²⁾

Source: Williams Unified School District.

(1) From the District’s 2019-20 Budget, adopted June 12, 2019.

(2) Includes State on-behalf of payment.

The State also contributes to STRS, currently in an amount equal to 7.328% of teacher payroll for fiscal year 2018-19. The State’s contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2019-20 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State’s contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the “SBPA”), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual COLA’s, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund (“PERF”). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014, included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19. Participants enrolled in PERS contribute at an actuarially determined rate, which is 7% of their respective salaries. See “—California Public Employees’ Pension Reform Act of 2013” herein.

The District’s contribution to PERS for the most recent fiscal years was as follows:

Fiscal Year	District PERS Contribution
2014-15	\$225,913
2015-16	252,463
2016-17	299,662
2017-18	326,946
2018-19 ⁽¹⁾	317,005
2019-20 ⁽¹⁾	426,541

Source: Williams Unified School District

(1) From the District’s 2019-20 Budget, adopted June 12, 2019.

For further information about the District’s contributions to STRS and PERS, see APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018—Note 6.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference. Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

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

STRS					
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA) ⁽²⁾	Unfunded Liability (MVA) ⁽²⁾⁽³⁾	Value of Trust Assets (AVA) ⁽⁴⁾	Unfunded Liability (MVA) ⁽⁴⁾
2010-11	\$ 208,405	\$ 147,140	\$ 68,365	\$ 143,930	\$ 64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

PERS					
Fiscal Year	Accrued Liability	Value of Trust Assets (MVA) ⁽²⁾	Unfunded Liability (MVA) ⁽²⁾⁽³⁾	Value of Trust Assets (AVA) ⁽⁴⁾	Unfunded Liability (MVA) ⁽⁴⁾
2010-11	\$ 58,358	\$ 45,901	\$ 12,457	\$ 51,547	\$ 6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	— ⁽⁵⁾	— ⁽⁵⁾
2014-15	73,325	56,814	16,511	— ⁽⁵⁾	— ⁽⁵⁾
2015-16	77,544	55,785	21,759	— ⁽⁵⁾	— ⁽⁵⁾
2016-17	84,416	60,865	23,551	— ⁽⁵⁾	— ⁽⁵⁾
2017-18	92,071	64,846	27,225	— ⁽⁵⁾	— ⁽⁵⁾

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

(1) Amounts may not add due to rounding.

(2) Reflects market value of assets.

(3) Excludes assets allocated to the SBPA reserve.

(4) Reflects actuarial value of assets.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. On February 1, 2017, the STRS Board adopted a new set of actuarial assumptions reflecting increasing life expectancies and current economic trends. These actuarial assumptions include, but are not limited to: (i) adopting a generational morality methodology to reflect past improvements in life expectancies, (ii) decreasing the investment rate of return from 8.25% for the June 30, 2016 STRS Actuarial Valuation to 7.00% for the June 30, 2017 STRS Actuarial Valuation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. According to the STRS Actuarial Valuation, as of June 30, 2017, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be sufficient to finance its obligations with a projected ending funded ratio in the 2045-46 fiscal year of 99.6%. This finding reflects the scheduled contribution increases specified in AB 1469 and is based on the valuation assumptions and the valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

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

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

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

California Public Employees’ Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees’ Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps

“pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (the “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 liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2018, are as shown in the following table.

Pension Plan	Net Pension Liability	Deferred Outflows Related to Pensions	Deferred Inflows Related to Pensions	Pension Expenses
STRS	\$ 9,830,721	\$ 3,266,739	\$ 2,085,109	\$ 1,901,825
PERS	4,044,654	1,269,586	304,792	543,779
Totals	<u>13,875,375</u>	<u>4,536,325</u>	<u>2,389,901</u>	<u>2,445,604</u>

Source: Williams Unified School District 2017-18 Audited Financial Statements

For additional information, see APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018—Note 6.

Other Post-Employment Benefits

Plan Description. The District’s governing board administers the Postemployment Benefits Plan (the “Plan”). The Plan is a single- employer defined benefit plan that is used to provide medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer,

and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Membership of the plan consisted of 10 inactive employees receiving benefits and 108 participating active employees as of June 30, 2017, the most recent actuarial valuation date.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB liability for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

OPEB LIABILITY
Fiscal Year 2017-18

Service cost	\$ 74,917
Interest on net OPEB obligation	39,349
Benefits payments	<u>(82,286)</u>
Increase in net OPEB obligation	31,980
Net OPEB obligation, beginning of the year	<u>1,128,964</u>
Net OPEB obligation, end of the year	<u>\$1,160,944</u>

Source: Williams Unified School District 2017-18 Audited Financial Statements

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

See also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 7.

District Debt Structure

Short Term Bonds. The District has no outstanding short-term debt.

General Obligation Bonds. The following table shows all of the District’s outstanding general obligation bonds.

Issue Date	Series	Final Maturity	Amount of Original Issue	Outstanding as of 6/1/19
8/23/2017	Election of 2016, Series A	2047	\$4,000,000	\$3,570,000
5/23/2018	Election of 2016, Series B	2047	4,000,000	4,000,000
Total			\$8,000,000	\$7,570,000

Concurrently with the delivery of the Certificates, the District plans to issue its General Obligation Bonds, Election of 2016, Series C, in the principal amount of \$3,000,000.

General Fund Obligations. On April 29, 2012, the District entered into a \$1,729,396.72 3.25% lease purchase agreement to refinance two prior leases entered into in 2004 and 2006 to finance capital projects. The lease term extends until October 28, 2019. The District’s obligations under the lease are payable from its general fund.

On January 29, 2014, the District entered into a \$2,885,000 QZAB lease. The lease financed solar installation and lighting, retrofits to install energy efficient lighting and building repair and rehabilitation, along with electrical distribution upgrades at Williams Junior Senior High School, Williams Upper Elementary School and Williams Elementary School. The District’s obligations under the lease are payable from its general fund.

On July 1, 2014, the District entered into a \$461,828 2.95% lease agreement to finance Prop 39 HVAC projects. The lease term extends until August 11, 2019. The District’s obligations under the lease are payable from its general fund.

On April 27, 2016, the District caused the execution and delivery of its \$3,490,000 Certificates of Participation (2016 Capital Improvement Project) (the “2016 COPs”) to finance the acquisition, construction, installation, improvement and equipping of various District facilities. The 2016 COPs mature on May 1, 2041. The District’s obligations with respect to the 2016 COPs of approximately \$196,000 annually are payable from its general fund. As of June 1, 2019, \$3,170,000 principal amount of the 2016 COPs remains outstanding.

PROPERTY TAXATION SYSTEM

Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of ad valorem property or other taxation. Each Certificate represents a fractional interest in the Lease Payments and prepayments to be made by the District under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor.

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 levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well. The District received

approximately 21% of its total Fiscal Year 2017-18 general fund operating revenues from local property taxes.

Local property taxation is the responsibility of various officers of the counties. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes according to the approved tax rolls. In addition, the treasurer-tax collector, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The SBE also assesses certain special classes of property, as described later in this section.

Method of Property Taxation

Under Proposition 13, an amendment to the California Constitution adopted in 1978 that added Article XIII A of the California Constitution, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership.

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each local agency's allocation in the following year. The availability of revenue from growth in the tax bases in such tax rate areas may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that

part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is “unsecured,” and is assessed on the “unsecured roll.” Secured property assessed by the SBE is commonly identified for taxation purposes as “utility” property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption 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 property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of one and one-half percent per month attaches to such taxes beginning the second month after the delinquent date, and on the first day of each month until paid. A county has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the delinquent 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 SBE. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution.

Certain classes of property, such as 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. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and the County taxing purposes. The valuation of secured property by the County Assessor is established as of January 1 and is subsequently equalized in September of each year.

The following table shows recent history of taxable property assessed valuation in the District.

HISTORIC ASSESSED VALUATIONS
Fiscal Years 2011-12 to 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation	Percent Change
2011-12	\$622,485,640	—	\$41,213,853	\$663,699,493	--
2012-13	639,031,656	—	44,129,131	683,160,787	2.93%
2013-14	654,669,993	—	47,486,763	702,156,756	2.78
2014-15	672,698,245	—	48,775,198	721,473,443	2.75
2015-16	712,556,330	—	53,519,701	766,076,031	6.18
2016-17	795,007,649	—	53,199,936	848,207,585	10.72
2017-18	820,825,794	—	50,669,399	871,495,193	2.75
2018-19	845,206,822	—	54,515,774	899,722,596	3.24

Source: California Municipal Statistics, Inc.

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

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

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property’s then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner’s property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner’s property in any one year must submit an application to the county assessment appeals board (the “Appeals Board”). Following a review of the application by the county assessor’s office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal’s filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written

application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis.

Risk of Decline in Property Values; Fire; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including fire, earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, drought, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

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

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

The following table shows the 2018-19 assessed valuation of each jurisdiction within the boundaries of the District:

**ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2018-19**

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Williams	\$396,732,649	44.09%	\$ 396,732,649	100.00%
Unincorporated Colusa County	502,989,947	55.91	2,515,996,522	19.99
Total District	\$899,722,596	100.00%		
 Colusa County	 \$899,722,596	 100.00%	 \$3,260,280,283	 27.60%

Source: California Municipal Statistics, Inc.

The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19**

	2018-19 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Agricultural/Rural	\$328,530,025	38.87%	1,109	38.57%
Commercial/Office	71,015,203	8.40	133	4.63
Vacant Commercial	16,760,553	1.98	66	2.30
Industrial	210,486,776	24.90	27	0.94
Vacant Industrial	348,317	0.04	2	0.07
Government/Social/Institutional	132,757	0.02	14	0.49
Miscellaneous	2,403,464	0.28	7	0.24
Subtotal Non-Residential	\$629,677,095	74.50%	1,358	47.23%
 <u>Residential:</u>				
Single Family Residence	\$194,287,620	22.99%	1,202	41.81%
Mobile Home	1,762,252	0.21	14	.49
2-4 Residential Units	8,297,345	0.98	60	2.09
5+ Residential Units/Apartments	4,699,200	0.56	16	.56
Miscellaneous Residential	627,329	0.07	7	.24
Vacant Residential	5,852,981	0.69	218	7.58
Subtotal Residential	\$215,529,727	25.50%	1,517	52.77%
 Total	 \$845,206,822	 100.00%	 2,875	 100.00%

Source: California Municipal Statistics, Inc.

(1) Total Secured Assessed Valuation, excluding tax-exempt property.

The following table shows the assessed valuations of single-family homes for the District.

**ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2018-19**

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,202	\$194,287,620	\$161,637	\$158,691

2018-18 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	19	1.581%	1.581%	\$ 280,053	0.144%	0.144%
\$25,000 - \$49,999	52	4.326	5.907	2,015,608	1.037	1.182
\$50,000 - \$74,999	88	7.321	13.228	5,537,554	2.850	4.032
\$75,000 - \$99,999	100	8.319	21.547	8,816,734	4.538	8.570
\$100,000 - \$124,999	169	14.060	35.607	18,897,098	9.726	18.296
\$125,000 - \$149,999	119	9.900	45.507	16,446,364	8.465	26.761
\$150,000 - \$174,999	177	14.725	60.233	28,937,432	14.894	41.655
\$175,000 - \$199,999	130	10.815	71.048	24,483,782	12.602	54.257
\$200,000 - \$224,999	92	7.654	78.702	19,502,556	10.038	64.295
\$225,000 - \$249,999	113	9.401	88.103	26,806,335	13.797	78.092
\$250,000 - \$274,999	41	3.411	91.514	10,715,515	5.515	83.608
\$275,000 - \$299,999	67	5.574	97.088	18,828,571	9.691	93.299
\$300,000 - \$324,999	12	0.998	98.087	3,690,997	1.900	95.198
\$325,000 - \$349,999	1	0.083	98.170	340,554	0.175	95.374
\$350,000 - \$374,999	6	0.499	98.669	2,152,133	1.108	96.481
\$375,000 - \$399,999	3	0.250	98.918	1,167,168	0.601	97.082
\$400,000 - \$424,999	6	0.499	99.418	2,460,878	1.267	98.349
\$425,000 - \$449,999	4	0.333	99.750	1,723,288	0.887	99.236
\$450,000 - \$474,999	2	0.166	99.917	915,000	0.471	99.707
\$475,000 - \$499,999	—	0.000	99.917	—	0.000	99.707
\$500,000 and greater	1	0.083	100.000	570,000	0.293	100.000
Total	<u>1,202</u>	<u>100.000%</u>		<u>\$194,287,620</u>	<u>100.000%</u>	

Source: California Municipal Statistics, Inc.

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the District's outstanding general obligation bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the District's outstanding general obligation bonds is the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction

of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the District's outstanding general obligation bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical Tax Rate Area within the District for the past five fiscal years.

TYPICAL AD VALOREM TAX RATES
Fiscal Years 2014-15 to 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Yuba Joint Community College District	0.025002	0.024935	0.026346	0.025348	0.029941
Williams Unified School District	—	—	—	0.048000	0.040152
Total Tax Rates	<u>1.025002%</u>	<u>1.024935%</u>	<u>1.026346%</u>	<u>1.073348%</u>	<u>1.070093%</u>

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIII A and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each County. Tax charges and delinquency data is not available for the District.

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. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to secured property tax levies. The Teeter Plan is not applicable to unsecured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The County cash position is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In each fiscal year, the Tax Loss Reserve Fund is required to be funded to the amount of delinquent taxes plus one percent of that year's tax levy. Amounts exceeding the amount required to be maintained in the tax loss reserve fund may be credited to the County's general fund. Amounts required to be maintained in the tax loss reserve fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the County Board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County Board may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, 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, but penalties and interest would be credited to the political subdivisions.

The County has the right under certain circumstances to terminate the Teeter Plan or remove the District from the Teeter Plan. The County has not notified the District of any intention to terminate the Teeter Plan or to exclude the District from the plan.

Largest Property Owners

Concentration of Property Ownership. Based on fiscal year 2018-19 locally assessed taxable valuations, the top twenty taxable property owners in the District represent approximately 37.85% of the total fiscal year 2018-19 taxable value of the District's total secured assessed valuation.

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2018-19.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2018-19

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total ⁽¹⁾
1.	Morning Star Packing Co. LP	Industrial	\$ 95,238,690	11.27%
2.	OLAM Tomato Processors Inc.	Industrial	61,655,278	7.29
3.	Vann Brothers	Agricultural	21,466,786	2.54
4.	Garnett A. Vann	Agricultural	20,874,607	2.47
5.	Depue Warehouse Company	Industrial	14,913,104	1.76
6.	ACC-GWG LLC	Industrial	12,660,558	1.50
7.	T & P Farms	Agricultural	12,484,814	1.48
8.	Chico Nut Hulling and Shelling Company	Agricultural	11,590,121	1.37
9.	Foothill Warehouse Co. LLC	Industrial	8,024,320	0.95
10.	Cortina Hulling & Shelling LLC	Commercial	6,596,670	0.78
11.	Clifford Allen Myers, Trustee	Agricultural	6,550,398	0.78
12.	Ronald LaGrande Living Trust	Agricultural	6,503,726	0.77
13.	V & R Land Corporation	Commercial	5,986,240	0.71
14.	Chrisman Estate Co.	Industrial	5,718,686	0.68
15.	Wadham Energy LP	Industrial	5,700,000	0.67
16.	Douglas E. & Judy Parker Trust	Agricultural	5,649,318	0.67
17.	Peter D. Peterson	Agricultural	4,916,147	0.58
18.	Granzellas Inn LLC	Hotel	4,828,290	0.57
19.	Williams Petroleum Inc.	Commercial	4,633,875	0.55
20.	Mark J. & Debra J. LaGrande Trust	Agricultural	3,919,558	0.46
	Total Top 20		\$319,911,186	37.85%

Source: California Municipal Statistics, Inc.

(1) 2018-19 Local secured assessed valuation: \$845,206,822.

Morning Star Packing Company LP. The Morning Star Packing Company LP produces and distributes tomato products and ingredients. The company provides hot and cold break tomato pastes, diced tomatoes, purees, ketchups, and crushed products. It serves food processors worldwide.

OLAM Tomato Processors Inc. OLAM Tomato Processors Inc. engages in processing of organic products like aseptic bulk tomato paste and diced and canned products.

Direct and Overlapping Debt

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

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

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT

WILLIAMS UNIFIED SCHOOL DISTRICT

2018-19 Assessed Valuation: \$899,722,596

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/19</u>
Yuba Joint Community College District	2.858%	\$ 4,598,697
Williams Unified School District	100.000	<u>7,570,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		12,168,697
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Yuba Joint Community College District General Fund Obligations	2.858	342,298
Williams Unified School District General Fund Obligations	100.000	<u>5,887,411⁽¹⁾</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		6,229,709
COMBINED TOTAL DEBT		18,398,406 ⁽²⁾

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$7,570,000)	0.84%
Total Direct and Overlapping Tax and Assessment Debt.....	1.35%
Combined Direct Debt (\$13,457,411)	1.50%
Combined Total Debt	2.04%

Source: California Municipal Statistics, Inc.

(1) Excludes the Certificates to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Articles XIII A, XIII B, XIII C and XIII D of the California Constitution, Propositions 2, 22, 26, 30, 39, 46 and 98, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the Counties to levy taxes and of the District to spend tax proceeds.

Article XIII A of the California Constitution

Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in February 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior

to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. 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.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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 XIII A.

Article XIII B of the California Constitution

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

The appropriations of an entity of local government subject to Article XIII B 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 XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted

to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B 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 will be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery, the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. The District estimates that it will receive \$249,699 in Lottery aid in fiscal year 2019-20, representing approximately 2% of the District’s general fund revenues. At this time, the amount of additional revenues that may be generated by the Lottery in any given year cannot be predicted.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the “Smaller Classes, Safer Schools and Financial Accountability Act” (the “Smaller Classes Act”) which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for “the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities,” (2) a list of projects to be funded and a certification that the school district board has evaluated “safety, class size reduction, and information technology needs in developing that list” and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIII A has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIII A of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. 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. Finally, AB 1908 requires that a citizens’ oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. Charter schools function under contracts or “charters” with local school districts, county boards of education, or the State Board of Education. Charter schools operate with minimal supervision by the local school district. Charter schools receive revenues from the State and from the local school district for each student enrolled, and thus effectively reduce revenues available for students enrolled in local school district schools. School districts are required to accommodate charter school students originating in the school district in facilities comparable to those provided to regular school district students.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school’s students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted to charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students who are residents in the District.

Article XIII C and XIII D of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by a majority of California voters. Proposition 218 added Articles XIII C and XIII D to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as “general taxes” (defined as those used for general governmental purposes) or “special taxes” (defined as taxes for a specific purpose even if the revenues flow through the local government’s general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District’s voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the February 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District’s ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). 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 general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the 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.

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 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. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State’s budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State’s ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 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 XIII B 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.

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

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

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B 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. Treatment of Excess Tax Revenues. “Excess” tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to

taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of 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. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B 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 the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B 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 30 and Proposition 55

On November 6, 2012, voters of the State 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 (which expired on January 1, 2017) and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000

but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for head-of-household filers and over \$500,000 but less than \$600,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for head-of-household filers and over \$600,000 but less than \$1,000,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$680,000 for head-of-household filers and over \$1,000,000 for joint filers).

The revenues generated from the personal income tax increases will be 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 AND APPROPRIATIONS – Propositions 98 and 111” herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA are allocated quarterly, with 89% of such funds provided to school 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.

The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, a constitutional amendment initiative, was approved by California voters at the November 8, 2016 general election in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Tax revenue received under Proposition 55 will be allocated 89% to K-12 schools and 11% to community colleges. The sales and use tax rate increase under Proposition 30 will not be extended.

