

In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, subject, however to certain qualifications described herein, under existing law, (i) interest (and original issue discount) on the Series A Refunding Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, and (ii) interest (and original issue discount) on the Series B Refunding Bonds is not excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Refunding Bonds is exempt from California personal income taxes. Bond Counsel expresses no other opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Refunding Bonds. See “TAX MATTERS” herein.



\$1,840,000  
**KINGS CANYON JOINT  
 UNIFIED SCHOOL DISTRICT**  
 (Fresno and Tulare Counties, California)  
 2019 GENERAL OBLIGATION REFUNDING BONDS,  
 SERIES A (FEDERALLY TAX-EXEMPT)

\$15,332,914.80  
**KINGS CANYON JOINT  
 UNIFIED SCHOOL DISTRICT**  
 (Fresno and Tulare Counties, California)  
 2019 GENERAL OBLIGATION REFUNDING BONDS,  
 SERIES B (FEDERALLY TAXABLE)

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

**Issuance.** The Kings Canyon Joint Unified School District (Fresno and Tulare Counties, California) 2019 General Obligation Refunding Bonds, Series A (Federally Tax-Exempt) (the “Series A Refunding Bonds”) and the Kings Canyon Joint Unified School District (Fresno and Tulare Counties, California) 2019 General Obligation Refunding Bonds, Series B (Federally Taxable) (the “Series B Refunding Bonds,” and together with the Series A Refunding Bonds, the “Refunding Bonds”) are being issued by the Kings Canyon Joint Unified School District (the “District”), located in Fresno and Tulare Counties (together, the “Counties”), State of California (the “State”), to (i) refinance a portion of the District’s Prior Bonds (defined herein), and (ii) pay the costs of issuance of the Refunding Bonds.

**Authorization.** The Refunding Bonds are authorized to be issued pursuant to a resolution of the District adopted on July 9, 2019 (the “Resolution”), Articles 9 and 11 (commencing with Sections 53550 and 53580, respectively) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and certain provisions of the California Education Code.

**Security.** The Refunding Bonds are general obligations of the District, payable solely from *ad valorem* taxes to be levied within the boundaries of the District pursuant to the California Constitution and other State law. The Board of Supervisors of the each of the Counties is empowered and obligated to levy and collect *ad valorem* taxes upon all property within the boundaries of the District subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the District’s payment of principal and Accreted Value of and interest on the Refunding Bonds, all as more fully described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

**Book-Entry Only.** The Refunding Bonds will be issued in book-entry only form and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Refunding Bonds. Individual purchases of Refunding Bonds will be made in book-entry only form. Purchasers will not receive physical delivery of the Refunding Bonds purchased by them.

**Payments.** The Refunding Bonds are dated the date of delivery and are being issued as Capital Appreciation Bonds and Current Interest Bonds, including Term Bonds (all as defined herein). The Refunding Bonds shall be issued in denominations of \$5,000 principal amount (or Maturity Value, as applicable) and integral multiples thereof and accrue interest or accrete value from the dated date at the rates set forth on the inside cover page hereof, payable or compounded semiannually on each February 1 and August 1 until maturity (or earlier redemption), commencing February 1, 2020. Payments of principal or Accreted Value of and interest on the Refunding Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as paying agent (the “Paying Agent”) to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds.

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**MATURITY SCHEDULE**  
 (See Inside Front Cover)

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**Redemption.** The Refunding Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See “THE BONDS –Redemption” herein.

**Insurance.** The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the Accreted Value) and interest on the Refunding Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Refunding Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



**This cover page contains information for general reference only. It is not a summary of all the provisions of the Refunding Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.**

The Refunding Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, and subject to certain other conditions. Lozano Smith, LLP, Sacramento, California, is acting as Disclosure Counsel to the District and as District Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is serving as Underwriter’s Counsel. It is anticipated that the Refunding Bonds in definitive form will be available for delivery through the facilities of DTC on or about August 7, 2019.

**STIFEL**

## MATURITY SCHEDULES

KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT  
(Fresno and Tulare Counties, California)  
BASE CUSIP<sup>†</sup>: 49579S

\$1,840,000

2019 GENERAL OBLIGATION REFUNDING BONDS,  
SERIES A (FEDERALLY TAX-EXEMPT)

\$1,840,000 Current Interest Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>†</sup>
2032	1,840,000	4.000%	2.100% <sup>c</sup>	GK6

<sup>c</sup> Yield to call on 8/1/2029 at par.

\$15,332,914.80

2019 GENERAL OBLIGATION REFUNDING BONDS,  
SERIES B (FEDERALLY TAXABLE)

\$15,332,914.80 Capital Appreciation Term Bonds

\$1,389,681.90 3.479% Term Bond maturing August 1, 2034, Yield 3.479%. CUSIP<sup>†</sup>: GL4  
\$4,247,026.50 3.708% Term Bond maturing August 1, 2039, Yield 3.708%. CUSIP<sup>†</sup>: GM2  
\$4,132,556.40 3.808% Term Bond maturing August 1, 2044, Yield 3.808%. CUSIP<sup>†</sup>: GN0  
\$5,563,650.00 3.908% Term Bond maturing August 1, 2051, Yield 3.908%. CUSIP<sup>†</sup>: GP5

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<sup>†</sup> Copyright 2019, CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Municipal Advisor or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

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

**Website and Social Media.** The District maintains a website and certain social media accounts. The information presented there, however, is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Refunding Bonds.