Proposition 2

Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act (“Proposition 2”) was approved by California voters on November 8, 2016. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the State’s Budget Stabilization Account (the “Stabilization Account”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Commencing in Fiscal Year 2015-16 and for each Fiscal Year thereafter, the State is required to make an annual transfer to the Stabilization Account in an amount equal to 1.5% of estimated State general fund revenues (the “Annual Stabilization Account Transfer”). For a Fiscal Year in which the estimated State general fund revenues allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues, supplemental transfers to the Stabilization Account (a “Supplemental Stabilization Account Transfer”) are also required. Such excess capital gains taxes, which are net of any portion thereof owed to K-14 school districts pursuant to Proposition 98, are required to be transferred to the Stabilization Account.

In addition, for each Fiscal Year, Proposition 2 increases the maximum size of the Stabilization Account to 10% of estimated State general fund revenues. Such excess amounts are to be expended on State infrastructure, including deferred maintenance, in any Fiscal Year in which a required transfer to the Stabilization Account would result in an amount in excess of the 10% threshold. For the period from Fiscal

Year 2015-16 through Fiscal Year 2029-30, Proposition 2 requires that half of any such transfer to the Stabilization Account (annual or supplemental), shall be appropriated to reduce certain State liabilities, including repaying State interfund borrowing, reimbursing local governments for State mandated services, making certain payments owed to K-14 school districts, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. After Fiscal Year 2029-30, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the Stabilization Account to the reduction of such State liabilities and any amount not so applied shall be transferred to the Stabilization Account or applied to infrastructure, as set forth above.

Accordingly, the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the Stabilization Account are impacted by Proposition 2. Unilateral discretion to suspend transfers to the Stabilization Account are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the Stabilization Account for any reason, as was previously provided by law. Instead, the Governor must declare a “budget emergency” (defined as an emergency within the meaning of Article XIII B of the Constitution) or a determination that estimated resources are inadequate to fund State general fund expenditure, for the current or ensuing Fiscal Year, at a level equal to the highest level of State spending within the three immediately preceding Fiscal Years, and any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the Stabilization Account are limited to the amount necessary to address the budget emergency, and no draw in any Fiscal Year may exceed 50% of the funds on deposit in the Stabilization Account, unless a budget emergency was declared in the preceding Fiscal Year.

Proposition 2 also provides for the creation of a Public School System Stabilization Account (the “Public School System Stabilization Account”) into which transfers will be made in any Fiscal Year in which a Supplemental Stabilization Account Transfer is required, requiring that such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. Transfers to the Public School System Stabilization Account are only to be made if certain additional conditions are met, including that: (i) the minimum funding guarantee was not suspended in the immediately preceding Fiscal Year, (ii) the operative Proposition 98 formula for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is “Test 1,” (iii) no maintenance factor obligation is being created in the budgetary legislation for the Fiscal Year in which a Public School System Stabilization Account transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is higher than the immediately preceding Fiscal Year, as adjusted for ADA growth and cost of living.

Under Proposition 2, the size of the Public School System Stabilization Account is capped at 10% of the estimated minimum guarantee in any Fiscal Year, and any excess funds must be paid to K-14 school districts. Any reductions to a required transfer to, or draws upon, the Public School System Stabilization Account, are subject to the budget emergency requirements as described above. However, in any Fiscal Year in which the estimated minimum funding guarantee is less than the prior year’s funding level, as adjusted for ADA growth and cost of living, Proposition 2 also mandates draws on the Public School System Stabilization Account.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C 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 XIID. 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.

California Senate Bill 222

Senate Bill 222 (“SB 222”) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by ad valorem tax collections are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 2, 22, 26, 30, 39, 46 and 98 were each adopted as measure that qualified for the State 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.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Costa Mesa County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State’s annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a “continuing appropriation” enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller’s Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal’s decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District’s ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated.

No representation is made as to the future financial condition of the District. Payment of the Lease Payments is a general fund obligation of the District and the ability of the District to make Lease Payments may be adversely affected by its financial condition as of any particular time.

Lease Payments Not District Debt

Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Property, utility charges, taxes and other governmental charges and assessments levied against the Property) are not secured by any pledge of taxes or other revenues of the

District. In the event that the District's general fund revenues are less than its total obligations, the District may choose to fund other costs or expenses before making Lease Payments.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments under the Lease Agreement constitute a debt of the District, the Corporation or the State or any political subdivisions thereof within the meaning of any Constitutional or statutory debt limitation or restriction or an obligation for which the Corporation or the District is obligated to levy or pledge any form of taxation or for which the Corporation or the District has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay Lease Payments from legally available funds and the District has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for all Lease Payments owed under the Lease Agreement. The District is currently liable on other obligations payable from general revenues. See "DISTRICT FINANCIAL INFORMATION."

Additional Obligations

The District may enter into additional obligations which constitute charges against its general revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased.

Limited Recourse on Default

In the event of a default under the Lease Agreement, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The District will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest, as described below.

If the District defaults on its obligation to make Lease Payments, the Trustee, as assignee of the Corporation, may retain the Lease Agreement and hold the District liable for all Lease Payments on an annual basis and will have the right to re-enter and re-let the Property. Such re-entry and re-letting shall not automatically effect a surrender of the Lease Agreement. In the event the Property is re-entered by reason of a default in Lease Payments or for any other reason, there can be no assurance that the Property can be re-let for a net amount equal to the then-due Lease Payments.

The enforcement of any remedies provided in the Lease Agreement and Trust Agreement could prove both expensive and time-consuming. In addition to the limitation on remedies contained in the Lease Agreement and the Trust Agreement, the rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principals that may affect the enforcement of creditors' rights and the limitation on remedies against public agencies in California.

The Trustee is not empowered to sell the Property for the benefit of the Certificate owners. See APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

Abatement

Use and Possession of the Property. The obligation of the District under the Lease Agreement to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments (other than to the extent that funds to make Lease Payments are then available in the Lease Payment Fund) may be abated in whole or in part if the District does not have full use and possession of the Property. Lease Payments due under the Lease Agreement shall be abated during any period in which, by reason of material damage, destruction or condemnation, there is substantial interference with the use and right of possession by the District of the Property, or a material portion thereof. Such abatement shall continue for the period commencing with the date of such damage, destruction or condemnation and ending with the restoration of the affected portion of the Property to a condition which will permit the affected portion of the Property to be used substantially as intended. The District is obligated to maintain rental interruption insurance for coverage of a 24-month period. There will be no abatement of Lease Payments so long as proceeds of the District’s rental interruption insurance are available to make Lease Payments when and as due. Abatement of Lease Payments is not a default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. See APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

Damage or Destruction; Eminent Domain. If damage or destruction or eminent domain proceedings with respect to any item or portion of the Property result in abatement or adjustment of Lease Payments and the resulting Lease Payments (and in the event of damage or destruction, together with rental interruption insurance proceeds or casualty insurance proceeds, if any), are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Property is being replaced, repaid or reconstructed, then such payments of principal and interest, may not be made in full and no remedy is available to the Trustee or the owners of the Certificates under the Lease Agreement or Trust Agreement for nonpayment under such circumstances.

Absence of Earthquake and Flood Insurance

The obligation of the District to make Lease Payments may be adversely affected if the Property is damaged or destroyed by natural hazard such as earthquake or flood. The District, however, is not obligated under the Lease Agreement to procure and maintain, or cause to be maintained, earthquake or flood insurance on the Property.

All building components of the Property were constructed under the standards of the “Field Act” (California State Building Code, Title 24). The Field Act requires substantially higher construction standards for public schools and hospitals than are required for other types of construction. The Field Act requires that building systems be capable of withstanding seismic forces from the “most credible” earthquake likely to occur in the vicinity of the building system being constructed.

Bankruptcy

The District is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the “Bankruptcy Code”). However, pursuant to Chapter 9 of the

Bankruptcy Code, the District may seek voluntary protection from its creditors for purposes of adjusting its debts.

In the event the District were to become a debtor under the Bankruptcy Code, the District would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a Certificate would be treated as a creditor in a municipal bankruptcy. Among the adverse effects of such a bankruptcy would be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the District or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the District; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the occurrence of unsecured or court-approved secured debt which may have a priority of payment superior to that of secured debt which may have a priority of payment superior to that of owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the District's debt (a "Plan") without the consent of all of the owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of the claim of the owners if the Bankruptcy Court finds that the Plan is fair and equitable. In addition, the Bankruptcy Code would invalidate any provision of the Certificates which makes the bankruptcy or insolvency of the District an event of default. With the exception of the provisions contained in the Plan, a Bankruptcy Court could not impose restrictions on the District's power or its property without the consent of the District.

Redemption Provisions

The Certificates are subject to optional, extraordinary and mandatory sinking fund redemption. See "THE CERTIFICATES—Redemption."

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The District's ability to make Lease Payments may be affected if the District should exceed its appropriations limit. The District does not anticipate exceeding said limit in the foreseeable future, as a result of procedures whereby the State may increase the District's appropriation limit by decreasing the State's limit by an equal amount. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

California Economy

Like all California school districts, the District receives a significant portion of its funding from appropriations by the State. See "DISTRICT FINANCIAL INFORMATION—State Funding of Education and Revenue Limitations." As a result, decreases in the revenues received by the State could affect appropriations made by the State to the District and other school districts within California. A deterioration of California's economy could negatively affect the State's receipt of taxes and other revenues and, possibly, appropriations by the State to the District and other California school districts.

Property Values

The fee estate will not be assigned to the Trustee but, rather, the rights of the Corporation under the Lease Agreement, which is for a limited term, will be assigned to the Trustee. See APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS— ASSIGNMENT AGREEMENT. Thus, the

value of the real property constituting the Property and the buildings and improvements thereon are not necessarily an accurate measure of the value of the interest in the Lease Agreement assigned to the Trustee.

Geologic, Topographic and Climatic Conditions

The value of the Property in the future can be adversely affected by a variety of additional factors, particularly those which may affect the continued use and occupancy of the Property. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts and tornadoes. It can be expected that one or more of such conditions may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate use or occupancy or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Property so affected may well depreciate or disappear.

Hazardous Substances

One of the most serious risks in terms of the potential reduction in the value of a property is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel of real property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Super-fund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should the Property be affected by a hazardous substance is to reduce the marketability and value thereof by the costs of remedying the condition.

Risks Relating to the Municipal Bond Insurance Policy

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Municipal Bond Insurance Policy for such payments. The Municipal Bond Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory sinking fund or optional prepayment of the Certificates by the District which is recovered by the District from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Municipal Bond Insurance Policy, however, such payments will be made by the Municipal Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the Municipal Bond Insurer chooses to pay such amounts at an earlier date.

The Municipal Bond Insurer may direct and must consent to any remedies and the Municipal Bond Insurer's consent may be required in connection with amendments to any applicable legal documents.

In the event the Municipal Bond Insurer is unable to make payment of principal and interest as such payments become due under the Municipal Bond Insurance Policy, the Certificates are payable solely from the moneys received pursuant to the applicable legal documents. In the event the Municipal Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of the Municipal Bond Insurer and its claim paying ability. The financial strength and claims paying ability of the Municipal Bond Insurer are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Municipal Bond Insurer and of the ratings on the Certificates will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See “RATINGS” herein.

The obligations of the Municipal Bond Insurer are general obligations of the Municipal Bond Insurer and in an event of default by the Municipal Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District or Underwriter have made independent investigation into the claims paying ability of the Municipal Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Municipal Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Certificates and the claims paying ability of the Municipal Bond Insurer, particularly over the life of the investment.

THE CORPORATION

The Corporation is a nonprofit, public benefit corporation duly organized and existing under the laws of the State of California and is entitled to purchase personal and real property and to sell or lease such property, to contract for construction and improvements and to execute operating agreements regarding such property. The Corporation was formed for the purpose of providing financial assistance to public entities by acquiring, constructing, developing and refinancing certain facilities for the use and benefit of the public. The Corporation has no liability to the Owners of the Certificates.

ABSENCE OF LITIGATION

At the time of delivery of and payment for the Certificates, the District will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the District or the Corporation affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the District and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease or any other applicable agreements or any action of the District or the Corporation contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or the Corporation or their authority with respect to the Certificates or any action of the District or the Corporation contemplated by any of said documents, nor, to the knowledge of the District or the Corporation, is there any basis therefor.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Certificates to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than March 31 after the end of the District’s fiscal year (the current end of the District’s fiscal year is on June 30), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board (the “MSRB”). The notices of enumerated events will be filed by the District with the MSRB. The specific nature of the information to be made available and to be contained in the notices of material events is summarized below under the caption APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). In the previous five years, the District has not failed to comply in any material respect with its existing continuing disclosure undertakings.

MUNICIPAL ADVISOR

Isom Advisors, A Division of Urban Futures, Inc., Walnut Creek, California (the “Municipal Advisor”), is an independent financial advisory firm registered as a “Municipal Advisor” with the Securities Exchange Commission and Municipal Securities Rulemaking Board. The Municipal Advisor does not underwrite, trade or distribute municipal or other public securities. The Municipal Advisor has assisted the District in connection with the planning, structuring, sale and issuance of the Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibilities for the accuracy, completeness or fairness of the information contained in this Official Statement not provided by the Municipal Advisor. The fees of the Municipal Advisor in respect to the Certificates are contingent upon their sale and delivery.

LEGAL MATTERS

All legal matters in connection with the execution and delivery of the Certificates are subject to the approval of Quint & Thimmig LLP, Larkspur, California, Special Counsel. Special Counsel’s opinion with respect to the Certificates will be substantially in the form set forth in APPENDIX C—FORM OF OPINION OF SPECIAL COUNSEL. Certain legal matters will also be passed on for the District by Quint & Thimmig LLP, as Disclosure Counsel, and for the Underwriter by Dannis Woliver Kelley, Long Beach, California. The fees and expenses of Special Counsel and Disclosure Counsel are contingent upon the execution and delivery of the Certificates.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to become

includible in gross income for federal income tax purposes retroactively to the date of issuance of the Certificates.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, interest with respect to the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals.

Subject to the District's compliance with certain covenants, in the opinion of Special Counsel, the Lease Agreement is a "qualified tax exempt obligation" under the small issuer exception provided under section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under section 265(b)(2) of the Code.

In rendering its opinion, Special Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Special Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, 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 tax exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for the Certificates is the price at which a substantial amount of the Certificates is first sold to the public. The Issue Price of the Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Certificates who dispose of Certificates prior to the stated maturity (whether by sale, redemption or otherwise), purchase Certificates in the initial public offering, but at a price different from the Issue Price or purchase Certificates subsequent to the initial public offering should consult their own tax advisors.

If a Certificate is purchased at any time for a price that is less than the Certificate's stated redemption price at maturity, the purchaser will be treated as having purchased a Certificate with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Certificate is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Certificate. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Certificates.

An investor may purchase a Certificate at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Certificate in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to

a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Certificates. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Certificate's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificates.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Certificate owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Certificate owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Special Counsel, interest with respect to the Certificates is exempt from California personal income taxes.

Ownership of the Certificates may result in other state and local tax consequences to certain taxpayers. Special Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX C—FORM OF OPINION OF SPECIAL COUNSEL.

UNDERWRITING

The Certificates are being purchased by O'Connor & Company Securities, Inc. (the "Underwriter"). The Underwriter will agree to purchase the Certificates at a price of \$3,415,691.05 (representing an aggregate principal amount of the Certificates of \$3,185,000, plus a net original issue

premium of \$278,466.05, less an Underwriter's discount of \$47,775.00). The Purchase Agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said Purchase Agreement, approval of certain legal matters by counsel and certain other conditions. After a bona fide initial public offering at the price stated on the cover page hereof, the Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign the rating of "AA" to the Certificates based on the issuance of the Municipal Bond Insurance Policy by the Municipal Bond Insurer at the time of delivery of the Certificates. See "MUNICIPAL BOND INSURANCE." In addition, S&P has assigned the underlying rating of "A" to the Certificates without regard to the issuance of the Municipal Bond Insurance Policy. These ratings reflect only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of the S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

FINANCIAL STATEMENTS

The District's Audited Financial Statements for fiscal year ended June 30, 2018, which include the District's Fiscal Year 2017-18 Audited Financial Statements and the District's Auditor's Report regarding such financial statements, are set forth in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018. The District's Auditor was not requested to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. No opinion is expressed by the District's Auditor with respect to any event subsequent to its report.

ADDITIONAL INFORMATION

All of the preceding summaries of the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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 to such documents and reports for full and complete statements of the contents thereof.

The District will furnish a certificate dated the date of delivery of the Certificates, from an appropriate officer of the District, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation, (i) neither the Official Statement or any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (ii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement, and the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the District has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Trust Agreement at and prior to the date of the execution and delivery of the Certificates.

The execution and delivery of the Official Statement by the District have been duly authorized by the District Board on behalf of the District.

WILLIAMS UNIFIED SCHOOL DISTRICT

By /s/ Edgar Lampkin
Dr. Edgar Lampkin
Superintendent

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APPENDIX A

THE ECONOMY OF THE DISTRICT

The information in this section of the Official Statement is presented as general background data. The Certificates are payable solely from the revenues of the District's General Fund and other sources as described in the Official Statement. The taxing power of the City, the State of California, or any political subdivision thereof is not pledged to the payment of the Certificates.

Although reasonable efforts have been made to include up-to-date information in this Appendix A, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.

Introduction

Colusa County (the "County") was established in 1850 as one of the original 27 counties created by the first state legislature. The County is located in the Central Valley region of California, northwest of the state capital, Sacramento. The County seat is the City of Colusa.

The City of Williams (the "City") is the second largest city in the County. The County has a total area of 1,156 square miles (2,990 km²), of which 1,151 square miles (2,980 km²) is land and 5.6 square miles (15 km²) (0.5%) is water. A large number of streams drain the County, including Elk Creek and Salt Creek.

The County is located approximately 70 miles north of Sacramento, roughly two hours from San Francisco and three hours from the Fort Bragg-Mendocino coastline. Interstate 5 offers a north/south route through the County. The economy of the County is based on agriculture and agricultural-related business. The County is governed by a five-member Board of Supervisors.

Population

The table below summarizes population of the City, County and the State of California for the last five years.

WILLIAMS, COLUSA COUNTY and CALIFORNIA Population

Year	City of Williams	Colusa County	State of California
2014	5,405	21,794	38,568,628
2015	5,368	21,873	38,912,464
2016	5,353	21,968	39,179,627
2017	5,365	22,050	39,500,973
2018	5,465	22,098	39,809,693

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2010-2018, with 2010 Census Benchmark.

Employment

The following table summarizes historical employment and unemployment for the County, the State of California and the United States:

COLUSA COUNTY, CALIFORNIA, and UNITED STATES Civilian Labor Force, Employment, and Unemployment (Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2014	Colusa County	11,150	9,200	1,950	17.5%
	California	18,981,800	17,798,600	1,183,200	6.2
	United States	155,922,000	146,305,000	9,617,000	6.2
2015	Colusa County	11,190	9,480	1,720	15.3
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	157,130,000	148,834,000	8,296,000	5.3
2016	Colusa County	10,890	9,200	1,690	15.5
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9
2017	Colusa County	10,760	9,220	1,540	14.3
	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 ⁽²⁾	Colusa County	10,970	9,550	1,420	12.9
	California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-2018, and US Department of Labor.

- (1) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures available in this table.
- (2) Latest available full-year data.

Major Employers

The table below sets forth the principal employers of the County in 2019.

COLUSA COUNTY 2019 Major Employers

Employer	Location	Industry
Adams Grain Co	Arbuckle	Grain Brokers (whls)
Adams Vegetable Oils Inc	Arbuckle	Oils-Vegetable (mfrs)
ADM Milling Co	Arbuckle	Flour Mills (mfrs)
Alsco-Geyer Irrigation Inc	Arbuckle	Irrigation Systems & Equipment (whls)
Arbuckle Elementary School	Arbuckle	Schools
Colusa Casino Resort	Colusa	Casinos
Colusa County Coroner	Colusa	Government Offices-County
Colusa County Health-Human	Colusa	Government Offices-County
Colusa County Sheriff Dept	Colusa	Government Offices-County
De Pue Warehouse Co	Williams	Warehouses-Merchandise & Self Storage
De Pue Warehouse Co Inc	Maxwell	Rice-Wholesale
Enid Pride Continuation Hs	Maxwell	Schools
George T Egling Middle School	Colusa	Schools
Granzella's	Williams	Restaurants
James Burchfield Primary Sch	Colusa	Schools
Myers & Charter Inc	Arbuckle	Rice Mills (mfrs)
Pierce Joint Unified School	Arbuckle	Schools
Premier Mushrooms	Colusa	Fruits & Vegetables-Wholesale
Ron La Grande Ofc	Williams	Farms
Social Services-Eligibility	Colusa	Human Services Organizations
Sun VALLEY Rice Co LLC	Arbuckle	Investments
Sunsweet Dryers	Colusa	Fruits & Vegetables-Growers & Shippers
Valley West Care Ctr	Williams	Health Services
Williams Elementary School	Williams	Schools

Source: California Employment Development Department, America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition. Data retrieved May 2, 2019.

Construction Activity

The following table reflects the five-year history of building permit valuation for the City and the County:

CITY OF WILLIAMS Building Permits and Valuation (Dollars in Thousands)

	2013	2014	2015	2016	2017 ⁽¹⁾
<u>Permit Valuation:</u>					
New Single-family	\$ -	\$ -	\$ -	\$ 8,183	\$ 1,742
New Multi-family	5,860	-	-	5,314	-
Res. Alterations/Additions	406	73	472	260	456
Total Residential	6,266	73	472	13,758	2,198
Total Nonresidential	7,082	1,068	1,483	790	79,168
Total All Building	13,348	1,142	1,955	14,548	81,366
<u>New Dwelling Units:</u>					
Single Family	-	-	-	40	10
Multiple Family	48	-	-	32	-
Total	48	-	-	72	10

COLUSA COUNTY Building Permits and Valuation (Dollars in Thousands)

	2013	2014	2015	2016	2017 ⁽¹⁾
<u>Permit Valuation:</u>					
New Single-family	\$ 12,076	\$ 13,545	\$ 10,529	\$ 12,523	\$ 4,604
New Multi-family	6,172	-	-	5,412	-
Res. Alterations/Additions	1,660	1,423	2,040	1,494	1,861
Total Residential	19,909	14,969	12,570	19,430	6,466
Total Nonresidential	34,546	8,802	9,454	12,726	88,092
Total All Building	54,456	23,772	22,024	32,157	94,558
<u>New Dwelling Units:</u>					
Single Family	50	57	45	56	19
Multiple Family	55	-	-	34	-
Total	105	57	45	90	19

Source: Construction Industry Research Board: "Building Permit Summary," California Cities and Counties Data for Calendar Years 2013-2017.

Note: Totals may not add due to independent rounding.

(1) Last available full year data.

Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the five most recent years.

**WILLIAMS, COLUSA COUNTY, CALIFORNIA and UNITED STATES
Effective Buying Income**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2014	Williams	\$ 74,675	\$ 41,797
	Colusa County	376,883	43,520
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	Williams	78,913	46,182
	Colusa County	389,075	45,767
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	Williams	84,553	46,542
	Colusa County	390,097	44,821
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	Williams	90,828	49,825
	Colusa County	429,761	48,084
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2018	Williams	93,900	53,829
	Colusa County	477,924	52,457
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: Nielsen Claritas, Inc.

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APPENDIX B

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

The Auditor was not requested to consent to the inclusion of its report in this Appendix B and it has not undertaken to update financial statements included in this Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

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WILLIAMS UNIFIED SCHOOL DISTRICT

**COUNTY OF COLUSA
WILLIAMS, CALIFORNIA**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

WILLIAMS UNIFIED SCHOOL DISTRICT

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James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Williams Unified School District
Williams, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Change in Accounting Principle

As described in Note 1W to the financial statements, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions which required a restatement of net position as of July 1, 2017. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund, Schedule of Changes in the District’s Net OPEB Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability, and Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as 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 as listed in the table of contents 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 4, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 4, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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WILLIAMS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This section of the Williams Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the Independent Auditor's Report and the District's financial statements, which immediately follows this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities, presented on pages 10 and 11, provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The fund financial statements for governmental activities, presented on pages 12 through 15, provide information about how District services were financed in the short-term, and how much remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

FINANCIAL HIGHLIGHTS

The District's net position decreased by -220.4% from 2016-17 to 2017-18. This was brought about primarily by the general obligation bonds payable for current interest and the increase in the net pension

- Capital assets increased by \$772,262, due primarily to site improvements.
- Total long-term liabilities increased \$9,250,918, or 45.7%, primarily due to the increase in the net pension liability and the general obligation bond payable.
- The District's P-2 ADA decreased from 1,277 ADA at June 30, 2017 to 1,242 ADA at June 30, 2018, a decrease of 35 ADA. In addition, the district, under LCFF rules, now claims County Program ADA. The amount claimed for 2017-18 was 8.29 ADA.
- The District maintains sufficient reserves for a district its size. It meets the state required minimum reserve for economic uncertainty of 3% of total General Fund expenditures, transfers out, and other uses (total outgo). During fiscal year 2017-18, total General Fund expenditures and other financing uses totaled \$16,488,982. At June 30, 2018, the District has a reserve for economic uncertainty of \$493,017 in the Unrestricted General Fund, which represents a reserve of 3.0%.

WILLIAMS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

The full annual financial report consists of three separate parts, including the basic financial statements, supplementary information, and Management's Discussion and Analysis. 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, district-wide and funds.

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

Individual parts of the District, which are reported as fund financial statements comprise the remaining statements.

- Basic services funding is described in the governmental funds statements. These statements include short-term financing and identify the balance remaining for future spending.
- Short and long-term financial information about the activities of the District that operate like businesses are provided in the proprietary fund statements.
- Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information provides further explanations and provides additional support for the financial statements. A comparison of the District's budget for the year is included.

Reporting the District as a Whole

The District as a whole is reported in the District-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets and liabilities are included in the Statement of Net Position. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The District's financial health or position can be measured by the difference between the District's assets and liabilities.

Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.

Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

WILLIAMS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

Governmental Activities:

The basic services provided by the District, such as regular and special education, administration, and transportation are included here, and are primarily financed by property taxes and state formula aid. Non-basic services, such as child nutrition are also included here, but are financed by a combination of state and federal contracts and grants, and local revenues.

Business-type Activities:

The District does not provide any services that should be included in this category.

Reporting the District's Most Significant Funds

The District's fund-based financial statements provide detailed information about the District's most significant funds. Some funds are required to be established by State law and bond covenants. However, the District establishes many other funds as needed to control and manage money for specific purposes.

Governmental Funds

The major governmental funds of the Williams Unified School District are the General Fund, Building Fund and the County School Facilities Fund. Governmental fund reporting focuses on how money flows into and out of the funds and the information helps to determine the level of financial resource balances that remain at the end of the year. A modified accrual basis of accounting measures for cash and all other financial assets that can readily be converted to cash are being presented. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as business-type activities; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District does not have funds of this type.

Fiduciary Funds

The District is the trustee, or fiduciary, for its student activity funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance their operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

WILLIAMS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Condensed Statement of Net Position

	(As restated)		Change	Percentage Change
	June 30, 2017	June 30, 2018		
Assets				
Current assets	\$ 8,227,051	\$ 15,689,143	\$ 7,462,092	90.7%
Capital assets	10,932,243	11,704,505	772,262	7.1%
Total assets	<u>19,159,294</u>	<u>27,393,648</u>	<u>8,234,354</u>	<u>43.0%</u>
Deferred Outflows of Resources	<u>3,314,447</u>	<u>4,674,976</u>	<u>1,360,529</u>	<u>41.0%</u>
Current liabilities	1,653,674	2,584,485	930,811	56.3%
Long-term liabilities	<u>19,658,776</u>	<u>28,444,072</u>	<u>8,785,296</u>	<u>44.7%</u>
Total liabilities	<u>21,312,450</u>	<u>31,028,557</u>	<u>9,716,107</u>	<u>45.6%</u>
Deferred Inflows of Resources	<u>402,383</u>	<u>3,077,529</u>	<u>2,675,146</u>	<u>664.8%</u>
Net Position				
Invested in capital assets	3,985,025	5,276,487	1,291,462	32.4%
Restricted	2,630,670	9,964,081	7,333,411	278.8%
Unrestricted	<u>(5,856,787)</u>	<u>(17,278,030)</u>	<u>(11,421,243)</u>	<u>195.0%</u>
Total net position	<u>\$ 758,908</u>	<u>\$ (2,037,462)</u>	<u>\$ (2,796,370)</u>	<u>-368.5%</u>

WILLIAMS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Condensed Statement of Activities for the Fiscal Years Ended June 30

	2017	2018	Change	Percentage Change
Revenues				
Charges for services	\$ 203,712	\$ 85,657	\$ (118,055)	-58.0%
Operating grants and contributions	2,310,620	3,000,421	689,801	29.9%
Taxes levied for general purposes	3,261,224	3,369,370	108,146	3.3%
Federal and state aid not restricted for specific purposes	10,254,945	10,504,012	249,067	2.4%
Interest and investment earnings	38,393	67,192	28,799	75.0%
Miscellaneous	348,120	129,047	(219,073)	100.0%
Total revenues	<u>16,417,014</u>	<u>17,155,699</u>	<u>738,685</u>	<u>4.5%</u>
Expenses				
Instruction	9,293,931	10,934,688	1,640,757	17.7%
Instruction related services	1,449,578	1,905,627	456,049	31.5%
Pupil services	1,395,055	1,714,661	319,606	22.9%
General administration	1,354,826	1,884,336	529,510	39.1%
Plant services	1,407,412	1,540,450	133,038	9.5%
Ancillary services	127,372	137,871	10,499	8.2%
Interest on long-term debt	163,526	360,491	196,965	120.4%
Other outgo	752,408	1,249,943	497,535	66.1%
Depreciation (unallocated)	729,319	689,404	(39,915)	-5.5%
Total expenses	<u>16,673,427</u>	<u>20,417,471</u>	<u>3,744,044</u>	<u>22.5%</u>
Change in net position	<u>\$ (256,413)</u>	<u>\$ (3,261,772)</u>	<u>\$ (3,005,359)</u>	<u>1172.1%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the school year, the governmental funds reported a combined fund balance of \$14,348,641.

General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May revised figures. In addition, the District revises its budget at First and Second Interim and any other time there are significant changes.

WILLIAMS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

- Capital assets increased \$772,262 due primarily to site improvements.

Long-Term Liabilities

- Total long-term liabilities increased \$9,250,918, or 45.7%, primarily due to the increase in the net pension liability and the bond obligation payable.

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

Student enrollment and attendance are primary factors in the computation of most funding formulas for public schools in the State of California. Enrollment is expected to increase in fiscal year 2018-19.

The future predictions require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

BASIC FINANCIAL STATEMENTS

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WILLIAMS UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 14,638,769
Receivables	1,039,442
Stores inventory	10,932
Capital assets, net of accumulated depreciation	11,704,505
Total Assets	<u>27,393,648</u>
DEFERRED OUTFLOWS OF RESOURCES	
Discount on Certificate of Participation	47,906
Deferred outflows on OPEB (note 7)	90,445
Deferred outflows on pensions (note 6)	4,536,625
Total Deferred Outflows	<u>4,674,976</u>
LIABILITIES	
Accounts payable and other current liabilities	1,347,662
Unearned revenue	173,493
Long-term liabilities:	
Due within one year	1,063,330
Due in more than one year	28,444,072
Total Liabilities	<u>31,028,557</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred bond premium revenue	687,628
Deferred inflows on pensions (note 6)	2,389,901
Total Deferred Inflows	<u>3,077,529</u>
NET POSITION	
Net investment in capital assets	5,276,487
Restricted	9,964,081
Unrestricted	(17,278,030)
Total Net Position	<u>\$ (2,037,462)</u>

WILLIAMS UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenues and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities					
Instruction	\$ 10,934,688	\$ -	\$ 1,509,215	\$ -	\$ (9,425,473)
Instruction-related services:					
Instructional supervision and administration	190,766	-	137,773	-	(52,993)
Instructional library, media and technology	417,642	-	-	-	(417,642)
School site administration	1,297,219	-	35,355	-	(1,261,864)
Pupil Services:					
Home-to-school transportation	188,263	-	-	-	(188,263)
Food services	1,100,390	82,271	860,853	-	(157,266)
All other pupil services	426,008	-	133,857	-	(292,151)
General administration:					
All other general administration	1,884,336	2,942	144,870	-	(1,736,524)
Plant services	1,540,450	444	4,292	-	(1,535,714)
Ancillary services	137,871	-	4,644	-	(133,227)
Interest on long-term debt	360,491	-	-	-	(360,491)
Other outgo	1,249,943	-	169,562	-	(1,080,381)
Depreciation (unallocated)	689,404	-	-	-	(689,404)
Total governmental activities	<u>\$ 20,417,471</u>	<u>\$ 85,657</u>	<u>\$ 3,000,421</u>	<u>\$ -</u>	<u>(17,331,393)</u>
General Revenues					
Taxes and subventions:					
Taxes levied for general purposes					3,369,370
Taxes levied for debt service					465,402
Federal and state aid not restricted to specific purposes					10,504,012
Interest and investment earnings					67,192
Miscellaneous					129,047
Total General Revenues					<u>14,535,023</u>
Change in Net Position					(2,796,370)
Net Position - beginning					1,692,644
Prior period adjustment (note 1W)					(933,736)
Net Position - beginning, As restated					758,908
Net Position, June 30, 2018					<u>\$ (2,037,462)</u>

WILLIAMS UNIFIED SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>All Non-Major Funds</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 4,853,861	\$ 7,754,243	\$ 628,150	\$ 1,402,515	\$ 14,638,769
Accounts receivable	591,078	-	435,066	13,298	1,039,442
Due from other funds	106,483	-	-	66,811	173,294
Stores inventory	-	-	-	10,932	10,932
Total Assets	<u>\$ 5,551,422</u>	<u>\$ 7,754,243</u>	<u>\$ 1,063,216</u>	<u>\$ 1,493,556</u>	<u>\$ 15,862,437</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 790,704	\$ -	\$ 375,983	\$ 322	\$ 1,167,009
Due to other funds	115	66,696	58,091	48,392	173,294
Unearned revenue	173,493	-	-	-	173,493
Total Liabilities	<u>964,312</u>	<u>66,696</u>	<u>434,074</u>	<u>48,714</u>	<u>1,513,796</u>
Fund balances					
Nonspendable	6,050	-	-	10,982	17,032
Restricted	386,530	7,687,547	629,142	1,260,862	9,964,081
Assigned	3,701,513	-	-	172,998	3,874,511
Unassigned	493,017	-	-	-	493,017
Total Fund Balances	<u>4,587,110</u>	<u>7,687,547</u>	<u>629,142</u>	<u>1,444,842</u>	<u>14,348,641</u>
Total liabilities and fund balances	<u>\$ 5,551,422</u>	<u>\$ 7,754,243</u>	<u>\$ 1,063,216</u>	<u>\$ 1,493,556</u>	<u>\$ 15,862,437</u>

WILLIAMS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

JUNE 30, 2018

Total fund balances - governmental funds		\$ 14,348,641
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost		\$ 20,201,489
Accumulated depreciation		<u>(8,496,984)</u>
Net		11,704,505
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.		
		(180,653)
Unamortized premiums and discounts: In governmental funds, bond premiums are recognized as revenues in the period they are received while bond discounts are recognized as expenditures in the period they are incurred. In the government-wide statements, premiums and discounts are amortized over the life of the debt. Unamortized premiums and discounts at year-end consist of:		
Unamortized portion of COP discounts		47,906
Unamortized portion of bond premiums		(687,628)
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:		
Net pension liabilities		\$ 13,875,375
General obligation bonds payable:		
Current Interest		8,000,000
Net OPEB liability		1,160,944
Capital lease payable		3,148,018
Certificate of participation		3,280,000
Compensated absences payable		<u>43,065</u>
		(29,507,402)
Deferred outflows and inflows of resources relating to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources relating to OPEB		90,445
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 pension are reported.		
Deferred outflows of resources relating to pensions		4,536,625
Deferred inflows of resources relating to pensions		<u>(2,389,901)</u>
Total net position - governmental activities		<u>\$ (2,037,462)</u>

WILLIAMS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	County School Facilities Fund	All Non-Major Funds	Totals
REVENUES					
LCFF sources	\$ 13,438,525	\$ -	\$ -	\$ -	\$ 13,438,525
Federal revenue	950,633	-	-	845,199	1,795,832
Other state revenues	1,537,214	-	-	108,227	1,645,441
Other local revenues	151,951	32,408	11,477	560,430	756,266
Total revenues	<u>16,078,323</u>	<u>32,408</u>	<u>11,477</u>	<u>1,513,856</u>	<u>17,636,064</u>
EXPENDITURES					
Certificated salaries	6,471,063	-	-	-	6,471,063
Classified salaries	2,003,584	-	-	342,458	2,346,042
Employee benefits	3,189,396	-	-	125,290	3,314,686
Books and supplies	863,334	-	18,858	505,822	1,388,014
Services and other operating expenditures	2,194,555	344,861	-	22,322	2,561,738
Capital outlay	284,043	-	1,177,623	-	1,461,666
Other outgo	785,913	-	-	52,284	838,197
Debt service expenditures					
Principal	341,655	-	-	233,518	575,173
Interest	131,824	-	-	90,649	222,473
Total expenditures	<u>16,265,367</u>	<u>344,861</u>	<u>1,196,481</u>	<u>1,372,343</u>	<u>19,179,052</u>
Excess (deficiency) of revenues over expenditures	<u>(187,044)</u>	<u>(312,453)</u>	<u>(1,185,004)</u>	<u>141,513</u>	<u>(1,542,988)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	2,281	221,334	223,615
Operating transfers out	(223,615)	-	-	-	(223,615)
Proceeds from capital leases	55,069	-	-	-	55,069
Proceeds from debt issuance	-	8,000,000	-	-	8,000,000
Other sources	-	-	-	700,698	700,698
Other uses	-	-	-	(66,886)	(66,886)
Total other financing sources (uses)	<u>(168,546)</u>	<u>8,000,000</u>	<u>2,281</u>	<u>855,146</u>	<u>8,688,881</u>
Net change in fund balances	<u>(355,590)</u>	<u>7,687,547</u>	<u>(1,182,723)</u>	<u>996,659</u>	<u>7,145,893</u>
Fund balances, July 1, 2017	<u>4,942,700</u>	<u>-</u>	<u>1,811,865</u>	<u>448,183</u>	<u>7,202,748</u>
Fund balances, June 30, 2018	<u>\$ 4,587,110</u>	<u>\$ 7,687,547</u>	<u>\$ 629,142</u>	<u>\$ 1,444,842</u>	<u>\$ 14,348,641</u>

WILLIAMS UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES**

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds \$ 7,145,893

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	\$ 1,461,666	
Depreciation expense	<u>(689,404)</u>	772,262

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 574,269

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt were: (8,055,069)

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 that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: (148,690)

Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer 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: 58,465

Pensions: In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (2,445,604)

Compensated absences in governmental funds are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (8,170)

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. (689,726)

Total change in net position - governmental activities \$ (2,796,370)

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

Student Body Funds

Assets

Cash on hand and in banks \$ 150,662

Liabilities

Due to student groups 150,662

Net Position \$ -

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. HISTORY OF THE ORGANIZATION

The Williams Unified School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of California. It is governed by a five-member Governing Board elected by registered voters of the District, which comprises an area in Colusa County. The District serves students in transitional kindergarten through twelfth grade.