**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT  
FRESNO AND TULARE COUNTIES  
STATE OF CALIFORNIA**

**DISTRICT BOARD OF TRUSTEES**

Sarah Rola, *Trustee Area 2 - President*  
Craig A. Cooper, *Trustee Area 6 - Clerk*  
Manuel Ferreira, *Trustee Area 5 - Member*  
Clotilda Mora, *Trustee Area 7 - Member*  
Jim Mulligan, *Trustee Area 3 - Member*  
Noel Remick, *Trustee Area 1 - Member*  
Robin Tyler, *Trustee Area 4 - Member*

**DISTRICT ADMINISTRATORS**

John Campbell, *Superintendent*  
Roberto Gutierrez, *Deputy Superintendent*  
Adele Nikkel, *Chief Financial Officer*

---

**FINANCIAL ADVISOR**

Keygent LLC  
*El Segundo, California*

**BOND COUNSEL, DISCLOSURE COUNSEL, and DISTRICT COUNSEL**

Lozano Smith, LLP  
*Sacramento, California*

**UNDERWRITER'S COUNSEL**

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

**PAYING AGENT AND ESCROW AGENT**

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

**ESCROW VERIFICATION**

Causey Demgen & Moore P.C.  
*Denver, Colorado*

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\$1,840,000

**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT  
(Fresno and Tulare Counties, California)  
2019 GENERAL OBLIGATION REFUNDING BONDS,  
SERIES A (FEDERALLY TAX-EXEMPT)**

\$15,332,914.80

**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT  
(Fresno and Tulare Counties, California)  
2019 GENERAL OBLIGATION REFUNDING BONDS,  
SERIES B (FEDERALLY TAXABLE)**

## INTRODUCTION

*This Introduction is not a summary of the Official Statement. It is only a brief description of, and guide to, and is qualified by, more complete and detailed information contained in the remainder of the Official Statement and the documents summarized or described in this Official Statement. The offering of the Refunding Bonds to potential investors is made only by means of the entire Official Statement, and potential investors should thoroughly review it prior to purchasing the captioned Refunding Bonds.*

The purpose of this Official Statement, which includes the cover page, the inside cover page, and all appendices hereto (the "Official Statement"), is to provide certain information concerning the issuance, sale and delivery of the Kings Canyon Joint Unified School District (Fresno and Tulare Counties, California) 2019 General Obligation Refunding Bonds, Series A (Federally Tax-Exempt) (the "Series A Refunding Bonds") and 2019 General Obligation Refunding Bonds, Series B (Federally Taxable) (the "Series B Refunding Bonds," and together with the Series A Refunding Bonds, the "Refunding Bonds").

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

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

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

Copies of documents referred to herein and information concerning Refunding Bonds are available from the Chief Financial Officer, Kings Canyon Joint Unified School District, 1801 10th Street, Reedley, California 93654; (559) 305-7010. The District may impose a charge for copying, mailing, and handling.

### **The District**

The Kings Canyon Joint Unified School District (the "District") is a K-12 public school system located in Fresno and Tulare Counties, California (together, the "Counties"), serving students from a 600-square-mile-area, one of the largest geographic area districts in California. Diverse in geography and culture, the District serves the cities of Reedley and Orange Cove, a small portion of the city of Dinuba, and the foothill and mountain unincorporated communities of Navelencia, Squaw Valley, Dunlap and Miramonte. The District employs approximately 1,500 staff members and has a student population approaching 10,000.

The District operates 22 school campuses in configurations that include K-5, K-8, middle school (6-8) and high school (9-12). The District also offers a robust selection of programs that meet the broad spectrum of student needs, including adult, alternative, vocational, and special education, as well as a middle college and an online academy for high school students.

The District is governed by a seven-member Board of Trustees (the “Board”), each member of which is elected to a four-year term by voters within seven trustee areas. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a District Superintendent appointed by the Board, who is responsible for day-to-day District operations as well as the supervision of the District’s other personnel. For additional information about the District, see APPENDIX A – “GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT” and APPENDIX C – “ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018,” herein.

## THE BONDS

### Authority for Issuance

The Refunding Bonds are issued under the provisions of Articles 9 and 11 (commencing with Sections 53550 and 53580, respectively) of Chapter 3 of Part 1 of Division 3 of Title 5 of the California Government Code (the “Bond Law”) and a resolution adopted by the Board on July 9, 2019 (the “Resolution”), providing for the issuance of the Refunding Bonds. Capitalized undefined terms used in this Official Statement have the meanings ascribed thereto in the Resolution.

### Purpose of Issue

On January 8, 2008, the District issued its General Obligation Bonds, Election of 2006, Series 2007B (the “Series 2007B Bonds”) in the aggregate initial principal amount of \$4,524,966.50, consisting of \$2,120,000 principal amount of Current Interest Bonds and \$2,404,966.50 initial denominational amount of Capital Appreciation Bonds. On March 29, 2012, the District issued its General Obligation Bonds, Election of 2006, Series 2012C (the “Series 2012C Bonds,” and together with the Series 2007B Bonds, the “Prior Bonds”) in the aggregate initial denominational amount of \$8,474,302.85, consisting of Capital Appreciation Bonds.

**Series A Refunding Bonds.** The Series A Refunding Bonds are being issued to (i) currently refund the callable outstanding maturities of the Series 2007B Bonds (the “Refunded 2007B Bonds”) consisting of a Current Interest Bond, maturing in the year 2032 and subject to optional redemption on any date on or after February 1, 2018, and (ii) pay costs of issuance of the Series A Refunding Bonds.

**Series B Refunding Bonds.** The Series B Refunding Bonds are being issued to (i) advance refund the callable outstanding maturities of the Series 2012C Bonds (the “Refunded 2012C Bonds,” and together with the Refunded 2007B Bonds, the “Refunded Bonds”) consisting of Capital Appreciation Bonds maturing in the years 2033 through 2051, inclusive, and subject to optional redemption on any date on or after August 1, 2022, and (ii) pay costs of issuance of the Series B Refunding Bonds.

See “PLAN OF REFINANCING” herein.