B. REPORTING ENTITY

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has determined that no outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight responsibility that would result in the District being considered a component unit of that entity.

C. ACCOUNTING POLICIES

The District prepares its financial statements in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA) and complies with the policies and procedures of the Department of Education's *California School Accounting Manual*.

D. BASIS OF PRESENTATION

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the District and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

D. BASIS OF PRESENTATION (CONTINUED)

Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. For the District, "available" means collectible within the current period or within 60 days after year-end.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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 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 specified 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

F. FUND ACCOUNTING

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

Governmental Funds

The **General Fund** is the general operating fund of the District and accounts for all revenues and expenditures of the District, not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

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

- The **Cafeteria Fund** is used to account separately for federal, state, and local resources to operate the food service program.

The **Capital Projects Funds** are used to account for resources used for the acquisition or construction of major capital facilities and equipment.

- The **Building Fund** is used to account for the proceeds from the sale of bonds and may not be used for any purpose other than those for which the bonds were issued.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

F. FUND ACCOUNTING (CONTINUED)

- The **Capital Facilities 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 **County Schools Facilities Fund** is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The District is using this fund to account for the 2016 Certificates of Participation activity.

The **Debt Service Funds** are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs. The District maintains one debt service fund:

- The **Bond Interest and Redemption Fund** is maintained by the County Treasurer and is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of other parties in a trustee or agent capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. The District maintains the following agency fund:

- The **Student Body Fund** is used to account for assets held by the District on behalf of student groups.

G. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By State law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures.

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

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

H. ENCUMBRANCES

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

I. DEPOSITS AND INVESTMENTS

The District is authorized to maintain cash in banks and revolving funds that are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq.

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

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.

J. INVENTORY

Inventory in the Cafeteria Fund consists mainly of consumable supplies held for future use and are valued at average cost. Inventories are recorded as expenditures at the time individual inventory items are transferred from the warehouse to schools. Maintenance and other supplies held for physical plant repair, transportation supplies, and operating supplies are not included in inventories; rather, these amounts are recorded as expenditures when purchased.

The Cafeteria Fund records supplies expense which includes a handling charge for the delivery of government surplus food commodities. The state requires the Cafeteria Fund to record the fair market value of these commodities.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

K. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives as follows: buildings and improvements, 5 to 50 years; furniture and equipment, 2 to 15 years; and vehicles, 8 years.

L. UNEARNED REVENUE

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

M. INTERFUND BALANCES

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

N. COMPENSATED ABSENCES

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

O. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position includes 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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then.

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

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

P. RESTRICTED NET POSITION

Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

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.

Q. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Trustees. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Trustees.

Assigned Fund Balance reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Trustees is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

R. LOCAL CONTROL FUNDING FORMULA/PROPERTY TAX

The District's local control funding formula is received from a combination of local property taxes, state apportionments, and other local sources.

The County of Colusa is responsible for assessing, collecting and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. Taxes are levied for each fiscal year on taxable real and personal property in the county. Secured property taxes attach as an enforceable lien on property as of March 1. Property taxes become delinquent after December 10 and April 10, respectively.

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula (LCFF) sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

S. ELIMINATIONS AND RECLASSIFICATIONS

In the process of aggregating data for the government-wide statements, some amounts reported as interfund activity and balances in the fund financial statements were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

T. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

U. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Williams Unified School District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS, respectively. 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.

V. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

W. CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), which supersedes GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement addresses accounting and financial reporting for other postemployment benefits offered by the District and requires various note disclosures (Note 7) and required supplementary information. As a result, beginning of year net position has been restated as shown below:

Net position previously reported, June 30, 2017	\$ 1,692,644
OPEB previously reported	195,228
Net OPEB liability	(1,128,964)
Amounts paid by the District subsequent to the measurement date	-
Net position as restated	\$ 758,908

Information on beginning of year deferred outflows and deferred inflows of OPEB resources, and all information for the prior years is not available and therefore such amounts have not been restated.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2018 consist of the following:

	Governmental Activities	Fiduciary Activities
Cash in County Treasury	\$ 13,572,329	\$ -
Cash on hand and in banks	-	150,662
Cash in revolving fund	6,100	-
Cash with fiscal agent	1,060,340	-
Total	<u>\$ 14,638,769</u>	<u>\$ 150,662</u>

A. CASH ON HAND AND IN BANKS

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation.

B. CASH IN REVOLVING FUNDS

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

C. CASH WITH FISCAL AGENT

Cash with Fiscal Agent represents funds held by third parties restricted for the repayment of the capital lease.

D. CASH IN COUNTY TREASURY

County pool investments consist of District cash held by the Colusa County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are 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 weighted average maturity of the pool is 1,029 days. The pool is rated AAA by Standard and Poor's.

Interest Rate Risk. California Government Code Section 53601 limits the District's investments to maturities of five years. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

D. CASH IN COUNTY TREASURY (CONTINUED)

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements at June 30, 2018 are as shown below:

Description	Level 1	Level 2	Level 3	N/A	Total
US Agency, Treasury & Municipal Notes (USATM):					
US Agency Notes:	\$ 162,062	\$ -	\$ -	\$ -	\$ 162,062
Notes/Discount Notes FFCB	162,811	-	-	-	162,811
US Treasury Notes:	2,339,686	-	-	-	2,339,686
Supranationals	1,755,845	-	-	-	1,755,845
LAIF	-	-	-	9,151,925	9,151,925
Total	<u>\$ 4,420,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,151,925</u>	<u>\$ 13,572,329</u>

3. INTERFUND TRANSACTIONS

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

	Interfund Receivables	Interfund Payables
Major Fund		
General Fund	\$ 106,483	\$ 115
Building Fund	-	66,696
County School Facilities Fund	-	58,091
Nonmajor Funds		
Cafeteria Fund	115	48,392
Bond Interest and Redemption Fund	66,696	-
Total	<u>\$ 173,294</u>	<u>\$ 173,294</u>

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

3. INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers

As of June 30, 2018, the interfund transfers were as follows:

Transfer from General Fund to Capital Facilities Fund to cover K-1 complex payment	\$ 220,000
Transfer from General Fund to County School Facilities Fund to cover negative interest	2,281
Transfer from General Fund to Cafeteria Fund for site purchases from food service	<u>1,334</u>
Total Transfers	<u><u>\$ 223,615</u></u>

4. CAPITAL ASSETS

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

	Balance July 1, 2017	Additions and Adjustments	Deductions and Adjustments	Balance June 30, 2018
Non-depreciable assets:				
Land	\$ 68,237	\$ -	\$ -	\$ 68,237
Work in progress	1,079,120	1,177,623	1,244,151	1,012,592
	<u>1,147,357</u>	<u>1,177,623</u>	<u>1,244,151</u>	<u>1,080,829</u>
Depreciable assets:				
Sites and improvements	4,956,738	1,080,138	-	6,036,876
Building and improvements	11,034,541	241,286	-	11,275,827
Furniture and equipment	1,656,363	206,770	55,176	1,807,957
Subtotal	<u>17,647,642</u>	<u>1,528,194</u>	<u>55,176</u>	<u>19,120,660</u>
Totals, at cost	<u>18,794,999</u>	<u>2,705,817</u>	<u>1,299,327</u>	<u>20,201,489</u>
Accumulated depreciation:				
Sites and improvements	(1,263,007)	(301,122)	(1,242)	(1,562,887)
Building and improvements	(5,584,667)	(258,334)	-	(5,843,001)
Furniture and equipment	(1,015,082)	(135,078)	(59,064)	(1,091,096)
Subtotal	<u>(7,862,756)</u>	<u>(694,534)</u>	<u>(60,306)</u>	<u>(8,496,984)</u>
Depreciable assets, net	<u>9,784,886</u>	<u>833,660</u>	<u>(5,130)</u>	<u>10,623,676</u>
Capital assets, net	<u><u>\$ 10,932,243</u></u>	<u><u>\$ 2,011,283</u></u>	<u><u>\$ 1,239,021</u></u>	<u><u>\$ 11,704,505</u></u>

The entire amount of depreciation expense was unallocated.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

5. LONG TERM LIABILITIES

A. SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
GO Bonds	\$ -	\$ 8,000,000	\$ -	\$ 8,000,000	\$ 430,000
Capital Lease	3,562,218	55,069	469,269	3,148,018	480,265
Certificate of Participation	3,385,000	-	105,000	3,280,000	110,000
Net OPEB Liability	1,128,964	31,980	-	1,160,944	-
Net Pension Liability	12,145,407	1,729,968	-	13,875,375	-
Compensated Absences	34,895	8,170	-	43,065	43,065
	<u>\$ 20,256,484</u>	<u>\$ 9,825,187</u>	<u>\$ 574,269</u>	<u>\$ 29,507,402</u>	<u>\$ 1,063,330</u>

The General Fund and Capital Facilities Fund make payments for the capital leases. The accrued vacation (compensated absences) and other postemployment benefits will be paid by the fund for which the employee works. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund.

B. QZAB PROGRAM

On January 29, 2014, the District entered a QZAB Lease program for the amount of \$2,885,000. The QZAB program consists generally of solar installation and lighting, retrofits to install energy efficient lighting and building repair and rehabilitation, along with electrical distribution upgrades at Williams Junior Senior High School, Williams Upper Elementary School, and Williams Elementary School, and is known as the Williams Unified School District Zone Academies, as more particularly described in the District's application to the California Department of Education, School Facilities Planning Division.

The equipment and improvements are financed by the lease, including (without limitation) installation of solar array energy system, photovoltaic equipment and related property, including (without limitation) photovoltaic modules, inverters, transformers, switches and interconnection equipment, together with all attachments, additions, accessions, parts, repairs, improvements, replacements and substitutions located on the Leased Property.

The lease details are included under the capital lease schedules on the following page.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

C. CAPITAL LEASES

Description	Date of Issue	Interest Rates	Maturity Date	Amount of Original Issue	Outstanding July 1, 2017	Additions	Redeemed Current Year	Outstanding June 30, 2018
260 11th Street	4/1/2012	3.50%	10/29/2019	\$ 1,725,109	\$ 598,488	\$ -	\$ 233,623	\$ 364,865
John Deere	10/1/2017	4.50%	9/4/2022	55,069	-	55,069	11,456	43,613
Prop 39 Lease	7/1/2014	2.95%	2/11/2020	461,828	239,364	-	93,648	145,716
QZAB Lease	1/29/2014	1.40% - 5.34%	1/29/2032	2,885,000	2,724,366	-	130,542	2,593,824
				<u>\$ 5,127,006</u>	<u>\$ 3,562,218</u>	<u>55,069</u>	<u>\$ 469,269</u>	<u>\$ 3,148,018</u>

The leases have minimum payments as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 480,265	\$ 50,994	\$ 531,259
2020	317,759	37,892	355,651
2021	147,266	32,778	180,044
2022	155,704	30,340	186,044
2023	164,201	27,799	192,000
2024-2028	949,263	101,737	1,051,000
2029-2033	933,560	27,067	960,627
Totals	<u>\$ 3,148,018</u>	<u>\$ 308,607</u>	<u>\$ 3,456,625</u>

D. CERTIFICATES OF PARTICIPATION

In 2016, the District issued Certificates of Participation in the aggregate principal amount of \$3,490,000 for the purpose of financing the acquisition, construction, installation, improvement and equipping of various District facilities, the Certificates, purchase a reserve fund municipal bond insurance policy in lieu of cash funding a bond reserve fund for the Certificates, and pay costs of delivery of the Certificates. The 2016 Certificates of Participation mature through May 2041, and have interest rates ranging from 2.0% to 3.125%.

Description	Date Of Issue	Interest Rates	Maturity Date	Amount of Original Issue	Outstanding July 1, 2017	Additions	Redeemed Current Year	Outstanding June 30, 2018
2016 COP	4/14/2016	2.00% - 3.125%	5/1/2041	\$ 3,490,000	\$ 3,385,000	\$ -	\$ 105,000	\$ 3,280,000
				<u>\$ 3,490,000</u>	<u>\$ 3,385,000</u>	<u>-</u>	<u>\$ 105,000</u>	<u>\$ 3,280,000</u>

The table on the following page is a schedule of the future payments for the 2016 Certificates of Participation as of June 30, 2018.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

D. CERTIFICATES OF PARTICIPATION (CONTINUED)

Year Ended June 30,	Principal	Interest	Total
2019	\$ 110,000	\$ 85,838	\$ 195,838
2020	110,000	83,638	193,638
2021	115,000	81,438	196,438
2022	115,000	79,138	194,138
2023	120,000	76,838	196,838
2024-2028	630,000	347,164	977,164
2029-2033	705,000	269,656	974,656
2033-2037	820,000	161,870	981,870
2039-2043	555,000	34,994	589,994
Totals	<u>\$ 3,280,000</u>	<u>\$ 1,220,574</u>	<u>\$ 4,500,574</u>

Payments of Certificates of Participation are made from the General Fund.

E. GENERAL OBLIGATION BONDS

On August 23, 2017, the District issued Measure C Series A (2017) General Obligation Bonds (the "Bonds") in the aggregate principal amount of \$4,000,000 for the purpose of financing the school facility improvements and to pay certain costs of issuance associated therewith.

On May 23, 2018, the District issued Measure C Series B (2018) General Obligation Bonds (the "Bonds") in the aggregate principal amount of \$4,000,000 for the purpose of financing the school facility improvements and to pay certain costs of issuance associated therewith.

The Bonds are payable from the proceeds of *ad valorem* property taxes which the Board of Supervisors of the Colusa County are obligated to levy and collect on all taxable property in the District for the payment of principal and interest on the Bonds when due. The Series A and Series B bonds carry interest rates ranging from 2.0% to 5.0% and mature in staggered amounts each year starting in August 1, 2018 up through August 1, 2047.

Description	Date Of Issue	Interest Rates	Maturity Date	Amount of Original Issue	Outstanding July 1, 2017	Additions	Redeemed Current Year	Outstanding June 30, 2018
GO Bond Election of 2016, Series A	8/23/2017	2.25% - 5.00%	8/1/2047	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000
GO Bond Election of 2016, Series B	5/3/2018	2.00% - 5.00%	8/1/2047	4,000,000	-	4,000,000	-	4,000,000
				<u>\$ 8,000,000</u>	<u>\$ -</u>	<u>\$ 8,000,000</u>	<u>\$ -</u>	<u>\$ 8,000,000</u>

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

E. GENERAL OBLIGATION BONDS (CONTINUED)

The annual requirements to amortize the bonds as of June 30, 2018 are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 430,000	\$ 188,263	\$ 618,263
2020	445,000	323,575	768,575
2021	65,000	310,225	375,225
2022	55,000	307,625	362,625
2023	65,000	305,425	370,425
2024-2028	225,000	1,507,713	1,732,713
2029-2033	605,000	1,461,912	2,066,912
2033-2037	1,135,000	1,341,656	2,476,656
2039-2043	1,910,000	1,059,100	2,969,100
2044-2048	3,065,000	486,750	3,551,750
Totals	<u>\$ 8,000,000</u>	<u>\$ 7,292,244</u>	<u>\$ 15,292,244</u>

6. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

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 Law. 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 Headquarters, 400 Q Street, Sacramento, California 95811.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. 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. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Headquarters, 100 Waterfront Place, West Sacramento, California 95605.

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

	CalPERS		CalSTRS	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	6%	10.25%	9.205%
Required employer contribution rates	15.531%	15.531%	14.43%	14.43%

Contributions

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Williams Unified School District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

STRS

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were:

	<u>CalPERS</u>	<u>STRS</u>	<u>Total</u>
Contributions - employer	\$ 326,946	\$ 894,120	\$ 1,221,066
On behalf contributions - state	-	472,954	472,954
Total	<u>\$ 326,946</u>	<u>\$ 1,367,074</u>	<u>\$ 1,694,020</u>

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

As of June 30, 2018, Williams Unified School District reported net pension liabilities for its proportionate share of the net pension liability of the Plans of:

	<u>Proportionate Share of Net Pension Liability</u>
CalPERS	\$ 4,044,654
STRS	9,830,721
Total Net Pension Liability	<u>\$ 13,875,375</u>

Williams Unified School District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. Williams Unified School 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 employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

	<u>CalPERS</u>	<u>STRS</u>
Proportion - June 30, 2016	0.01773%	0.01069%
Proportion - June 30, 2017	0.01694%	0.01063%
Change - Increase (Decrease)	<u>-0.00079%</u>	<u>-0.00006%</u>

WILLIAMS UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

For the year ended June 30, 2018, the District recognized pension expense of \$543,779 and \$1,901,825 for CalPERS and STRS, respectively. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS		STRS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 326,946	\$ -	\$ 1,367,074	\$ -	\$ 1,694,020	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2016-17.	-	49,775	-	378,796	-	428,571
Changes of Assumptions	439,302	122,592	1,561,077	-	2,000,378	122,592
Differences between Expected and Actual Experience	214,544	-	31,161	361,987	245,706	361,987
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	132,426	307,427	1,020,397	307,427	1,152,822
Net differences between projected and actual investment earnings on pension plan investments	288,794	-	-	323,929	288,794	323,929
Total	<u>\$ 1,269,586</u>	<u>\$ 304,792</u>	<u>\$ 3,266,739</u>	<u>\$ 2,085,109</u>	<u>\$ 4,536,325</u>	<u>\$ 2,389,901</u>

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

Year Ended June 30	CalPERS	STRS	Total Deferred Outflows/ (Inflows) of Resources
2019	\$ 53,050	\$ (432,602)	\$ (379,552)
2020	267,560	(125,840)	141,720
2021	289,254	(15,849)	273,404
2022	27,983	71,889	99,873
2023	-	96,237	96,237
Thereafter	-	220,721	220,721
Total	<u>\$ 637,848</u>	<u>\$ (185,444)</u>	<u>\$ 452,404</u>

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalPERS</u>	<u>STRS</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.75%	2.75%
Payroll Growth Rate	3.00%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return (1)	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

Discount Rate

CalPERS

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

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

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

The table below reflects the 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 rates of return are net of administrative expenses.

<u>Asset Class</u>	CalPERS		
	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
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%
	<u>100.0%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

STRS

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 increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions and benefit payments occur midyear. Based on those assumptions, the 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.

WILLIAMS UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (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 are summarized in the table below:

<u>Asset Class</u>	<u>STRS</u>	
	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	47.0%	6.30%
Private Equity	13.0%	9.30%
Real Estate	13.0%	5.20%
Fixed Income	12.0%	0.30%
Absolute Return/Risk Mitigating Strategies	9.0%	2.90%
Inflation Sensitive	4.0%	3.80%
Cash/Liquidity	2.0%	-1.00%
Total	<u>100%</u>	

Sensitivity of the 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 for each Plan, calculated using the discount rate for each Plan, 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 or 1-percentage point higher than the current rate:

	<u>CalPERS</u>		
	<u>Discount Rate - 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
Plan's Net Pension Liability	\$ 5,950,982	\$ 4,044,654	\$ 2,463,195

	<u>STRS</u>		
	<u>Discount Rate - 1% (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>Discount Rate + 1% (8.10%)</u>
Plan's Net Pension Liability	\$ 14,434,620	\$ 9,830,721	\$ 6,094,346

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS and STRS financial reports.

Payable to the Pension Plan

At June 30, 2018, the District had no outstanding amount of contributions to the pension plans required for the year ended June 30, 2018.

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan description. The plan is a single-employer defined benefit plan. The plan provides other postemployment benefits for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The Plan does not issue financial statements.