### Description of the Bonds

The Refunding Bonds will be dated their date of delivery (the “Delivery Date”) and will be issued as fully registered bonds in denominations of \$5,000 principal amount or Maturity Value (as applicable) or any integral multiple thereof, and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company,



New York, New York (“DTC”), and will be available under the book entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Refunding Bonds. See APPENDIX F—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

### **Payment of Principal and Interest**

The Series A Refunding Bonds will be issued as Current Interest Bonds as set forth on the inside front cover hereof. The Series B Refunding Bonds will be issued as Capital Appreciation Bonds including serial and/or term bonds, as set forth on the inside front cover hereof.

**Current Interest Bonds.** The Series A Refunding Bonds, which are Current Interest Bonds, will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year, commencing on February 1, 2020 (each, an “Interest Payment Date”), computed on the basis of a 360-day year of twelve 30-day months. Each Series A Refunding Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15, 2020, in which event it shall bear interest from its dated date; provided, however, that if, at the time of authentication of any Series A Refunding Bond, interest is in default on any outstanding Series A Refunding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series A Refunding Bonds.

**Capital Appreciation Bonds.** The following terms used herein are defined in the Resolution to have the following meanings with respect to the Series B Refunding Bonds, which are Capital Appreciation Bonds:

**“Accreted Value”** means, with respect to any Capital Appreciation Bond, the total amount of Denominational Amount thereof and interest thereon as of any Compounding Date determined solely by reference to the Table of Accreted Values set forth on such Capital Appreciation Bond and attached hereto as APPENDIX I. The Accreted Value of any Capital Appreciation Bond as of any date other than a Compounding Date will be the sum of (a) the Accreted Value as of the Compounding Date immediately preceding the date as of which the calculation is being made plus (b) interest on the Accreted Value determined under the preceding clause (a), computed to the date as of which the calculation is being made at the Accretion Rate set forth on such Capital Appreciation Bond (computed on the basis of a 360-day year of twelve 30-day months).

**“Accretion Rate”** means the rate which, when applied to the Denominational Amount of any Capital Appreciation Bond and compounded semiannually on each Compounding Date, produces the Maturity Value of such Capital Appreciation Bond on the maturity date thereof.

**“Capital Appreciation Bonds”** means the Series B Refunding Bonds the interest on which is compounded semiannually on each Compounding Date and is payable in full at maturity (or earlier redemption) as shown in the Table of Accreted Values for the Capital Appreciation Bonds and attached to this Official Statement as APPENDIX I.

**“Compounding Date”** means, with respect to any Capital Appreciation Bond, each February 1 and August 1, commencing February 1, 2020, to and including the date of maturity or redemption of such Capital Appreciation Bond.

**“Denominational Amount”** means, with respect to any Capital Appreciation Bond, the initial principal amount of such Capital Appreciation Bond as of the date of delivery identified on the cover page hereof.

“Maturity Value” means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond to be paid at maturity.

The Capital Appreciation Bonds will be dated the date of delivery, and will accrete interest from such date. The Denominational Amount of each maturity of the Capital Appreciation Bonds shall be as shown on the inside cover page hereof. The Capital Appreciation Bonds will be issued in denominations such that the Maturity Value thereof shall equal \$5,000 or an integral multiple thereof. Other than by optional or mandatory sinking fund redemption, the Capital Appreciation Bonds are payable only at maturity, in the years and amounts set forth on the inside cover page hereof.

Interest on the Capital Appreciation Bonds is compounded on February 1 and August 1 in each year, commencing February 1, 2020. Each Capital Appreciation Bond accretes in value daily over the term to its maturity, from its Denominational Amount on the delivery date to its Accreted Value on its maturity date or redemption date. The Accreted Value payable on any date shall be determined solely by reference to the Table of Accreted Values attached to such Capital Appreciation Bond. See “APPENDIX I- TABLE OF ACCRETED VALUES.”

The interest portion of the Accreted Value of any Capital Appreciation Bond that is payable on the date of maturity shall represent interest accreted and coming due on such date. The Accreted Value of any Capital Appreciation Bond at maturity or earlier redemption shall be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the office of the Paying Agent. See “APPENDIX F- DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Payment of Bonds.** Interest on the Refunding Bonds (including the final interest or accreted value payment upon maturity or redemption) is payable in lawful money of the United States of America by check or draft mailed to the Owner thereof at such Owner’s address as it appears on the Bond Register at the close of business on the 15th day of the month preceding any Interest Payment Date (the “Record Date”) ; provided that at the written request of the Owner of at least \$1,000,000 aggregate principal amount of the Refunding Bonds, which written request is on file with the Paying Agent as of any Record Date, interest on such Refunding Bonds shall be paid on the succeeding Interest Payment Date by wire transfer to such account as shall be specified in such written request. Principal and Accreted Value of, and premium (if any) on the Refunding Bonds is payable in lawful money of the United States of America upon presentation and surrender at the Principal Office of the Paying Agent.

### **Paying Agent**

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will act as the registrar, transfer agent, and paying agent for the Refunding Bonds (the “Paying Agent”). As long as DTC is the registered owner of the Refunding Bonds and DTC’s book-entry method is used for the Refunding Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Refunding Bonds called for redemption or of any other action covered by such notice.

The Paying Agent, the District, the Counties, and the Underwriter of the Refunding Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising, or reviewing any records relating to beneficial ownership, of interests in the Refunding Bonds.

## Redemption

**Optional Redemption of Series A Refunding Bonds.** The Series A Refunding Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2029, at a redemption price equal to the principal amount of the Series A Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

**Optional Redemption of Series B Refunding Bonds.** The Series B Refunding Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2029, at a redemption price equal to the Accreted Value of the Series B Refunding Bonds called for redemption to the date of redemption thereof, without premium.

**Mandatory Sinking Fund Redemption of Series B Refunding Bonds.** The Series B Refunding Bonds maturing on August 1 in the years 2034, 2039, 2044, and 2051 (the "Term Bonds"), are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective Accreted Value amounts as set forth in the following schedules, at a redemption price equal to 100% of the Accreted Value thereof to be redeemed, without premium:

### Term Bond Maturing August 1, 2034

Redemption Date (August 1)	Accreted Value to be Redeemed
2033	\$506,965.50
2034 <sup>†</sup>	882,716.40
Total	\$1,389,681.90

<sup>†</sup> Maturity

### Term Bond Maturing August 1, 2039

Redemption Date (August 1)	Accreted Value to be Redeemed
2035	\$851,804.75
2036	849,405.30
2037	849,405.30
2038	849,405.30
2039 <sup>†</sup>	847,005.85
Total	\$4,247,026.50

<sup>†</sup> Maturity

### Term Bond Maturing August 1, 2044

Redemption Date (August 1)	Accreted Value to be Redeemed
2040	\$830,018.40
2041	828,070.00
2042	826,121.60
2043	824,173.20
2044 <sup>†</sup>	824,173.20
Total	\$4,132,556.40

<sup>†</sup> Maturity

**Term Bond Maturing August 1, 2051**

<b>Redemption Date (August 1)</b>	<b>Accreted Value to be Redeemed</b>
2045	\$801,850.00
2046	798,950.00
2047	797,500.00
2048	794,600.00
2049	791,700.00
2050	790,250.00
2051 <sup>†</sup>	788,800.00
Total	\$5,563,650.00

† Maturity

The Accreted Value amount to be redeemed by mandatory sinking fund payments in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 Maturity Value, by any portion of such Term Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

**Selection of Bonds for Redemption.** If less than all of the Refunding Bonds are called for redemption, the Refunding Bonds will be redeemed as directed by the District. Whenever less than all of the outstanding Refunding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Refunding Bonds of such maturity to be redeemed by lot in any manner determined by the District. For purposes of such selection, each Refunding Bond will be deemed to consist of individual Bonds of denominations of \$5,000 principal amount or Maturity Value, as applicable, which may be separately redeemed.

**Notice of Redemption.** The Paying Agent is required to give notice of the redemption of the Refunding Bonds, at the expense of the District. Notice of redemption shall be mailed by the Paying Agent, first class postage prepaid, to the respective owners of any Refunding Bonds designated for redemption at their address appearing on the books required to be kept by the Paying Agent, not less than twenty (20) nor more than sixty (60) days prior to the redemption date. Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Refunding Bonds and the date of issue of the Refunding Bonds; (iii) the redemption date; (iv) the redemption price; (v) the Bonds and the dates of maturity or maturities of Bonds to be redeemed; (vi) if less than all of the Refunding Bonds of any maturity are to be redeemed, the distinctive numbers of the Refunding Bonds of each maturity to be redeemed; (vii) in the case of Refunding Bonds redeemed in part only, the respective portions of the principal amount of the Refunding Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Refunding Bonds to be redeemed; (ix) a statement that such Refunding Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Refunding Bonds will not accrue, or value on such Refunding Bond will not accrete, after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. Neither the failure of the Owners of any Refunding Bonds or by any securities depository or information service to receive notice of redemption, nor any defect in such notice will affect the sufficiency of the proceedings for the redemption of such Refunding Bonds or the cessation of interest on the date fixed for redemption.

In addition to the notice of redemption given pursuant to the above requirements, further notice shall be given by the Paying Agent as set forth below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent at least twenty (20) days before the redemption date by registered or certified mail or overnight delivery service to each of the Securities Depositories which are then in the business of holding substantial amounts of obligations of types comprising the Refunding Bonds and to one or more of the Informational Services that disseminate notice of redemption of obligations similar to the Refunding Bonds or, in accordance with the then-current guidelines of the Securities and Exchange Commission, such other securities depositories and services providing information on called Refunding Bonds, or no such securities depositories and services, as the District may designate in a certificate delivered to the Paying Agent. Upon the payment of the redemption price of Refunding Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Refunding Bonds being redeemed with the proceeds of such check or other transfer.

A certificate of the Paying Agent that notice of redemption has been given to owners of any Refunding Bond as herein provided shall be conclusive as against all parties. Neither the failure to receive the notice of redemption, nor any defect in such notice, shall affect the sufficiency of the proceedings for the redemption of the Refunding Bonds or the cessation of interest on the date fixed for redemption. When notice of redemption has been given substantially as provided for herein, and when the redemption price of the Refunding Bonds called for redemption is set aside for redemption, the Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue or accrete thereon as of the redemption date, and upon presentation and surrender of such Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Refunding Bonds so called for redemption after such redemption date shall be entitled to payment thereof only from the Interest and Sinking Fund (the "Interest and Sinking Fund"), or the trust fund established for such purpose. All Refunding Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Prior to or on the redemption date of any Refunding Bonds there shall be available in the Interest and Sinking Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the redemption prices described herein, the Refunding Bonds designated in the notice of redemption. Such monies shall be applied on or after the redemption date solely for payment of principal and Accreted Value of, and interest and premium, if any, on the Refunding Bonds to be redeemed upon presentation and surrender of such Refunding Bonds, provided that all monies in the Interest and Sinking Fund shall be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the Interest and Sinking Fund, unless otherwise provided to be paid from such monies held in trust. If, after all of the Refunding Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Interest and Sinking Fund or otherwise held in trust for the payment of redemption price of the Refunding Bonds, the monies shall be held in or returned or transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from such fund; provided, however, that if the monies are part of the proceeds of bonds of the District, the monies shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the District are at such time outstanding, the monies shall be transferred to the general fund of the District as provided and permitted by law.