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

	<u>Certificated</u>	<u>Classified</u>	<u>Management***</u>
Benefit types provided	Medical only	Medical, dental, and vision	Medical, dental, and vision
Duration of benefits	To age 65	To age 65	To age 65
Required service	20 years**	15 years	15 years
Minimum age	59**	60*	55
Dependent coverage	No	No	No
District contribution %	100%	100%	100%
District cap	\$800 per month	\$714 per month	Same as applicable employee classification

* Classified management and confidential are eligible for District-paid benefits at age 55
** Certificated employees hired prior to July 1, 2014 may receive benefits at age 55 with 15 or more years of service
*** Management and Confidential employees hired on or after July 1, 2011 have no entitlement

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District, the Williams Teachers Association (WTA), and the local California School Employees Association (CSEA) chapter. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017-18, the District contributed \$82,286 to the Plan, of which \$82,286 was used for current premiums.

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	108
	118
	118

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.75% per year
Inflation Rate	2.75% per year
Investment rate of return	3.5% per year net of expenses
Healthcare cost trend rates	4% per year

The discount rate of 3.5% is based on the Bond Buyer 20 Bond Index. We assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years. The mortality assumptions are based on the 2009 CalSTRS Mortality table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees for classified employees. The retirement assumptions are based on the 2009 CalSTRS Retirement Rates table created by CalSTRS and the 2009 CalPERS 2.0% @ 60 Rates for Miscellaneous Employees and 2009 CalPERS Retirement Rates for School Employees tables created by CalPERS.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 1,128,964	\$ -	\$ 1,128,964
Changes for the year:			
Service cost	74,917	-	74,917
Interest	39,349	-	39,349
Differences between expected and actual experience	-	-	-
Contributions - employer	-	82,286	(82,286)
Net investment income	-	-	-
Benefit payments	(82,286)	(82,286)	-
Administrative expense	-	-	-
Net changes	31,980	-	31,980
Balances at June 30, 2018	<u>\$ 1,160,944</u>	<u>\$ -</u>	<u>\$ 1,160,944</u>

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability (asset)	\$ 1,258,454	\$ 1,160,944	\$ 1,072,315

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (3%)	Trend Rates (4%)	1% Increase (5%)
Net OPEB liability (asset)	\$ 1,082,017	\$ 1,160,944	\$ 1,236,931

OPEB plan fiduciary net position. The plan has no assets.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$58,465. Certain types of TOL changes are subject to deferral, as are investment gains/losses. To qualify for deferral, gains and losses must be based on GASB 74/75 compliant valuations. Since the District's prior valuation was performed in accordance with GASB 43/45, it is not possible to calculate compliant gains and losses. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Contributions made subsequent to measurement date	90,445	-
Total	\$ 90,445	\$ -

The District will recognize the contributions made subsequent to the measurement date in the next fiscal year.

Payable to the OPEB Plan

At June 30, 2018, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

WILLIAMS UNIFIED SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

8. FUND BALANCES

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

	General Fund	Building Fund	County Schools Facilities Fund	Non-Major Funds	Total
Nonspendable:					
Stores	\$ -	\$ -	\$ -	\$ 10,932	\$ 10,932
Revolving Cash	6,050	-	-	50	6,100
Total Nonspendable	<u>6,050</u>	<u>-</u>	<u>-</u>	<u>10,982</u>	<u>17,032</u>
Restricted:					
Lottery: Instructional Materials	127,375	-	-	-	127,375
College Readiness Block Grant	16,081	-	-	-	16,081
California Clean Energy Jobs Act	207,859	-	-	-	207,859
COP Projects	-	-	629,142	-	629,142
Child Nutrition: School Programs	-	-	-	229,558	229,558
Child Nutrition: Child Care Food Program (CCFP)	-	-	-	1,422	1,422
Other Restricted State	8,311	-	-	-	8,311
Other Restricted Local	26,904	7,687,547	-	1,029,882	8,744,333
Total Restricted	<u>386,530</u>	<u>7,687,547</u>	<u>629,142</u>	<u>1,260,862</u>	<u>9,964,081</u>
Assigned:					
Affordable Care Act	50,000	-	-	-	50,000
Weight Room Equipment	350,000	-	-	-	350,000
Construction Contingency	500,000	-	-	-	500,000
Board Reserve Policy	1,992,923	-	-	-	1,992,923
Education Protection Account	-	-	-	-	-
Lottery	225,888	-	-	-	225,888
Other assignments	582,702	-	-	172,998	755,700
Total Assigned	<u>3,701,513</u>	<u>-</u>	<u>-</u>	<u>172,998</u>	<u>3,874,511</u>
Unassigned:					
Reserve for Economic Uncertainties	493,017	-	-	-	493,017
Total Unassigned	<u>493,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>493,017</u>
Total Fund Balances	<u>\$ 4,587,110</u>	<u>\$ 7,687,547</u>	<u>\$ 629,142</u>	<u>\$ 1,444,842</u>	<u>\$ 14,348,641</u>

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

9. JOINT VENTURES

The District participates in three joint ventures under joint powers agreements (JPAs); the Tri-Counties Self Insurance Group (Tri-Counties SIG), the North Valley Schools Insurance Group (NVSIG) and the Schools Excess Liability Fund (SELF) for property, liability, workers' compensation, health benefits and excess liability coverage. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide coverage for its members. The JPAs are governed by a board consisting of a representative from each member district. Each board controls the operations of their JPAs, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPAs.

The JPAs are audited on an annual basis. Financial information can be obtained by contacting each JPAs management.

Condensed financial information for the JPAs for the most recent fiscal year are available as follows:

	Tri-Counties SIG June 30, 2017*	NVSIG June 30, 2018	SELF June 30, 2018
Total Assets	\$ 18,722,833	\$ 3,308,256	\$ 118,692,006
Deferred Outflows of Resources	183,953	-	497,939
Total Liabilities	9,365,157	1,738,535	101,064,545
Deferred Inflows of Resources	19,160	-	28,087
Net Position	<u>\$ 9,522,469</u>	<u>\$ 1,569,721</u>	<u>\$ 18,097,313</u>
Revenues	\$ 43,039,245	\$ 13,843,468	\$ 15,139,473
Expenditures	39,467,946	13,840,086	19,471,187
Change in Net Position	<u>\$ 3,571,299</u>	<u>\$ 3,382</u>	<u>\$ (4,331,714)</u>

* Latest available audited financial reports.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

10. COMMITMENTS AND CONTINGENCIES

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

11. SUBSEQUENT EVENTS

The District's management evaluated its June 30, 2018 financial statements for subsequent events through December 4, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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WILLIAMS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
REVENUES				
LCFF sources	\$ 13,342,890	\$ 13,438,525	\$ 13,438,525	\$ -
Federal revenue	1,204,849	1,329,275	950,633	(378,642)
Other state revenues	1,293,868	1,667,807	1,537,214	(130,593)
Other local revenues	125,109	177,920	151,951	(25,969)
Total revenues	15,966,716	16,613,527	16,078,323	(535,204)
EXPENDITURES				
Certificated salaries	6,641,002	6,519,989	6,471,063	48,926
Classified salaries	1,963,898	2,021,609	2,003,584	18,025
Employee benefits	3,143,178	3,212,552	3,189,396	23,156
Books and supplies	752,616	948,622	863,334	85,288
Services and other operating expenditures	1,902,597	2,389,697	2,194,555	195,142
Capital outlay	163,712	291,389	284,043	7,346
Other outgo	693,816	785,912	838,197	(52,285)
Debt service expenditures				
Principal	325,126	341,656	341,655	1
Interest	138,936	131,824	131,824	-
Total expenditures	15,724,881	16,643,250	16,317,651	325,599
Excess (deficiency) of revenues over expenditures	241,835	(29,723)	(239,328)	(209,605)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	52,284	52,284
Operating transfers out	(220,000)	(223,615)	(223,615)	-
Proceeds from Capital Leases	-	59,057	55,069	(3,988)
Total other financing sources (uses)	(220,000)	(164,558)	(116,262)	48,296
Net change in fund balance	21,835	(194,281)	(355,590)	(161,309)
Fund balance, July 1, 2017	4,942,700	4,942,700	4,942,700	-
Fund balance, June 30, 2018	\$ 4,964,535	\$ 4,748,419	\$ 4,587,110	\$ (161,309)

WILLIAMS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS**

JUNE 30, 2018

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 74,917
Interest	39,349
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(82,286)</u>
Net change in total OPEB liability	31,980
Total OPEB liability - beginning	<u>1,128,964</u>
Total OPEB liability - ending (a)	\$ 1,160,944
 Plan fiduciary net position	
Contributions - employer	\$ 82,286
Net investment income	-
Benefit payments, including refunds of member contributions	(82,286)
Administrative expense	<u>-</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ -</u>
District's net OPEB liability - ending (a) - (b)	<u><u>\$ 1,160,944</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered-employee payroll	\$ 8,297,710
District's net OPEB liability as a percentage of covered-employee payroll	14.0%

WILLIAMS UNIFIED SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalPERS	June 30, 2014 ⁽¹⁾	June 30, 2015 ⁽¹⁾	June 30, 2016 ⁽¹⁾	June 30, 2017 ⁽¹⁾
Proportion of the net pension liability	0.01468%	0.01719%	0.01773%	0.01694%
Proportionate share of the net pension liability	\$ 1,666,423	\$ 2,533,116	\$ 3,502,388	\$ 4,044,654
Covered-employee payroll ⁽²⁾	\$ 1,497,859	\$ 1,890,360	\$ 1,814,840	\$ 1,931,962
Proportionate Share of the net pension liability as percentage of covered-employee payroll	111.25%	134.00%	192.99%	209.35%
Plans fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.90%	71.87%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 176,313	\$ 223,951	\$ 252,045	\$ 300,053
STRS	June 30, 2014 ⁽¹⁾	June 30, 2015 ⁽¹⁾	June 30, 2016 ⁽¹⁾	June 30, 2017 ⁽¹⁾
Proportion of the net pension liability	0.01066%	0.01002%	0.01069%	0.01063%
Proportionate share of the net pension liability	\$ 6,228,709	\$ 6,746,556	\$ 8,643,019	\$ 9,830,721
Covered-employee payroll ⁽²⁾	\$ 4,410,664	\$ 3,849,292	\$ 4,542,464	\$ 4,911,594
Proportionate Share of the net pension liability as percentage of covered-employee payroll	141.22%	175.27%	190.27%	200.15%
Plans fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%
Proportionate share of aggregate employer contributions ⁽³⁾	\$ 391,667	\$ 413,029	\$ 571,442	\$ 708,743

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

⁽³⁾ The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

WILLIAMS UNIFIED SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalPERS	Fiscal Year 2013-14 ⁽¹⁾	Fiscal Year 2014-15 ⁽¹⁾	Fiscal Year 2015-16 ⁽¹⁾	Fiscal Year 2016-17 ⁽¹⁾
Actuarially Determined Contribution ⁽²⁾	\$ 176,313	\$ 223,951	\$ 252,045	\$ 300,053
Contributions in relation to the actuarially determined contributions ⁽²⁾	(225,913)	(252,463)	(299,662)	(326,946)
Contribution deficiency (excess)	<u>\$ (49,600)</u>	<u>\$ (28,512)</u>	<u>\$ (47,617)</u>	<u>\$ (26,893)</u>
Covered-employee payroll ⁽³⁾	\$ 1,497,859	\$ 1,890,360	\$ 1,814,840	\$ 1,931,962
Contributions as a percentage of covered-employee payroll ⁽³⁾	11.771%	11.847%	13.888%	15.531%
STRS	Fiscal Year 2013-14 ⁽¹⁾	Fiscal Year 2014-15 ⁽¹⁾	Fiscal Year 2015-16 ⁽¹⁾	Fiscal Year 2016-17 ⁽¹⁾
Actuarially Determined Contribution ⁽²⁾	\$ 391,667	\$ 413,029	\$ 571,442	\$ 708,743
Contributions in relation to the actuarially determined contributions ⁽²⁾	(433,994)	(575,762)	(723,721)	(894,120)
Contribution deficiency (excess)	<u>\$ (42,327)</u>	<u>\$ (162,733)</u>	<u>\$ (152,279)</u>	<u>\$ (185,377)</u>
Covered-employee payroll ⁽³⁾	\$ 4,410,664	\$ 3,849,292	\$ 4,542,464	\$ 4,911,594
Contributions as a percentage of covered-employee payroll ⁽³⁾	8.880%	10.730%	12.580%	14.430%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 68 is applicable.

⁽²⁾ Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

⁽³⁾ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. PURPOSE OF SCHEDULES

A - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

At June 30, 2018, the District did not incur any excess of expenditures over appropriations by major object code in the individual major fund presented in the schedule.

B - Schedule of Changes in the District's Net OPEB Liability and Related Ratios

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. However, since this is the initial year of implementation, only one year is currently available.

Changes in Assumptions

There were no changes to assumptions.

Changes in Benefit Terms

In fiscal year 2017-18, certificated staff of the District received \$800 per month District cap, prior to fiscal year 2017-18, their cap was \$711 per month.

C - Schedule of Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Assumptions

The CalPERS plan discount rate was changed from 7.65 percent to 7.15 percent since the previous valuation. The CalSTRS plan discount rate was changed from 7.60 percent to 7.10 percent since the previous valuation.

Changes in Benefit Terms

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

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

D - Schedule of Pension Contributions

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

	<u>CalPERS</u>	<u>STRS</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.75%	2.75%
Payroll Growth Rate	3.00%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return (1)	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

SUPPLEMENTARY INFORMATION

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WILLIAMS UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 266,331	\$ 172,998	\$ 963,186	\$ 1,402,515
Accounts receivable	13,298	-	-	13,298
Stores inventory	10,932	-	-	10,932
Due from other funds	115	-	66,696	66,811
Total Assets	<u>\$ 290,676</u>	<u>\$ 172,998</u>	<u>\$ 1,029,882</u>	<u>\$ 1,493,556</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 322	\$ -	\$ -	\$ 322
Due to other funds	48,392	-	-	48,392
Total Liabilities	<u>48,714</u>	<u>-</u>	<u>-</u>	<u>48,714</u>
Fund balances				
Nonspendable	10,982	-	-	10,982
Restricted	230,980	-	1,029,882	1,260,862
Assigned	-	172,998	-	172,998
Total Fund Balances	<u>241,962</u>	<u>172,998</u>	<u>1,029,882</u>	<u>1,444,842</u>
Total Liabilities and Fund Balances	<u>\$ 290,676</u>	<u>\$ 172,998</u>	<u>\$ 1,029,882</u>	<u>\$ 1,493,556</u>

WILLIAMS UNIFIED SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

ALL NON-MAJOR GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Totals
REVENUES				
Federal revenue	\$ 845,199	\$ -	\$ -	\$ 845,199
Other state revenues	64,399	-	43,828	108,227
Other local revenues	88,026	47,186	425,218	560,430
Total revenues	<u>997,624</u>	<u>47,186</u>	<u>469,046</u>	<u>1,513,856</u>
EXPENDITURES				
Classified salaries	342,458	-	-	342,458
Employee benefits	125,290	-	-	125,290
Books and supplies	505,822	-	-	505,822
Services and other operating expenditures	22,322	-	-	22,322
Other outgo	52,284	-	-	52,284
Debt service expenditures				
Principal	-	233,518	-	233,518
Interest	-	17,673	72,976	90,649
Total expenditures	<u>1,048,176</u>	<u>251,191</u>	<u>72,976</u>	<u>1,372,343</u>
Excess (deficiency) of revenues over expenditures	(50,552)	(204,005)	396,070	141,513
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,334	220,000	-	221,334
Other sources	-	-	700,698	700,698
Other uses	-	-	(66,886)	(66,886)
Total other financing sources (uses)	<u>1,334</u>	<u>220,000</u>	<u>633,812</u>	<u>855,146</u>
Net change in fund balances	(49,218)	15,995	1,029,882	996,659
Fund balances, July 1, 2017	<u>291,180</u>	<u>157,003</u>	<u>-</u>	<u>448,183</u>
Fund balances, June 30, 2018	<u>\$ 241,962</u>	<u>\$ 172,998</u>	<u>\$ 1,029,882</u>	<u>\$ 1,444,842</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Student Body Funds				
Assets				
Cash on hand and in banks				
Williams High School	\$ 91,193	\$ 132,676	\$ 101,325	\$ 122,544
Williams Upper Elementary School	27,110	33,706	32,698	28,118
Total Assets	<u>\$ 118,303</u>	<u>\$ 166,382</u>	<u>\$ 134,023</u>	<u>\$ 150,662</u>
Liabilities				
Due to student groups	\$ 118,303	\$ 166,382	\$ 134,023	\$ 150,662
Total Liabilities	<u>\$ 118,303</u>	<u>\$ 166,382</u>	<u>\$ 134,023</u>	<u>\$ 150,662</u>

WILLIAMS UNIFIED SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2018

The Williams Unified School District (the “District”) is located in Williams, California. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school, one upper elementary school, one junior high school, one high school, and a continuation high school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires November</u>
Silvia Vaca	President	2018
George W. Simmons	Vice President	2020
Kelly Lewis	Member	2018
Yareli Mora	Member	2020
Rosa Orozco-Lopez	Member	2020

ADMINISTRATION

Dr. Edgar R. Lampkin
Superintendent

Mechele Coombs
Director of Fiscal Services and Accountability

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

	Second Period Report	Revised Second Period Report*	Annual Report
Elementary			
TK through Third	407.08	407.08	412.21
Fourth through Sixth	303.53	303.53	304.33
Seventh through Eighth	187.21	187.21	188.44
	<u>897.82</u>	<u>897.82</u>	<u>904.98</u>
Secondary			
Ninth through Twelfth	328.79	328.63	328.70
Continuation Education	15.46	15.62	15.21
	<u>344.25</u>	<u>344.25</u>	<u>343.91</u>
Total ADA	<u>1,242.07</u>	<u>1,242.07</u>	<u>1,248.89</u>

* The revisions to the P-2 Period of Attendance report were not the result of the audit.

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

Grade Level	Standard Minutes Requirement	2017-18 Actual Minutes	Instructional Days	Status
Kindergarten	36,000	52,170	180	In compliance
Grade 1	50,400	53,025	180	In compliance
Grade 2	50,400	53,025	180	In compliance
Grade 3	50,400	53,025	180	In compliance
Grade 4	54,000	56,235	180	In compliance
Grade 5	54,000	56,235	180	In compliance
Grade 6	54,000	556,235	180	In compliance
Grade 7	54,000	66,188	180	In compliance
Grade 8	54,000	66,188	180	In compliance
Grade 9	64,800	66,188	180	In compliance
Grade 10	64,800	66,188	180	In compliance
Grade 11	64,800	66,188	180	In compliance
Grade 12	64,800	66,188	180	In compliance

WILLIAMS UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR FISCAL YEAR ENDED JUNE 30, 2018

<u>Charter School ID Number</u>	<u>Charter Schools Chartered by the District</u>	<u>Included in the District Financial Statements, or Separate Report</u>
-------------------------------------	--	--

There are currently no charter schools chartered by the District.