***Partial Redemption of Bonds.*** Upon the surrender of any Refunding Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of Authorized Denominations equal in Principal Amounts or Maturity Value to the unredeemed portion of the Refunding Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

***Effect of Notice of Redemption.*** When notice of redemption has been given substantially as described above and when the redemption price of the Refunding Bonds called for redemption is set aside, the Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue or accrete thereon as of the redemption date, and upon presentation and surrender of such Bonds

at the place specified in the notice of redemption, such Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Refunding Bonds so called for redemption after such redemption date shall look for the payment of such Refunding Bonds and the redemption premium thereon, if any, only to moneys on deposit for that purpose in the Interest and Sinking Fund of the District within the Fresno County treasury or the trust fund established for such purpose. All Refunding Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

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

### **Transfer and Exchange**

Any Refunding Bond may be exchanged for Bonds of like tenor, series, maturity and outstanding principal amount or Maturity Value, as applicable, of any other authorized denomination upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Refunding Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Refunding Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

### **Defeasance of Bonds**

The District may pay and discharge any or all of the Refunding Bonds by irrevocably depositing in trust with the Paying Agent at or before maturity, money or Federal Securities maturing as to principal and interest in such amounts and at such times as will, in the opinion of a certified public accountant, provide money sufficient to pay the principal, Accreted Value, or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Refunding Bonds to be paid or redeemed, as such principal, Accreted Value, or redemption price and interest become due. "Federal Securities" means United States Treasury notes, bonds, bills, or certificates of indebtedness (including zero interest bearing State and Local Government Series) or obligations issued by any agency or department of the United States, which are secured, directly or indirectly, by the full faith and credit of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), and which are not callable by the issuer thereof prior to maturity.

### **Unclaimed Moneys**

Any money held in any fund or by the Paying Agent in trust for the payment of the principal of, redemption premium, if any, or interest on any of the Refunding Bonds and remaining unclaimed for one year after the principal of all of such Bonds has become due and payable (whether by maturity or upon prior redemption) will be transferred to the Interest and Sinking Fund of the District for payment of any outstanding Refunding Bonds

of the District payable from said fund; or, if no such Bonds of the District are at such time outstanding, said moneys shall be transferred to the general fund of the District as provided and permitted by law.

### **Application and Investment of Bond Proceeds**

The net proceeds of the Refunding Bonds will be deposited with an escrow agent for the defeasance of the Refunded Bonds. See "PLAN OF REFINANCING" herein for a discussion of investment of the proceeds of the Refunding Bonds.

All funds held by the Fresno County Auditor-Controller/Treasurer-Tax Collector (the "County Treasurer") in the Interest and Sinking Fund shall be invested on behalf of the District by the County Treasurer at the County Treasurer's discretion in such investments as are authorized by Section 53601 and following of the California Government Code, consistent with the investment policy of Fresno County. See "FRESNO COUNTY INVESTMENT POOL" below and APPENDIX G - "FRESNO COUNTY INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT."

### **Considerations Regarding Bond Insurance**

In the event of a default in the payment of principal and Accreted Value of or interest with respect to the Refunding Bonds, when all or some becomes due, any Owner of the Refunding Bonds may have a claim under the Policy (as defined herein). The Policy would not insure against prepayment premium, if any, with respect to the Refunding Bonds. In the event that BAM (as defined herein) is unable to make payment of principal and Accreted Value of or interest with respect to the Refunding Bonds as such payments become due under the Policy, the Refunding Bonds will be payable solely as otherwise described herein.

In the event that BAM becomes obligated to make payments with respect to the Refunding Bonds, no assurance can be given that such event would not adversely affect the market price of the Refunding Bonds or the marketability of the Refunding Bonds, including the liquidity thereof. None of the District, the Municipal Advisor or the Underwriter will make an independent investigation of the claims-paying ability of BAM, and no assurance or representation regarding the financial strength or projected financial strength thereof is being made by the District, the Municipal Advisor or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Refunding Bonds, potential investors should carefully consider the ability of the District to pay principal, Accreted Value and interest on the Refunding Bonds, assuming that the Policy is not available, and the claims-paying ability of BAM through final maturity of the Refunding Bonds.

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**Estimated Sources and Uses of Funds**

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

**TABLE No. 1**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**2019 General Obligation Refunding Bonds,**  
**Series A (Federally Tax-Exempt) and Series B (Federally Taxable)**  
**Estimated Sources and Uses of Funds**

<b>Sources of Funds:</b>	<b>Series A Refunding Bonds</b>	<b>Series B Refunding Bonds</b>	<b>Total</b>
Principal Amount of Bonds	\$1,840,000.00	\$15,332,914.80	\$17,172,914.80
Plus Original Issue Premium	313,370.40	--	313,370.40
<b>Total Sources of Funds</b>	<b>\$2,153,370.40</b>	<b>\$15,332,914.80</b>	<b>\$17,486,285.20</b>
<b>Uses of Funds:</b>			
Deposit to Escrow Fund	\$2,086,520.31	\$15,015,679.91	\$17,102,200.22
Underwriter’s Discount	11,684.00	97,364.01	109,048.01
Costs of Issuance <sup>(1)</sup>	55,166.09	219,870.88	275,036.97
<b>Total Uses of Funds</b>	<b>\$2,153,370.40</b>	<b>\$15,332,914.80</b>	<b>\$17,486,285.20</b>

<sup>(1)</sup> Includes Bond Counsel fees, Disclosure Counsel fees, Rating Agency fees, financial advisory fees, Verification Agent fees, Paying Agent fees, Escrow Agent fees, printing fees, municipal bond insurance premium, and other miscellaneous expenses.

**BOND INSURANCE**

**Bond Insurance Policy**

Concurrently with the issuance of the Refunding Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Refunding Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Refunding Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

**Build America Mutual Assurance Company**

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

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



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

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

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

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

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

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

***Additional Information Available from BAM.***

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

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

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

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

**DEBT SERVICE SCHEDULE**

The following tables show the annual debt service schedules with respect to the Refunding Bonds, assuming no optional redemptions.