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

	County School Facilities Fund
Balance, June 30, 2018, Annual Financial and Budget Report	\$ -
Adjustments and Reclassifications	
Increase in:	
Cash with Fiscal Agent	1,060,340
Accounts Receivable	1,404
Decrease in:	
Cash in County Treasury	(432,602)
Net Adjustments and Reclassifications	629,142
Balance, June 30, 2018, Audited Financial Statements	\$ 629,142

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

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
84.010	ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	14329	\$ 159,124
84.330B	NCLB Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	14831	1,162
84.367	ESEA (ESSA): Title II, Part A, Improving Teacher Quality Local Grants	14341	13,767
84.365	ESEA (ESSA): Title III, English Learner Student Program	14346	59,566
84.365	ESEA (ESSA): Title III, Immigrant Student Program	15146	2,585
84.377	NCLB: Title I, School Improvement Grant (SIG)	15127	* 714,429
Total U.S. Department of Education			<u>950,633</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
10.555	Child Nutrition: School Programs (NSL Sec 11)	13524	756,362
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care Homes	13529	69,559
Total Cash Assistance Subtotal			<u>825,921</u>
10.555	School Lunch Program - Nonmonetary Assistance	13391	19,278
Total Non-Cash Assistance Subtotal			<u>19,278</u>
Total U.S. Department of Agriculture			<u>845,199</u>
Total Federal Programs			<u>\$ 1,795,832</u>

* Tested as a major program

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

General Fund	Adopted Budget 2018/2019	Actuals 2017/2018	Actuals 2016/2017	Actuals 2015/2016
Revenues and Other Financial Sources	\$ 17,132,111	\$ 16,133,392	\$ 15,419,526	\$ 14,668,908
Expenditures	16,966,135	16,265,367	14,909,864	13,335,591
Other Uses and Transfers Out	260,000	223,615	118,824	347,876
Total Outgo	17,226,135	16,488,982	15,028,688	13,683,467
Change in Fund Balance	(94,024)	(355,590)	390,838	985,441
Ending Fund Balance	\$ 4,493,086	\$ 4,587,110	\$ 4,942,700	\$ 4,551,862
Available Reserves	\$ 516,784	\$ 493,017	\$ 450,000	\$ 2,331,784
Reserve for Economic Uncertainties	\$ 516,784	\$ 493,017	\$ 450,000	\$ 2,205,134
Unappropriated Fund Balance	\$ -	\$ -	\$ -	\$ 126,650
Available Reserves as a Percentage of Total Outgo	3.0%	3.0%	3.0%	17.0%
Total Long-Term Debt	\$ 28,444,072	\$ 29,507,402	\$ 20,256,484	\$ 16,982,836
Average Daily Attendance at P-2	1,262	1,242	1,277	1,263

The general fund balance has increased by \$1,020,689 over the past three years. The fiscal year 2018-2019 budget projects a decrease of \$94,024. For a District this size, the State of California recommends available reserves of at least 3 percent of total general fund expenditures, transfers out, and other uses (total outgo). The District met this requirement.

The District had an operating surplus in two of the past three fiscal years.

Total long-term liabilities have increased by \$12,524,566 over the past two years due to the addition of the net pension liability, addition of the net OPEB liability with the implementation of GASB 75, and issuances of 2016 General Obligation Bonds.

Average Daily Attendance (ADA) has decreased by 21 over the past two years. The District anticipates an increase of 20 ADA for the fiscal year 2018-2019.

WILLIAMS UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes in 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.

2. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206. Districts must maintain their instructional minutes at the State's standard requirements as required by Education Code Section 46201(b).

3. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides information necessary to reconcile the Unaudited Actual Fund Financial Reports to the audited financial statements.

4. Schedule of Expenditures of Federal Awards

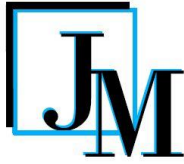
The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

5. 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.

OTHER INDEPENDENT AUDITOR'S REPORTS

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
 WITH STATE LAWS AND REGULATIONS**

Board of Trustees
 Williams Unified School District
 Williams, California

Report on Compliance for Each State Program

We have audited the compliance of Williams Unified School District (the “District”) with the types of compliance requirements described in the State of California’s 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (the “Audit Guide”) to the state laws and regulations listed below for the year ended June 30, 2018.

Management’s Responsibility

Compliance with the requirements of state laws and regulations is the responsibility of District’s management.

Auditor’s Responsibility

Our responsibility is to express an opinion on the District’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District’s compliance with those requirements.

Local Education Agencies Other Than Charter Schools

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	Yes
Instructional Time for School Districts	Yes
Instructional Materials	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes

Local Education Agencies Other Than Charter Schools

Description	Procedures Performed
Early Retirement Incentive Program	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below

School Districts, County Offices of Education and Charter Schools

Description	Procedures Performed
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	
General requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below

Charter Schools

Description	Procedures Performed
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform any procedures related to Kindergarten Continuance because no students repeated kindergarten in the current year.

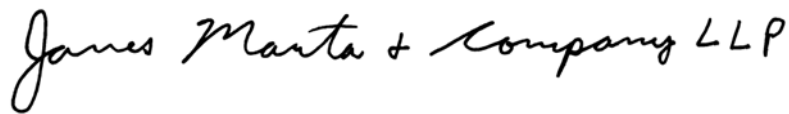
We did not perform any procedures for Independent Study because the Average Daily Attendance reported for the program is not material for compliance purposes.

We did not perform any procedures related to Early Retirement Incentive Program, Juvenile Court Schools, Middle or Early College High Schools, Apprenticeship: Related and Supplemental Instruction, Independent Study-Course Based, and the Before School portion of After/Before School Education and Safety Program because the District did not offer these programs.

We did not perform any procedures related to Contemporaneous Records of Attendance for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, Annual Instructional Minutes-Classroom Based for Charter Schools, and Charter School Facility Grant Program because the District did not have any charter schools.

Opinion on Compliance with State Laws and Regulations

In our opinion, Williams Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2018.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 4, 2018



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**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 AUDITOR'S REPORT

Board of Trustees
Williams Unified School District
Williams, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williams Unified School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 2018.

Internal Control Over Financial Reporting

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

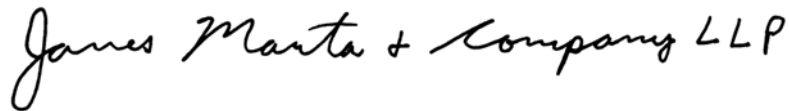
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 4, 2018



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Williams Unified School District
Williams, California

Report on Compliance for Each Major Federal Program

We have audited Williams Unified School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

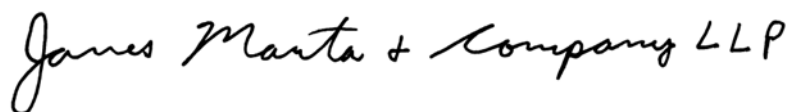
Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 4, 2018

FINDINGS AND RECOMMENDATION

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WILLIAMS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section I – Summary of Audit Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Section 200.516(a) _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.377	School Improvement Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

State Awards

Internal control over state programs:
Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor’s report issued on compliance for state programs: Unmodified

WILLIAMS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

No matters were reported.

WILLIAMS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

WILLIAMS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section IV – State Award Findings and Questioned Costs

No matters were reported.

WILLIAMS UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

No matters were reported.

APPENDIX C

FORM OF SPECIAL COUNSEL OPINION

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Trustees of the
Williams Unified School District
499 Marguerite Street, Suite C
Williams, California 95987

OPINION: \$3,185,000 Certificates of Participation (2019 Capital Improvements Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Williams Unified School District (Colusa County, California), As the Rental for Certain Property Pursuant to a Lease Agreement with the Local Facilities Finance Corporation

Members of the Board of Trustees:

We have acted as special counsel in connection with the delivery by the Williams Unified School District (the "District"), of its \$3,185,000 Lease Agreement, dated as of July 1, 2019, by and between the Local Facilities Finance Corporation (the "Corporation") and the District (the "Lease Agreement"), and the Site and Facility Lease, dated as of July 1, 2019, by and between the Corporation and the District (the "Site and Facility Lease"), pursuant to the California Education Code. The Corporation has, pursuant to the Assignment Agreement, dated as of July 1, 2019 (the "Assignment Agreement"), by and between the Corporation and Wilmington Trust, National Association, as trustee (the "Trustee"), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the District thereunder (the "Lease Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of July 1, 2019, by and among the Trustee, the Corporation and the District (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Lease Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a unified school district organized and existing under the laws of the State of California with the power to enter into the Site and Facility Lease, the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Site and Facility Lease and the Lease Agreement have been duly authorized, executed and delivered by the District and are obligation of the District valid, binding and enforceable against the District in accordance with their respective terms.

3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

4. Subject to the terms and provisions of the Lease Agreement, the Lease Payments to be made by the District are payable from general funds of the District lawfully available therefor. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Payments in accordance with the terms and provisions of the Trust Agreement.

5. Subject to the District's compliance with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "Code"). Failure to comply with certain of such covenants could cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates. It is also our opinion that the Lease Agreement is a "qualified tax exempt obligation" under section 265(b)(3) of the Code.

6. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Assignment Agreement and the Trust Agreement may be subject to the Bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement prepared for Certificates. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of said documents are available from the District and from the Trustee.

DEFINITIONS

“*Additional Payments*” means the payments so designated and required to be paid by the District pursuant to the Lease Agreement.

“*Assignment Agreement*” means the Assignment Agreement, dated as of July 1, 2019, by and between the Corporation and the Trustee, together with any duly authorized and executed amendments thereto.

“*Board*” means the Board of Trustees of the District.

“*Bond Counsel*” means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“*Business Day*” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located or in the State are closed or are required to close or a day on which the New York Stock Exchange is closed.

“*Certificate of Completion*” means the certificate of a District Representative certifying that the construction of the Project has been completed by the District and that all costs relating thereto have been paid.

“*Certificates*” means the certificates of participation to be executed and delivered pursuant to the Trust Agreement which evidence direct, undivided fractional Interests of the Owners thereof in Lease Payments.

“*Closing Date*” means the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Original Purchaser.

“*Code*” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Lease Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

“*Completion Date*” means the date of completion of the Project as evidenced by the filing with the Trustee of a Certificate of Completion.

“*Continuing Disclosure Certificate*” shall mean that certain Continuing Disclosure Certificate executed by the District and dated the date of execution and delivery of the Certificates, as it may be amended from time to time in accordance with the terms thereof.

“*Corporation*” means the Local Facilities Finance Corporation, a nonprofit, public benefit corporation organized and existing under and by virtue of the laws of the State.

“*Corporation Representative*” means the President, the Executive Director, the Treasurer and the Secretary of the Corporation, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the Corporation under or with respect to the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement.

“*Defeasance Obligations*” means (a) cash, (b) non callable direct obligations of the United States of America (“Treasuries”), (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (d) subject to the prior written consent of the Insurer, pre refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (e) subject to the prior written consent of the Municipal Bond Insurer, securities eligible for “AAA” defeasance under then existing criteria of S&P the Municipal Bond Insurer otherwise approves.

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the Site and Facility Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, the premiums for the Municipal Bond Insurance Policy and the Reserve Policy and charges and fees in connection with the foregoing.

“*Delivery Costs Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*District*” means Williams Unified School District, a unified school district, duly organized and existing under and by virtue of the laws of the State.

“*District Representative*” means the President, the Superintendent or the Director of Fiscal Services, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the District under or with respect to the Site and Facility Lease, the Lease Agreement and the Trust Agreement.

“*Facility*” means those certain existing facilities more particularly described in the Site and Facility Lease and in the Lease Agreement.

“*Federal Securities*” means (a) Cash (insured at all times by the Federal Deposit Insurance Corporation), and (b) obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: (i) United States treasury obligations, (ii) all direct or fully guaranteed obligations, (iii) Farmers Home Administration, (iv) General Services Administration, (v) Guaranteed Title XI financing, (vi) Government National Mortgage Association (GNMA), and (vi) State and Local Government Series.

“*Fiscal Year*” means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

“*Independent Counsel*” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the District or the Trustee.

“*Information Services*” means the Electronic the Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance

with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

“*Insurance and Condemnation Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Interest Payment Date*” means the first (1st) day of May and November in each year, commencing November 1, 2019, so long as any Certificates are Outstanding.

“*Lease Agreement*” means that certain agreement for the lease of the Property by the Corporation to the District, dated as of July 1, 2019, together with any duly authorized and executed amendments thereto.

“*Lease Payment Date*” means the fifteenth (15th) day of April and October in each year during the Term of the Lease Agreement, commencing October 15, 2019.

“*Lease Payment Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Lease Payments*” means the total payments required to be paid by the District pursuant to the Lease Agreement, including any prepayment thereof pursuant to the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in the Lease Agreement.

“*Moody’s*” means Moody’s Investors Service, New York, New York, or its successors.

“*Municipal Bond Insurance Policy*” means the municipal bond insurance policy issued by the Municipal Bond Insurer guaranteeing the payment, when due, of the principal and interest with respect to the Certificates.

“*Municipal Bond Insurer*” means Municipal Assurance Corp., a New York domiciled financial guaranty insurance company, or any successor thereto or assigns thereof.

“*Net Proceeds*,” when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“*Original Purchaser*” means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

“*Outstanding*,” when used as of any particular time with respect to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

- (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Certificates for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee or an escrow holder (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of a Certificate,” or any similar term, when used with respect to a Certificate means the person in whose name such Certificate shall be registered on the Registration Books.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Encumbrances” means, as of any particular time: (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) the Assignment Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies in writing will not materially impair the use of the Property; and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Corporation and the District agree in writing do not reduce the value of the Property.

“Permitted Investments” means any of the following:

- (a) Federal Securities;
- (b) Federal Housing Administration debentures;
- (c) The following listed obligations government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - (i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),
 - (ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,
 - (iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations,
 - (iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),
 - (v) Financing Corporation (FICO) debt obligations, and
 - (vi) Resolution Funding Corporation (REFCORP) debt obligations;
- (d) Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated “A-1” or better by S&P;
- (e) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million;
- (f) Commercial paper (having original maturities of not more than 30 days) rated “A-1+” by S&P and “Prime-1” by Moody’s;

(g) Money market funds rated in the highest rating category by S&P and Moody's including such funds for which the Trustee or an affiliate provides investment advice or other services;

(h) "State Obligations," which means:

(i) Direct general obligations of any state of the United States of America or any subdivision of agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's, and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (i) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

(i) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,

(ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,

(iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification"),

(iv) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification, and

(vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) Repurchase agreements with

(i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "AA" by S&P and Moody's, or

(ii) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "AA" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or

(iii) any other entity rated "AA" or better by S&P and Moody's and acceptable to the Municipal Bond Insurer, provided that:

(A) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach),

(B) The Trustee or a third party acting solely as agent therefor or for the District (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books),

(C) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession),

(D) All other requirements of S&P in respect of repurchase agreements shall be met, and

(E) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee (who shall give such direction if so directed by the Municipal Bond Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt is rated at least "AA" (stable) by S&P and "Aa" (stable) by Moody's, or, in the case of a monoline municipal bond insurance company, claims paying ability of the guarantor is rated at least "AAA" (stable) by S&P and "Aaa" (stable) by Moody's; provided that, by the terms of the investment agreement:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) with respect to the Certificates;

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the District and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iv) the District or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the District and the Municipal Bond Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Municipal Bond Insurer;

(v) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the District or the Trustee (who shall give such direction if so directed by the Municipal Bond Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee, and

(vi) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(vii) the investment agreement must provide that if during its term:

(A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Trustee (who shall give such direction if so directed by the Municipal Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate, and

(B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Trustee, as appropriate.

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

(m) The Colusa County Investment Pool

(n) Other forms of investments (including repurchase agreements) approved in writing by the Municipal Bond Insurer.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee located at 650 Town Center Drive, Suite 600, Costa Mesa, CA 92926-7121, Attention: Corporate Client Services, or, solely for the purposes of the presentation of Certificates for payment, transfer or exchange, the designated corporate trust operations office of the Trustee or such other office designated by the Trustee from time to time.

"Proceeds," when used with reference to the Certificates, means the face amount of the Certificates, less original issue discount.

“*Project*” means the acquisition, construction, installation, improvement and equipping of various District facilities, more particularly described in the Trust Agreement.

“*Project Costs*” means all costs of payment of, or reimbursement for, the Project.

“*Project Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Property*” means, collectively, the Site and the Facility.

“*Rating Category*” means, with respect to any Permitted Investment, one of the generic categories of rating by Moody’s or S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

“*Registration Books*” means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

“*Regular Record Date*” means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

“*Rental Period*” means each twelve-month period during the Term of the Lease Agreement commencing on November 2 in any year and ending on November 1 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on November 1, 2019.

“*Reserve Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Reserve Policy*” means the Municipal Bond Insurance Policy issued by the Municipal Bond Insurer for deposit in the Reserve Fund in an amount equal to the Reserve Requirement.

“*Reserve Requirement*” means an amount equal to maximum annual Lease Payments, which amount shall be \$229,000 on the Closing Date. The amount of the Reserve Requirement shall not be reduced unless the Certificates are partially refunded, in which such amount shall be reduced to an amount equal to the maximum annual Lease Payments relating to the Certificates not so refunded, as specified in a certificate of a District Representative delivered to the Trustee.

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, New York, New York, or its successors.

“*Securities Depositories*” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

“*Site*” means that certain real property more particularly described in the Site and Facility Lease and in the Lease Agreement.

“*Site and Facility Lease*” means the Site and Facility Lease, dated as of July 1, 2019, by and between the District, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

“*State*” means the State of California.

“*Term of the Lease Agreement*” means the time during which the Lease Agreement is in effect, as provided in the Lease Agreement.

“*Trust Agreement*” means the Trust Agreement, dated as of July 1, 2019, by and among the District, the Corporation and the Trustee, together with any duly authorized amendments thereto.

“*Trustee*” means Wilmington Trust, National Association, or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

SITE AND FACILITY LEASE

The Site and Facility Lease is entered into between the District and the Corporation. The District agrees to lease the Site and the Facility to the Corporation for a term continuous with the term of the Lease Agreement. The District and the Corporation agree that the lease to the Corporation of the District’s right, title and interest in the Site and the Facility pursuant to the Site and Facility Lease serves the public purposes of the District by enabling the Corporation to lease the Site and Facility back to the District.

LEASE AGREEMENT

Deposit of Money

On the Closing Date, the Corporation shall cause to be deposited with the Trustee the net proceeds of sale of the Certificates, net of amounts paid by the Original Purchaser to the Municipal Bond Insurer as an accommodation to the District for the premiums relating to the Municipal Bond Insurance Policy and the Reserve Policy. Amounts estimated to be required to pay Delivery Costs shall be deposited in the Delivery Costs Fund and amounts estimated to be required to pay Project Costs shall be deposited in the Project Fund.

Payment of Delivery Costs

Payment of Delivery Costs shall be made from the moneys deposited in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Payment of Project Costs Payment of Project Costs shall be made from the moneys deposited in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Lease

The Corporation leases the Property to the District, and the District leases the Property from the Corporation, upon the terms and conditions set forth in the Lease Agreement. The leasing of the Property by the District to the Corporation pursuant to the Site and Facility Lease shall not affect or result in a merger of the District’s leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

Term of Agreement; Possession

The Term of the Lease Agreement shall commence on the Closing Date, and shall end on November 1, 2039, unless such term is extended. If, on November 1, 2039, the Trust Agreement shall not be discharged by its terms or if the Lease Payments payable under the Lease Agreement shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended without the need to execute any amendment to the Lease Agreement until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond November 1, 2049. If, prior to November 1, 2039, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon end. The Trustee shall notify the Corporation of the termination of the Lease Agreement pursuant to the Trust Agreement.

Notwithstanding the foregoing, the Term of the Lease Agreement shall not end so long as any amounts are owed to the Municipal Bond Insurer with respect to the Municipal Bond Insurance Policy or the Reserve Policy.

The District agrees to accept and take possession of the Property on or prior to the date of recordation of the Lease Agreement. The first Lease Payment shall be due on October 15, 2019.

Lease Payments

Obligation to Pay. The District agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Property during each Rental Period, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable on the respective Lease Payment Dates specified in the Lease Agreement. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole and other than amounts required for payment of Certificates not yet surrendered) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of the Property for such Rental Period.

Effect of Prepayment. In the event that the District prepays all remaining Lease Payments and all additional payments due under the Lease Agreement in full, the District's obligations under the Lease Agreement shall thereupon cease and terminate including, but not limited to, the District's obligation to pay Lease Payments under the Lease Agreement; subject however, to the provisions of the Lease Agreement in the case of prepayment by application of a security deposit. In the event that the District optionally prepays the Lease Payments in part but not in whole, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of each remaining such Lease Payments shall be reduced in such order as shall be selected by the District in integral multiples of \$5,000; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed pursuant to the Trust Agreement.

Rate on Overdue Payments. In the event the District should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum payable with respect to the Certificates. Such interest, if received, shall be deposited in the Lease Payment Fund.

Fair Rental Value. The Lease Payments for each Rental Period shall constitute the total rental for the Property for each such Rental Period and shall be paid by the District in each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Property during each Rental Period. The parties to the Lease Agreement have agreed and determined that the total Lease Payments represent the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public.

Source of Payments; Budget and Appropriation. Lease Payments and Additional Payments shall be payable from any source of available funds of the District, subject to the provisions of the Lease Agreement.

The District covenants to take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease Agreement in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and for Additional Payments due thereunder. To that end, the Board shall direct budgetary staff to include in each annual budget proposal to the Board an appropriation sufficient to pay Lease Payments and Additional Payments. The District expresses its present intent to ap-

appropriate Lease Payments and Additional Payments due under the Lease Agreement during the Term of the Lease Agreement. The covenants on the part of the District shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

The chief business official and all other officers charged with the duty of preparing and submitting the annual budget of the District to the Board are irrevocably directed, following any draw on the Reserve Policy because the value of the Property has been reduced below the total unpaid principal component of Lease Payments and the District is permitted to pay less than the total scheduled Lease Payment (an "Abatement Period"), to include in the proposed budget and to request that the Board include in the final approved budget, and thereby appropriate, any amounts necessary to reinstate the Reserve Fund Policy, including interest due and any other amounts payable to the Municipal Bond Insurer (collectively, the "Reinstatement Amount"). Such officers shall use their best efforts to obtain such appropriations.

The request for inclusion in the final approved budget and appropriation shall be made in each Fiscal Year following any Abatement Period so long as reimbursement amounts are owed to the Municipal Bond Insurer. Failure by the chief business official and other officers to request such inclusion and appropriation shall constitute an Event of Default under the Lease Agreement and the Municipal Bond Insurer may exercise remedies accordingly.

The decision of the Board as to whether or not to approve and appropriate any Reinstatement Amount in any given Fiscal Year during any Abatement Period is in the sound discretion of the Board; the failure of the Board to approve and appropriate the Reinstatement Amount in any given Fiscal Year during any Abatement Period shall not constitute an Event of Default under the Lease Agreement or under the Trust Agreement.

Assignment. The District understands and agrees that all Lease Payments have been assigned by the Corporation to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the District assents to such assignment. The Corporation directs the District, and the District agrees to pay to the Trustee at the Principal Corporate Trust Office, all payments payable by the District pursuant to the Lease Agreement.

Additional Payments

In addition to the Lease Payments, the District shall pay when due the following additional payments:

- (a) Any fees and expenses incurred by the District in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable;
- (b) Any amounts due to the Trustee pursuant to the Trust Agreement for all services rendered under the Trust Agreement and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Trust Agreement;
- (c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the District, the Corporation or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Trust Agreement;
- (d) Any reasonable out-of-pocket expenses of the District in connection with the execution and delivery of the Lease Agreement or the Trust Agreement, or in connection with the execution and delivery of the Certificates, including any and all expenses incurred in connection with the authorization, execution, sale and delivery of the Certificates, or incurred by the Corporation in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Trust Agreement, the Certificates or any of the other documents contemplated or

thereby, or incurred by the Corporation in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

(e) The District agrees to pay (i) in trust, any Insurer Advances (as more fully described in the Trust Agreement), and (ii) any amounts payable to the Municipal Bond Insurer pursuant to the Trust Agreement. The District's obligation to pay such amounts shall expressly survive payment in full of the Certificates.

Title

During the Term of the Lease Agreement, the Corporation shall hold leasehold title to the Property and shall hold fee title to those portions of the Property which are newly acquired or constructed and any and all additions which comprise fixtures, repairs, replacements or modifications to the Property, except for those fixtures, repairs, replacements or modifications which are added to the Property by the District at its own expense and which may be removed without damaging the Property and except for any items added to the Property by the District pursuant to the Lease Agreement.

If the District prepays the Lease Payments in full or makes the security deposit permitted by the Lease Agreement, or pays all Lease Payments during the Term of the Lease Agreement as the same become due and payable, all right, title and interest of the Corporation in and to the Property shall be terminated. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the District to consummate any such transfer of title.

Maintenance, Utilities, Taxes and Assessments

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the District and the District shall pay, or otherwise arrange, for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Lease Payments, the Corporation agrees to provide only the Property. The District waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the District under the terms of the Lease Agreement.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation or the Municipal Bond Insurer shall notify the District that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation and the Municipal Bond Insurer with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation. The District shall provide the Corporation and the Municipal Bond Insurer with written notice of any such contest and shall provide such updates on the contest as the Corporation or the Municipal Bond Insurer may reasonably request.

Modification of Property

The District shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the District pursuant to the Lease Agreement; provided that if any such lien is established and the District shall first notify the Corporation of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the District.

Insurance

Public Liability and Property Damage Insurance. The District shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Corporation, the District, the Trustee and the Municipal Bond Insurer and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the Municipal Bond Insurer, in the form of self-insurance by the District. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the Municipal Bond Insurer, in the form of self-insurance by the District. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Fire and Extended Coverage Insurance; No Earthquake Insurance. The District shall maintain, or cause to be maintained throughout the Term of the Lease Agreement, insurance against loss or damage to any part of the Property constituting structures, if any, by fire and lightning, with extended coverage and vandalism and malicious mischief insurance; *provided, however,* that the District shall not be required to maintain earthquake insurance with respect to the Property. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such portion of the Property, if any. Such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the District and with the prior written consent of the Municipal Bond Insurer, may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for

such purpose. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement. The District may not satisfy the requirements of the Lease Agreement for fire and extended coverage insurance with self-insurance, except with the prior written consent of the Municipal Bond Insurer.

Rental Interruption Insurance. The District shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the Lease Agreement, if any, in an amount at least equal to two times maximum annual Lease Payments. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the District and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The District may not satisfy the requirements of the Lease Agreement for rental interruption insurance with self-insurance.

Title Insurance. The District shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, an CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the District's fee and leasehold estate in the Property, subject only to Permitted Encumbrances.

Insurance Net Proceeds; Form of Policies Each policy or other evidence of insurance required by the Lease Agreement shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required under the Lease Agreement, shall name the Trustee and the Municipal Bond Insurer as additional insureds and shall be applied as provided in the Lease Agreement. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company, unless waived by the Municipal Bond Insurer. The District shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. All policies evidencing required insurance shall provide thirty (30) days' prior written notice to the Corporation, the District, the Trustee and the Municipal Bond Insurer of any cancellation, reduction in amount or material change in coverage. The Trustee shall not be responsible for the sufficiency of any insurance required in the Lease Agreement, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The District shall cause to be delivered annually on or before each June 1 to the Trustee and the Municipal Bond Insurer a certification, signed by a District Representative, stating compliance with the provisions of the Lease Agreement. The Trustee shall be entitled to rely on such certification without independent investigation. The District shall have the adequacy of any insurance reserves maintained by the District or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by the Lease Agreement reviewed at least annually, on or before each June 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated.

Tax Covenants

Private Activity Bond Limitation. The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Rebate Requirement. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Lease Agreement.

No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Lease Agreement to be “arbitrage bonds” within the meaning of section 148 of the Code.

Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Small Issuer Exemption from Bank Deductibility Restriction.

(a) The District hereby designates the Lease Agreement as a “qualified tax-exempt obligation” for the purposes and within the meaning of section 265(b)(3) of the Code. In support of such designation, the District hereby certifies that (i) the Lease Agreement will be at no time a “private activity bond” (as defined in section 141 of the Code); (ii) as of the date hereof in calendar year 2019, other than the Lease Agreement, no tax-exempt obligations of any kind have been issued (A) by or on behalf of the District, (B) by other issuers, any of the proceeds of which have been or will be used to make any loans to the District, or (C) any portion of which has been allocated to the District for purposes of section 265(b) of the Code; and (iii) not more than \$10,000,000 of obligations of any kind (including the Lease Agreement) issued (A) by or on behalf of the District, (B) by other issuers any of the proceeds of which have been or will be used to make any loans to the District, or (C) any portion of which has been allocated to the District for purposes of section 265(b) of the Code during calendar year 2019 will be designated for purposes of section 265(b)(3) of the Code.

(b) The District is not subject to control by any entity, and there are no entities subject to control by the District.

(c) On the date hereof, the District does not reasonably anticipate that for calendar year 2019 it will issue, borrow the proceeds of or have allocated to it for purposes of section 265(b) of the Code, any Section 265 Tax-Exempt Obligations (other than the Lease Agreement), or that any Section 265 Tax-Exempt Obligations will be issued on behalf of it. “Section 265 Tax-Exempt Obligations” are obligations the interest on which is excludable from gross income of the owners thereof under section 103 of the Code, except for private activity bonds, other than qualified 501(c)(3) bonds, both as defined in section 141 of the Code. The District will not, in calendar 2019, issue, permit the issuance on behalf of it or by any entity subject to control by the District (which may hereafter come into existence), borrow the proceeds of or agree to an allocation to it for purposes of section 265(b) of the Code, Section 265 Tax-Exempt Obligations (including the Lease Agreement) that exceed the aggregate amount of \$10,000,000 during calendar year 2019, unless it first obtains an opinion of Bond Counsel to the effect that such issuance, borrowing or allocation will not adversely affect the treatment of the Lease Agreement as a “qualified tax-exempt obligation” for the purpose and within the meaning of section 265(b)(3) of the Code.

(d) The Certificates have not been sold in conjunction with any other tax exempt obligations.

No Condemnation

The District covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District should fall or refuse to abide by such covenant and condemns the Property, the appraised value of the Property shall not be less than the greater of (i) if the Certificates are then subject to redemption, the principal and interest components of the Certificates Outstanding through the date of their redemption, or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates to the first available redemption date in accordance with the Trust Agreement.

Eminent Domain

If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the District and the Corporation and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds available for the payment of Lease Payments.

Application of Net Proceeds

From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Property constituting structures, if any, by fire or other casualty shall be paid by the District to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee and applied as set forth in the Trust Agreement.

From Eminent Domain Award. The Net Proceeds of any eminent domain award shall be paid by the District to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

From Title Insurance. The Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

Abatement of Lease Payments in the Event of Damage or Destruction

Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof to the extent to be agreed upon by the District and the Corporation and communicated by a District Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties, or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a District Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Access to the Property

The District agrees that the Corporation and any District Representative, and the Corporation's successors or assigns, and the Municipal Bond Insurer, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The District further agrees that the Corporation, any District Representative, and the Corporation's successors or assigns, and the Municipal Bond Insurer, shall have such rights of access to the Property as

may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations under the Lease Agreement.

Release and Indemnification Covenants

The District shall and agrees to indemnify and save the Corporation, the Trustee and the Municipal Bond Insurer and their officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Lease Agreement or the Trust Agreement, (iii) any act or omission of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act or omission of any sublessee of the District with respect to the Property, or (v) the authorization of payment of the Delivery Costs. Such indemnification shall include the costs and expenses of defending any claim or liability arising under the Lease Agreement or the Trust Agreement and the transactions contemplated thereby. No indemnification is made in the Lease Agreement for willful misconduct, negligence or breach of duty under the Lease Agreement by the Corporation, its officers, agents, directors, employees, successors or assigns.

Assignment by the Corporation

The Corporation's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the District under the Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement.

Assignment and Subleasing by the District

The Lease Agreement may not be assigned by the District. The District may sublease the Property or any portion thereof, but only with the written consent of the Corporation and the Municipal Bond Insurer and subject to, and delivery to the Corporation of a certificate as to, all of the following conditions:

(a) The Lease Agreement and the obligation of the District to make Lease Payments shall remain obligations of the District;

(b) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation, the Trustee and the Municipal Bond Insurer a true and complete copy of such sublease;

(c) No such sublease by the District shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and

(d) The District shall furnish the Corporation, the Trustee and the Municipal Bond Insurer with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Notwithstanding the foregoing and provided the District has received the prior written consent of the Municipal Bond Insurer, the District may sublease the Property to the Corporation in connection with a future certificates of participation or lease revenue bond financing without the necessity to comply with any of the foregoing conditions, so long as the total of the unpaid principal component of the Lease Payments and the principal component of the lease payments to be paid with respect to such future certificates of participation or lease revenue bond financing does not exceed the value of the Property.

Amendment of Lease Agreement

(a) *Substitution of Site or Facility.* The District shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substi-

tute facility (a “Substitute Facility”) for the Site (the “Former Site”), or a portion thereof, and/or the Facility (the “Former Facility”), or a portion thereof, provided that the District shall satisfy all of the following requirements (to the extent applicable) which are declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The District shall certify in writing to the Corporation, the Trustee and the Municipal Bond Insurer that such Substitute Site and/or Substitute Facility serve the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the District is permitted to lease under the laws of the State;

(vi) The District delivers to the Corporation, the Trustee and the Municipal Bond Insurer evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement;

(viii) The District shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The District shall certify that the Substitute Site and/or the Substitute Facility is of the same or greater essentiality to the District as was the Former Site and/or the Former Facility;

(x) The District shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation;

(xi) The District shall furnish the Corporation, the Trustee and the Municipal Bond Insurer with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes; and

(xii) the Municipal Bond Insurer shall provide written consent to such substitution.

(b) *Release of Site.* The District shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the District shall satisfy all of the following requirements which are declared to be conditions precedent to such release:

(i) The District shall file with the Corporation, the Trustee and the Municipal Bond Insurer an amendment to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The District delivers to the Corporation, the Trustee and the Municipal Bond Insurer evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Site, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iii) Such release shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement;

(iv) The District shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation; and

(v) the Municipal Bond Insurer shall provide written consent to such release.

(c) *Generally.* The Corporation and the District may at any time amend or modify any of the provisions of the Lease Agreement, but only (i) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates and the Municipal Bond Insurer, or (ii) without the consent of any of the Owners, but with the prior written consent of the Municipal Bond Insurer, but only if such amendment or modification is for any one or more of the following purposes:

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

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, or in any other respect whatsoever as the Corporation and the District may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

Events of Default and Remedies

Events of Default. The following shall be “events of default” under the Lease Agreement and the terms “Events of Default” and “Default” shall mean, whenever they are used in the Lease Agreement, any one or more of the following events:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid at the time specified.

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement or under the Trust Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corpo-

ration, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Remedies on Default. The Municipal Bond Insurer shall have the right to control all remedies for default under both the Lease Agreement and the Trust Agreement. The Trustee shall have the right to re-enter and re-let the Property and to terminate the Lease Agreement.

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant in the Lease Agreement to be kept and performed by the District is expressly made a condition and upon the breach thereof, the Corporation may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement; *provided*, that no such termination shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Corporation, the District shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions therein contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as provided in the Lease Agreement, to wit:

(a) In the event the Corporation or the Trustee does not elect to terminate the Lease Agreement in the manner above or hereinafter provided for in subparagraph (b) below, the District agrees to and shall remain liable for the payment of all Lease Payments and Additional Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Property, or, in the event the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments and Additional Payments to the end of the Term of the Lease Agreement, but said Lease Payments and Additional Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments and Additional Payments under the Lease Agreement, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Corporation. The District irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Property in the event of default by the District in the performance of any covenants to be performed by the District and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within Sacramento County, for the account of and at the expense of the District, and the District exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The District waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property. The District agrees that the terms of the

Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in paragraph (b) below.

(b) In an Event of Default, the Corporation, with the consent of the Municipal Bond Insurer, may terminate the Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of the Lease Agreement by the Corporation at its option and in the manner provided in the Lease Agreement on account of default by the District (and notwithstanding any re-entry upon the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the District nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

No Remedy Exclusive. No remedy is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in the Lease Agreement, it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

Security Deposit

Notwithstanding any other provision of the Lease Agreement, the District may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement as referenced in the Trust Agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters (addressed to the Municipal Bond Insurer), together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates; or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a District Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such District Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters (addressed to the Municipal Bond Insurer), be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid District Representative's certificate.

In the event of a deposit pursuant as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Trustee, all obligations of the District under the Lease Agreement shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all payments from the deposit made by the District and the obligations of the District pursuant to the Lease Agreement and title to the Property shall vest in the District on the date of said deposit automatically and without further action by the District or the Corporation. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the District for the Property. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to confirm title to the Property in accordance with the provisions of the Lease Agreement. In addition, the Corporation appoints the District as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Property in the District.

Prepayment

Optional Prepayment. The Corporation grants an option to the District to prepay the principal component of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Said option may be exercised commencing October 15, _____. Said option shall be exercised by the District by giving written notice to the Corporation, the Trustee and the Municipal Bond Insurer of the exercise of such option at least forty-five (45) days prior to said prepayment date. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such order of payment date as shall be selected by the District. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the District to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Corporation in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Notwithstanding the foregoing, the District shall not be permitted to prepay any Lease Payments if any amounts are owed to the Municipal Bond Insurer with respect to the Municipal Bond Insurance Policy.

Mandatory Prepayment From Net Proceeds of Insurance, Title Insurance or Eminent Domain. The District shall be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose. The District and the Corporation agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the District's obligations under the Lease Agreement. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the District to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment.

ASSIGNMENT AGREEMENT

The Assignment Agreement is entered into between the Corporation and the Trustee, pursuant to which the Corporation assigns and transfers to the Trustee, for the benefit of the Owners, certain of the rights of the Corporation under the Lease Agreement, including the right to receive Lease Payments under the Lease Agreement and the rights and remedies of the Corporation under the Lease Agreement to enforce payment of Lease Payments or otherwise to protect and enforce the Lease Agreement in the event of default by the District. Certain rights of the Corporation to payment of advances, indemnification and attorneys' fees and expenses are not assigned.

TRUST AGREEMENT

Project Fund; Payment of Project Costs

There shall be deposited in the Project Fund from the proceeds of the Certificates the amount required to be deposited therein, together with any other amounts from time to time deposited with the Trustee for such purpose as may be identified in writing to the Trustee.

Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by a District Representative. Each such requisition shall:

(a) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Project Costs and the person or persons to whom said amounts are to be disbursed;

(b) state that the amounts to be disbursed constitute Project Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the District, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;

(c) state that no amount set forth in the requisition was included in any requisition requesting disbursement previously filed with the Trustee ; and

(d) state that there has been compliance with the Lease Agreement relating to the private use limitation and the private loan limitation.

The Trustee shall be responsible for the safekeeping and investment of the moneys held in the Project Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Delivery Costs Fund; Payment of Delivery Costs

There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs. Disbursements from the Delivery Costs Fund shall be made by the Trustee on receipt of a sequentially numbered requisition, signed by a District Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with the Trust Agreement) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Upon written notice from a District Representative that all Delivery Costs have been paid, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Lease Payment Fund and applied for the purposes of such fund, the Delivery Costs Fund shall be closed, the Trustee shall no longer be obligated to make payments for Delivery Costs and all further Delivery Costs shall be paid by the District.

Assignment of Rights in Lease Agreement

The Corporation has, in the Assignment Agreement, transferred, assigned and set over to the Trustee certain of its rights but none of its obligations set forth in the Lease Agreement, including but not limited to all of the Corporation's rights to receive and collect Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant to the Trust Agreement. All Lease Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee and all of the Lease Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all such Lease Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund.

Lease Payment Fund

All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement.

There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement or the Lease Agreement, and any other moneys required to be deposited therein pursuant to the Lease Agreement or the Trust Agreement.