**TABLE No. 2**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**Annual Debt Service Schedule**  
2019 General Obligation Refunding Bonds, Series A (Federally Tax-Exempt)

<b>Period Ending (August 1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Debt Service</b>
2020	--	\$ 72,373.33	\$ 72,373.33
2021	--	73,600.00	73,600.00
2022	--	73,600.00	73,600.00
2023	--	73,600.00	73,600.00
2024	--	73,600.00	73,600.00
2025	--	73,600.00	73,600.00
2026	--	73,600.00	73,600.00
2027	--	73,600.00	73,600.00
2028	--	73,600.00	73,600.00
2029	--	73,600.00	73,600.00
2030	--	73,600.00	73,600.00
2031	--	73,600.00	73,600.00
2032	\$ 1,840,000.00	73,600.00	1,913,600.00
<b>Total:</b>	<b>\$ 1,840,000.00</b>	<b>\$ 955,573.33</b>	<b>\$2,795,573.33</b>

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**TABLE No. 3**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**Annual Debt Service Schedule**  
**2019 General Obligation Refunding Bonds, Series B (Federally Taxable)**

Period Ending (August 1)	Denominational Amount	Accreted Interest	Annual Debt Service
2033	\$ 506,965.50	\$ 314,211.00	\$ 821,176.50
2034	882,716.40	597,283.60	1,480,000.00
2035	851,804.75	680,588.25	1,532,393.00
2036	849,405.30	735,859.80	1,585,265.10
2037	849,405.30	795,190.20	1,644,595.50
2038	849,405.30	856,733.10	1,706,138.40
2039	847,005.85	917,994.15	1,765,000.00
2040	830,018.40	1,001,653.80	1,831,672.20
2041	828,070.00	1,069,555.00	1,897,625.00
2042	826,121.60	1,139,818.00	1,965,939.60
2043	824,173.20	1,212,529.50	2,036,702.70
2044	824,173.20	1,290,826.80	2,115,000.00
2045	801,850.00	1,390,159.05	2,192,009.05
2046	798,950.00	1,471,307.75	2,270,257.75
2047	797,500.00	1,558,067.50	2,355,567.50
2048	794,600.00	1,645,013.80	2,439,613.80
2049	791,700.00	1,734,942.30	2,526,642.30
2050	790,250.00	1,831,281.75	2,621,531.75
2051	788,800.00	1,931,200.00	2,720,000.00
<b>Total:</b>	<b>\$15,332,914.80</b>	<b>\$22,174,215.35</b>	<b>\$37,507,130.15</b>

**Other General Obligation Bonds**

In addition to the Refunding Bonds described herein, the District has additional outstanding series of bonds which are secured by *ad valorem* taxes levied upon all property subject to taxation by the District. The following paragraphs describe the District's outstanding bonds as of August 1, 2019, prior to the refundings described herein.

(1) The District received authorization at an election held on March 5, 2002 (the "2002 Authorization"), to issue bonds of the District in an aggregate principal amount not to exceed \$18,000,000. On August 20, 2002, the District issued its Election of 2002, Series 2002 Bonds, in the aggregate initial principal amount of \$17,996,488.45 (the "Series 2002 Bonds"), as its first and only series of authorized bonds to be issued under the 2002 Authorization. The callable portion of the outstanding principal amount of Series 2002 Bonds were refunded by the 2010 Refunding Bonds described below. \$5,127,616.054 in initial denominational amount of the Series 2002 Bonds remain outstanding.

(2) The District received authorization at an election held on November 7, 2006 ("2006 Authorization"), to issue bonds of the District in an aggregate principal amount not to exceed \$32,000,000. On December 28, 2006, the District issued its Election of 2006, Series 2006A Bonds, in the aggregate principal amount of \$19,000,000 (the "Series 2006A Bonds"), as its first series of authorized bonds to be issued under the 2006 Authorization. The Series 2006A Bonds have either matured, or were refunded by the 2016 Refunding Bonds described below.

(3) On January 8, 2008, the District issued its Election of 2006, Series 2007B Bonds, in the aggregate principal amount of \$4,524,966.50, (i.e., the Series 2007B Bonds) as its second series of authorized bonds to be issued under

the 2006 Authorization. The callable portion of the outstanding Series 2007B Bonds (i.e., the Refunded 2007B Bonds) will be refunded by the Refunding Bonds described herein. After the refunding described herein, \$1,716,525.95 in initial denominational amount of the Series 2007B Bonds will remain outstanding. See "PLAN OF REFINANCING."

(4) On November 30, 2010, the District issued its 2010 General Obligation Refunding Bonds in the aggregate principal amount of \$6,865,000 (the "2010 Refunding Bonds") to refund a portion of its Series 2002 Bonds. The 2010 Refunding Bonds have matured and are no longer outstanding.

(5) On March 29, 2012, the District issued its Election of 2006, Series 2012C Bonds, in the aggregate principal amount of \$8,474,302.85 (i.e., the Series 2012C Bonds), as its third and final series of authorized bonds to be issued under the 2006 Authorization. The callable portion of the outstanding Series 2012C Bonds (i.e., the Refunded 2012C Bonds) will be refunded by the Refunding Bonds described herein. After the refunding described herein, \$73,605.45 in initial denominational amount of the Series 2012C Bonds will remain outstanding. See "PLAN OF REFINANCING."

(6) The District received authorization at an election held on November 6, 2012 (the "2012 Authorization") to issue bonds of the District in an aggregate principal amount not to exceed \$40,000,000. On June 20, 2013, the District issued the Election of 2012, 2013 Series A Bonds in the aggregate principal amount of \$15,000,000 (the "Series 2013A Bonds"), as its first series of authorized bonds issued under the 2012 Authorization. The Series 2013A Bonds remain outstanding in the principal amount of \$13,695,000.

(7) On September 30, 2014, the District issued its Election of 2012, 2014 Series B Bonds in the aggregate principal amount of \$8,300,000 (the "Series 2014B Bonds"), as its second series of authorized bonds issued under the 2012 Authorization. The Series 2014B Bonds remain outstanding in the principal amount of \$7,690,000.

(8) On February 18, 2016, the District issued its 2012 Election, 2016 Series C Bonds (The "Series 2016C Bonds") in the aggregate principal amount of \$16,700,000, as its third series of authorized bonds issued under the 2012 Authorization. The Series 2016C Bonds remain outstanding in the principal amount of \$16,670,000.

(9) On February 18, 2016, the District issued its 2016 General Obligation Refunding Bonds in the aggregate principal amount of \$14,740,000 (the "2016 Refunding Bonds") to refund a portion of its Series 2006A Bonds. The 2016 Refunding Bonds remain outstanding in the principal amount of \$13,825,000.

#### **Aggregate Debt Service**

Debt service on all of the District's outstanding general obligation bonds, including the Refunding Bonds, giving effect to the refunding of the Refunded Bonds, and assuming no other early optional redemptions, is as shown in the table on the following page.

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**TABLE No. 4**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**

**General Obligation Bonds – Aggregate Debt Service <sup>(2)</sup>**

Period Ending	Series	Series	Series	Series	Series	Series	2016	Series A	Series B	Aggregate
August 1	2002 Bonds	2007B	2012C	2013A	2014B	2016C	Refunding	Refunding	Refunding	Total Debt
		Bonds <sup>(1)</sup>	Bonds <sup>(1)</sup>	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Service
2019	\$1,695,000	\$ 346,219	---	\$ 638,531	\$ 320,656	\$ 634,581	\$ 1,169,500	--	--	\$ 4,804,487
2020	1,775,000	270,000	---	638,531	320,656	683,981	1,221,500	\$ 72,373	--	4,982,041
2021	1,860,000	275,000	---	638,531	320,656	735,781	1,289,750	73,600	--	5,193,318
2022	1,945,000	290,000	---	638,531	320,656	835,381	1,348,250	73,600	--	5,451,418
2023	2,040,000	300,000	---	653,531	320,656	878,381	1,407,250	73,600	--	5,673,418
2024	2,135,000	305,000	---	677,931	320,656	913,631	1,481,500	73,600	--	5,907,318
2025	2,235,000	320,000	---	701,331	425,656	866,381	1,550,000	73,600	--	6,171,968
2026	2,340,000	335,000	---	723,731	445,406	890,631	1,622,750	73,600	--	6,431,118
2027	2,450,000	350,000	---	750,131	458,906	917,881	1,699,250	73,600	--	6,699,768
2028	---	370,000	---	775,931	474,406	952,881	1,774,000	73,600	--	4,420,818
2029	---	380,000	---	805,494	489,093	980,131	1,856,750	73,600	--	4,585,068
2030	---	395,000	---	833,556	507,918	1,009,881	1,941,750	73,600	--	4,761,705
2031	---	505,000	---	859,756	525,931	1,046,881	1,953,500	73,600	--	4,964,668
2032	---	760,000	---	894,556	542,531	1,045,631	---	1,913,600	--	5,156,318
2033	---	---	\$ 885,000	922,556	563,256	1,080,981	---	--	\$ 821,177	4,272,970
2034	---	---	---	955,556	582,931	1,119,681	---	--	1,480,000	4,138,168
2035	---	---	---	991,056	601,150	1,161,581	---	--	1,532,393	4,286,180
2036	---	---	---	1,023,806	623,400	1,201,531	---	--	1,585,265	4,434,002
2037	---	---	---	1,058,806	643,650	1,243,406	---	--	1,644,596	4,590,458
2038	---	---	---	1,095,806	666,900	1,288,094	---	--	1,706,138	4,756,938
2039	---	---	---	1,134,556	692,900	1,330,438	---	--	1,765,000	4,922,894
2040	---	---	---	1,173,069	716,400	1,379,038	---	--	1,831,672	5,100,179
2041	---	---	---	1,217,644	738,200	1,424,875	---	--	1,897,625	5,278,344
2042	---	---	---	1,257,756	768,200	1,477,950	---	--	1,965,940	5,469,846
2043	---	---	---	1,303,406	796,000	1,522,938	---	--	2,036,703	5,659,047
2044	---	---	---	1,348,125	821,600	---	---	--	2,115,000	4,284,725
2045	---	---	---	1,393,906	---	---	---	--	2,192,009	3,585,915
2046	---	---	---	1,445,531	---	---	---	--	2,270,258	3,715,789
2047	---	---	---	1,492,563	---	---	---	--	2,355,568	3,848,131
2048	---	---	---	---	---	---	---	--	2,439,614	2,439,614
2049	---	---	---	---	---	---	---	--	2,526,642	2,526,642
2050	---	---	---	---	---	---	---	--	2,621,532	2,621,532
2051	---	---	---	---	---	---	---	--	2,720,000	2,720,000
<b>Totals</b>	<b>\$18,475,000</b>	<b>\$5,201,219</b>	<b>\$ 885,000</b>	<b>\$28,044,214</b>	<b>\$14,008,370</b>	<b>\$26,622,547</b>	<b>\$20,315,750</b>	<b>\$2,795,573</b>	<b>\$37,507,130</b>	<b>\$153,854,803</b>

<sup>(1)</sup> This column takes into account the planned refunding of the Refunded Bonds as described herein.

<sup>(2)</sup> Columns may not sum to totals due to rounding.