All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same shall become due and payable in accordance with the provisions of the Trust Agreement.

Any surplus remaining in the Lease Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee and payment of any amounts owed to the Municipal Bond Insurer, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the District.

Reserve Fund

In lieu of a cash deposit to the Reserve Fund the Reserve Policy shall be delivered to the Trustee on the Closing Date. The prior written consent of the Municipal Bond Insurer shall be a condition precedent to the deposit of any credit instrument (other than the Reserve Policy) provided in lieu of a cash deposit into the Reserve Fund. Notwithstanding anything to the contrary set forth in the Trust Agreement, amounts on deposit in the Reserve Fund shall be applied solely to the payment of principal and interest due with respect to the Certificates.

The Trustee shall, on or before each March 15 and September 15, value investments in the Reserve Fund at market value and transfer any moneys in the Reserve Fund then in excess of the Reserve Requirement; *provided, however,* that the Trustee shall not liquidate an investment to make such transfer of excess unless so directed in writing by a District Representative.

If, on any Interest Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal, interest and redemption premium (if any) with respect to the Certificates then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make delinquent Lease Payments by transferring the amount necessary for this purpose to the Lease Payment Fund or shall draw on the Reserve Policy and apply amounts received from such draw to make delinquent Lease Payments by transferring the amount necessary for this purpose to the Lease Payment Fund. To the extent there is cash or investments on deposit in the Reserve Fund, such cash or investments shall be applied first before there is any draw on the Reserve Policy or any other

credit facility credited to the Reserve Fund in lieu of cash (a “Credit Facility”). Payment of any Reserve Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Reserve Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund or there has been a draw on the Reserve Policy, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance and first applied to reimburse a draw on the Reserve Policy and then to replenish any cash drawn therefrom. If the interest provisions of this paragraph shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Trust Agreement, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Trust Agreement, be applied as additional interest for any later periods of time when amounts are outstanding under the Trust Agreement to the extent that interest otherwise due under the Trust Agreement for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Municipal Bond Insurer, with the same force and effect as if the District had specifically designated such extra sums to be so applied and the Municipal Bond Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Trust Agreement exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection

The Trustee shall ascertain the necessity for a claim upon the Reserve Policy and to provide notice to the Municipal Bond Insurer in accordance with the terms of the Reserve Policy at least five (5) business days prior to each date upon which interest or principal is due with respect to the Certificates.

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

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

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

If the District shall fail to pay any Reserve Policy Costs in accordance with the requirements of the Trust Agreement, the Municipal Bond Insurer shall be entitled to exercise any and all legal and equitable remedies availa-

ble to it, including those provided under the Trust Agreement, other than (i) acceleration of the maturity of the Certificates, or (ii) remedies which would adversely affect Owners.

Neither the Trust Agreement nor the Lease Agreement shall be discharged until all amounts due to the Municipal Bond Insurer shall have been paid in full. The District's obligation to pay such amounts shall expressly survive payment in full of the Certificates.

If, on any Interest Payment Date, the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal and interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee shall transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments, and such moneys shall be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and all amounts due the Municipal Bond Insurer and the Trustee under the Trust Agreement, or upon provision for such payment as provided in the Trust Agreement, shall be withdrawn by the Trustee and paid to the District.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the District in the event of any such damage or destruction shall be paid to the Trustee by the District pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" to be established by the Trustee when deposits are required to be made therein.

(b) Within ninety (90) days following the date of such deposit, the District shall determine and notify the Trustee in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the District, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property.

(c) In the event the District's determination is as set forth in clause (i) of paragraph (b) above, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, applied to the prepayment of Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates as provided in the Trust Agreement; *provided, however*, that in the event of damage or destruction of the Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to the Lease Agreement, otherwise such Net Proceeds shall be applied to the replacement, repair, restoration, modification or improvement of the Property; *provided further, however*, that in the event of damage or destruction of the Property in part, such Net Proceeds may be transferred to the Lease Payment Fund and applied to the prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Property, evidenced by a certificate signed by a District Representative and an Corporation Representative.

(d) In the event the District's determination is as set forth in clause (ii) of paragraph (b) above, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the District, and disbursed by the Trustee upon receipt of requisitions signed by a District Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the District.

Application of Net Proceeds of Eminent Domain Award

If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the District has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are not needed for repair or rehabilitation of the Property, the District shall so certify to the Trustee and the Trustee, at the District's written request, shall transfer such proceeds to the Lease Payment Fund to be credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

(b) If the District has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Property, the District shall so certify to the Trustee and the Trustee, at the District's written request, shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the District Representative in the form and containing the provisions set forth in the Trust Agreement. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein.

(c) If (i) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement or (ii) all of the Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Application of Net Proceeds of Title Insurance Award

The Net Proceeds from a title insurance award shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be transferred to the Lease Payment Fund to be credited towards the prepayment of Lease Payments required to be paid pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Moneys in Funds; Investment

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates and for the purposes specified in the Trust Agreement and such moneys, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement and shall not be subject to levy, attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the District or any Owner of Certificates.

Investments Authorized. Moneys held by the Trustee under the Trust Agreement shall, upon written order of a District Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a District Representative as Permitted Investments without independent investigation thereof. If a District Representative shall fail to so direct investments, the Trustee shall hold such moneys unin-

vested. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is authorized, in making or disposing of any investment permitted by the Trust Agreement, to deal with itself (in its individual capacity) or with one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account. The Trustee may rely on the investment directions of the District Representative as to both the suitability and legality of the directed investments.

Unless otherwise consented to by the Municipal Bond Insurer, so long as any Certificates remain outstanding or any amounts are owed to the Municipal Bond Insurer by the District, the District shall not enter into any interest rate exchange agreement, cap, collar, floor, ceiling or other agreement or instrument involving reciprocal payment obligations between the District and a counterparty based on interest rates applied to a notional amount of principal.

Allocation of Earnings. Unless and until otherwise directed by the District to the Trustee in writing, all interest or income received by the Trustee on investment of the Lease Payment Fund shall as received, prior to the Completion Date, be transferred to the Project Fund (except as otherwise provided in the Trust Agreement) and thereafter shall be retained in the Lease Payment Fund. Amounts retained or deposited in the Lease Payment Fund shall be applied as a credit against the Lease Payment due by the District pursuant to the Lease Agreement on the Lease Payment Date following the date of deposit. All interest or income in the Project Fund shall be retained in the Project Fund until the Project Fund is closed. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed.

Such investments shall be valued by the Trustee not less often than quarterly, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. Investments purchased with funds on deposit in the Reserve Fund shall have a term to maturity of not greater than five years.

Amendments

The Trust Agreement and the rights and obligations of the Owners of the Certificates, the Lease Agreement and the rights and obligations of the parties thereto, the Site and Facility Lease and the rights and obligations of the parties thereto and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Lease Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in the Trust Agreement.

The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the respective parties thereto, and the Assignment Agreement and the rights and obligations of the parties thereto, may (with the prior written consent of the Municipal Bond Insurer) be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Corporation or the District; (2) to cure, correct or supplement any ambiguous or defective provision contained therein and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certifi-

cates; (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates; (5) to add to the rights of the Trustee; or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties thereto, as the case may be.

The Trust Agreement and the Lease Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

Certain Covenants

Compliance With and Enforcement of Lease Agreement. The District covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Lease Agreement by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District or the Corporation, will deliver the same, or a copy thereof, to the Trustee.

Observance of Laws and Regulations. The District and the Corporation will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District or the Corporation, respectively, including its right to exist and carry on business as a public entity, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Budgets. The District shall supply to the Trustee as soon as practicable, but not later than September 15 in each year, a written determination by a District Representative that the District has made adequate provision in its annual budget for the payment of Lease Payments due under the Lease Agreement in the Fiscal Year covered by such budget. The determination given by the District to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments and Additional Payments due under the Lease Agreement in the annual period covered by such budget.

Continuing Disclosure. The District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Limitation of Liability

Limited Liability of District. Except for the payment of Lease Payments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the District contained in the Lease Agreement and the Trust Agreement, the District shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee, except as expressly set forth in the Trust Agreement.

No Liability of District or Corporation for Trustee Performance. Neither the District nor the Corporation shall have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Indemnification of Trustee. The District shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors, affiliates and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of internal counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the Corporation or the District; (ii) any breach or default on the part of the Corporation or the District the performance of any of their respective obligations under the Lease Agreement, the Assignment Agreement, the Trust Agreement and any other agreement made and entered into for purposes of the Property; (iii) any act of the Corporation or the District or of any of their respective agents, contractors, servants, employees, licensees with respect to the Property; (iv) any act of any assignee of, or purchaser from the Corporation or the District or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Property; (v) the authorization of payment of Delivery Costs; (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Property by the Corporation or the District including, without limitation, the use, storage, presence, disposal or release of any Hazardous Substances on or about the Property; (vii) the Trustee's exercise and performance of its powers and duties under the Trust Agreement or as assigned to it under the Assignment Agreement; (viii) the offering and sale of the Certificates; (ix) the presence under or about or release from the Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law, or the violation of any such law by the District; or (x) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. Such indemnification shall include the costs and expenses of defending against any claim or liability arising under the Trust Agreement. No indemnification will be made under the Trust Agreement for willful misconduct or negligence under the Trust Agreement by the Trustee, its officers, affiliates or employees. The District's obligations under the Trust Agreement shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Assignment of Rights; Remedies. Pursuant to the Assignment Agreement, the Corporation has transferred, assigned and set over to the Trustee certain of the Corporation's rights in and to the Lease Agreement, including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee shall, upon request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon payment of its fees and expenses, including counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however,* that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Certain Provisions relating to the Municipal Bond Insurer and the Municipal Bond Insurance Policy

Defeasance. In the event that the principal and/or interest due with respect to the Certificates shall be paid by the Municipal Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Certificates shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the Owners shall continue to exist and shall run to the benefit of the municipal bond insurer and the municipal bond insurer shall be subrogated to the rights of such Owners, including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Certificates.

Trustee-Related Provisions. the municipal bond insurer shall receive prior written notice of any name change of the Trustee or the resignation, removal or termination of the Trustee. No resignation, removal or termination of the Trustee shall take effect until a successor, acceptable to the Municipal Bond Insurer, shall be appointed. The Trustee may be removed at any time at the request of the Municipal Bond Insurer for any breach of its obligations under the Trust Agreement.

Amendments and Supplements. With respect to any amendments or supplements to the Trust Agreement, the Site and Facility Lease or the Lease Agreement, the Municipal Bond Insurer's prior written consent shall be required.

Copies of any amendments or supplements to the Trust Agreement or the Lease Agreement which are consented to by the Municipal Bond Insurer shall be sent to the rating agencies that have assigned a rating to the Certificates.

Notwithstanding any other provision of the Trust Agreement or the Lease Agreement, in determining whether the rights of Owners will be adversely affected by any action taken pursuant to the terms and provisions thereof, the effect on the Owners shall be considered as if there was no Municipal Bond Insurance Policy.

The Municipal Bond Insurer shall be deemed to be the sole holder of the Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant the provisions of the Trust Agreement pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee.

The Municipal Bond Insurer as Third Party Beneficiary. To the extent that the Trust Agreement or the Lease Agreement confer upon or give or grant to the Municipal Bond Insurer any right, remedy or claim under or by reason of the Trust Agreement or the Lease Agreement, the Municipal Bond Insurer is explicitly recognized as being a third party beneficiary under the Trust Agreement and may enforce any such right, remedy or claim conferred, given or granted under the Trust Agreement.

Control Rights. (a) The Municipal Bond Insurer shall be deemed to be the sole holder of the Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners are entitled to take pursuant the provisions of the Trust Agreement. pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof, the Trustee and each Owner appoint the Municipal Bond Insurer as their agent and attorney-in-fact and agree that the Municipal Bond Insurer may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Owner delegate and assign to the Municipal Bond Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner in the conduct of any Insolvency Proceeding, including, without limitation,

all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owners shall expressly include mandamus.

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

Consent Rights of the Municipal Bond Insurer. Any provision of the Trust Agreement or the Lease Agreement expressly recognizing or granting rights in or to the Municipal Bond Insurer may not be amended in any manner that affect the rights of the Municipal Bond Insurer thereunder without the prior written consent of the Municipal Bond Insurer.

Wherever the Trust Agreement or the Lease Agreement require the consent of Owners, the Municipal Bond Insurer's consent shall also be required.

Any reorganization or liquidation plan with respect to the District must be acceptable to the Municipal Bond Insurer. In the event of any reorganization or liquidation, the Municipal Bond Insurer shall have the right to vote on behalf of all Owners who hold Certificates guaranteed by the Municipal Bond Insurer, absent a default by the Municipal Bond Insurer under the Municipal Bond Insurance Policy.

Payment Procedure Under the Municipal Bond Insurance Policy. If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal and interest with respect to the Certificates due on such Payment Date, the Trustee shall give notice to the Municipal Bond Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest with respect to the Certificates due on such Payment Date, the Trustee shall make a claim under the Municipal Bond Insurance Policy and give notice to the Municipal Bond Insurer and the Municipal Bond Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest with respect to the Certificates and the amount required to pay principal with respect to the Certificates, confirmed in writing to the Municipal Bond Insurer and the Municipal Bond Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Municipal Bond Insurance Policy.

The Trustee shall designate any portion of payment of principal with respect to Certificates paid by the Municipal Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current Owners, and shall issue a replacement Certificate to the Municipal Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Certificate shall have no effect on the amount of principal or interest payable by the District with respect to any Certificate or the subrogation rights of the Municipal Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Municipal Bond Insurer into the Municipal Bond Insurance Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal with respect to any Certificate. The Municipal Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Municipal Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to as the “Municipal Bond Insurance Policy Payments Account” and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Municipal Bond Insurance Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Certificates under the sections of the Trust Agreement regarding payment of Certificates. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Trust Agreement to the contrary, the District agrees to pay to the Municipal Bond Insurer (i) a sum equal to the total of all amounts paid by the Municipal Bond Insurer under the Municipal Bond Insurance Policy (the “Insurer Advances”); and (ii) interest on such Insurer Advances from the date paid by the Municipal Bond Insurer until payment thereof in full, payable to the Municipal Bond Insurer at the Late Payment Rate per annum (collectively, the “Insurer Reimbursement Amounts”). “Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest with respect to the Certificates; and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The District covenants and agrees that the Municipal Bond Insurer Reimbursement Amounts are secured on a parity with amounts due under the Lease Agreement.

Funds held in the Municipal Bond Insurance Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Municipal Bond Insurance Policy Payments Account following a Payment Date shall promptly be remitted to the Municipal Bond Insurer.

The Municipal Bond Insurer shall, to the extent it makes any payment of principal or interest with respect to the Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy. Each obligation of the District to the Municipal Bond Insurer under the Lease Agreement or the Trust Agreement shall survive discharge or termination of the Lease Agreement or the Trust Agreement.

The District shall pay or reimburse the Municipal Bond Insurer any and all charges, fees, costs and expenses that the Municipal Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Lease Agreement, the Assignment Agreement or the Trust Agreement; (ii) the pursuit of any remedies under the Lease Agreement, the Assignment Agreement or the Trust Agreement or otherwise afforded by law or equity; (iii) any amendment, waiver or other action with respect to, or related to, the Lease Agreement, the Assignment Agreement or the Trust Agreement whether or not executed or completed; or (iv) any litigation or other dispute in connection with the Lease Agreement, the Assignment Agreement or the Trust Agreement or the transactions contemplated thereby, other than costs resulting from the failure of the Municipal Bond Insurer to honor its obligations under the Municipal Bond Insurance Policy. The Municipal Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Lease Agreement, the Assignment Agreement or the Trust Agreement.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the District or rebate only after the payment of past due and current debt service on the Certificates and amounts required to restore the Reserve Fund to the Reserve Requirement.

The Municipal Bond Insurer shall be entitled to pay principal or interest with respect to the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy), whether or not the Municipal Bond Insurer has received a Notice

of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

Swap Agreements. Any interest rate exchange agreement (“Swap Agreement”) entered into by the District or the Corporation, secured by and payable from Lease Payments, shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Municipal Bond Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service with respect to the Certificates and on any debt on parity with the Lease Payments. The District shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Municipal Bond Insurer prior to the payment of any such termination amount that such payment will not cause the District to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least “A-” and “A3” by Standard & Poor’s (“S&P”) and Moody’s Investors Service (“Moody’s”). If the counterparty or guarantor’s rating falls below “A-” or “A3” by either S&P or Moody’s, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Municipal Bond Insurer. If the counterparty or the guarantor’s long term unsecured rating falls below “Baa1” or “BBB+” by either Moody’s or S&P, a replacement counterparty or guarantor, acceptable to the Municipal Bond Insurer, shall be required.

APPENDIX E

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the District takes no responsibility for the completeness or accuracy 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 or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix E. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the paying agent or bond trustee, 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, the paying agent or bond trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the WILLIAMS UNIFIED SCHOOL DISTRICT (the “District”) in connection with the execution and delivery of \$3,185,000 Williams Unified School District Certificates of Participation (2019 Capital Improvements Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2019, by and among Wilmington Trust, National Association, as trustee (the “Trustee”), the District and the Local Facilities Finance Corporation (the “Trust Agreement”). Pursuant to Section 11.08 of the Trust Agreement, the District covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth above and in the Trust Agreement which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the District’s fiscal year (currently March 31 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” shall mean, initially, Isom Advisors, A Division of Urban Futures, Inc. or any successor Dissemination Agent designed in writing by the District and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the District as its official fiscal year period under a Certificate of the District filed with the Trustee.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Certificates.

“*Participating Underwriter*” means O’Connor & Company Securities, Inc., the original underwriter of the Certificates.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

“*Significant Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2- 12(b)(5).

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2020, with the report for fiscal year 2018-19 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the Official Statement, as follows:

- (i) general fund revenue sources by type (over \$1,000,000);
- (ii) combined annual contribution (District's share and employees' share) to the Public Employees Retirement System; and
- (iii) adopted general fund budget.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Certificates:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) The incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, if material; or
- (xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Significant Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement.

(c) The District acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier “if material.” The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event’s occurrence is material for purposes of U.S. federal securities law. The District intends that the words used in paragraphs (xv) and (xvi) and the definition of “financial obligation” to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Significant Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does

not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(c).

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

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: [Closing Date]

WILLIAMS UNIFIED SCHOOL DISTRICT

By _____
Superintendent

ACKNOWLEDGED:

ISOM ADVISORS, A Division of Urban Futures,
Inc., as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Williams Unified School District

Name of Issue: Certificates of Participation (2019 Capital Improvements Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Williams Unified School District (Colusa County, California), As the Rental for Certain Property Pursuant to a Lease Agreement with the Local Facilities Finance Corporation

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

ISOM ADVISORS, A Division of Urban Futures,
Inc., as Dissemination Agent

By _____
Authorized Officer

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL ASSURANCE CORP.

AN ASSURED GUARANTY COMPANY

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

MUNICIPAL ASSURANCE CORP. ("MAC"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of MAC, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which MAC shall have received Notice of Nonpayment, MAC will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by MAC, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in MAC. 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 MAC is incomplete, it shall be deemed not to have been received by MAC for purposes of the preceding sentence and MAC shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, MAC shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by MAC hereunder. Payment by MAC to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of MAC under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless MAC shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to MAC which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

MAC may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to MAC pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to MAC and shall not be deemed received until received by both and (b) all payments required to be made by MAC under this Policy may be made directly by MAC or by the Insurer's Fiscal Agent on behalf of MAC. The Insurer's Fiscal Agent is the agent of MAC only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of MAC to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, MAC 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 MAC to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of MAC, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, MUNICIPAL ASSURANCE CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

MUNICIPAL ASSURANCE CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Ltd.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/13) (MAC)