## PLAN OF REFINANCING

### Series A Refunding Bonds

On January 8, 2008, the District issued its Series 2007B Bonds, the second series of bonds issued under the 2006 Authorization, in the initial denominational amount of \$4,524,966.50. The Series A Refunding Bonds are being issued to: (i) currently refund the Refunded 2007B Bonds, and (ii) pay the costs of issuing the Series A Refunding Bonds. After the refunding described herein, \$1,716,525.95 in initial denominational amount of the Series 2007B Bonds will remain outstanding (i.e., the non-callable portion thereof). The specific maturities of the Refunded Series 2007B Bonds are identified in the following table:

**TABLE No. 5**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**IDENTIFICATION OF REFUNDED SERIES 2007B BONDS**

Maturity Date (August 1)	CUSIP <sup>†</sup>	Principal Amount	Redemption Date	Redemption Price (% of Par Amount)
2032	49579SCS3	\$2,085,000	August 7, 2019	100.00
<b>Total</b>		<b><u>\$2,085,000</u></b>		

<sup>†</sup> Copyright 2019, CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Municipal Advisor or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**Escrow Fund Deposit.** The District will deliver the net proceeds of the Series A Refunding Bonds to The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as escrow agent (the “Escrow Agent”), for deposit in an escrow fund (the “2007B Escrow Fund”) established under an escrow agreement relating to the Refunded Series 2007B Bonds (the “2007B Escrow Agreement”), between the District and the Escrow Agent. The Escrow Agent will apply such funds to pay the principal of and interest on the Refunded Series 2007B Bonds, as set forth above, together with accrued interest to August 7, 2019, on which date the Refunded Series 2007B Bonds will be redeemed in full.

### Series B Refunding Bonds

On March 29, 2012, the District issued its Series 2012C Bonds, the third and final series of bonds issued under the 2006 Authorization, in the initial denominational amount of \$8,474,302.85. The callable Series 2012C Bonds are subject to redemption, at the option of the District, from any source of available funds, on any date on or after August 1, 2022, at a price equal to the Accreted Value of the Series 2012C Bonds so redeemed to the date fixed for redemption, without premium. The Series B Refunding Bonds are being issued to: (i) advance refund, on a federally taxable basis, the Refunded 2012C Bonds, and (ii) pay the costs of issuing the Series B Refunding Bonds. After the refunding described herein, \$73,605.45 in initial denominational amount of the Series 2012C Bonds will remain outstanding (i.e., the non-callable portion thereof). The specific maturities of the Refunded 2012C Bonds are identified in the following table:

**TABLE No. 6**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**IDENTIFICATION OF REFUNDED SERIES 2012C BONDS**

Maturity Date (August 1)	CUSIP <sup>†</sup>	Initial Denominational Amount	Redemption Date	Accreted Value Upon Redemption	Redemption Price (% of Accreted Value Upon Redemption)
2033	49579S DB9	\$ 350,597.50	August 1, 2022	\$ 638,952.60	100.00
2034	49579S DC7	585,705.75	August 1, 2022	1,074,950.25	100.00
2035	49579S DD5	563,592.15	August 1, 2022	1,041,674.70	100.00
2036	49579S DE3	542,187.00	August 1, 2022	1,008,159.60	100.00
2037	49579S DF0	521,461.60	August 1, 2022	975,453.60	100.00
2038	49579S DG8	507,773.00	August 1, 2022	950,788.00	100.00
2039	49579S DH6	493,688.00	August 1, 2022	925,392.00	100.00
2040	49579S DJ2	480,249.00	August 1, 2022	901,073.25	100.00
2041	49579S DK9	467,324.00	August 1, 2022	877,685.90	100.00
2042	49579S DL7	454,080.75	August 1, 2022	853,677.60	100.00
2043	49579S DM5	439,980.00	August 1, 2022	828,870.00	100.00
2044	49579S DN3	426,349.90	August 1, 2022	804,743.60	100.00
2045	49579S DP8	411,735.75	August 1, 2022	779,547.00	100.00
2051 <sup>(1)</sup>	49579S DQ6	2,155,973.00	August 1, 2022	4,135,130.00	100.00
<b>Total</b>		<b>\$8,400,697.40</b>		<b>\$15,796,098.10</b>	

<sup>(1)</sup> Term Bond.

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**Escrow Fund Deposit.** The District will deliver the net proceeds of the Series B Refunding Bonds to the Escrow Agent, for deposit in an escrow fund (the “2012C Escrow Fund”) established under an escrow agreement relating to the Refunded 2012C Bonds (the “2012C Escrow Agreement”), between the District and the Escrow Agent. The amount deposited in the 2012C Escrow Fund will be used to purchase certain noncallable Government Obligations (as such term is defined in the Resolution for the Refunded Bonds) the principal of and interest on which will be sufficient, together with any moneys deposited in the 2012C Escrow Fund and held as cash, to enable the Escrow Agent to pay the Accreted Value upon redemption of the Refunded 2012C Bonds, as set forth above, on the first optional redemption date therefor.

### Escrow Sufficiency

The sufficiency of the securities and/or cash on deposit in both the 2007B Escrow Fund and 2012C Escrow Fund, together with realizable interest and earnings thereon, to pay the redemption prices of the Refunded Bonds on the respective above-referenced redemption dates, will be verified by Causey Demgen & Moore P.C. (the “Verification Agent”). As a result of the deposits and the applications of funds so provided in the 2007B Escrow Agreement and the 2012C Escrow Agreement, and assuming the accuracy of the Underwriter’s and Verification Agent’s computations, the Refunded Bonds will be defeased, and the obligation of the Counties to levy and

collect within their own Counties *ad valorem* taxes for payment thereof will terminate. See “MISCELLANEOUS – Escrow Verification.”

**Unrefunded Bonds**

*Unrefunded Series 2007B Bonds.* Following completion of the refunding described herein, the following Series 2007B Bonds will remain outstanding:

**TABLE No. 7  
KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT  
IDENTIFICATION OF UNREFUNDED SERIES 2007B BONDS**

<b>Maturity Date (August 1)</b>	<b>Initial Denominational Amount</b>	<b>Accretion Rate</b>	<b>Maturity Value</b>	<b>CUSIP <sup>†</sup></b>
2020	\$ 136,406.70	4.400%	\$ 270,000	49579S CC8
2021	131,623.25	4.500	275,000	49579S CD6
2022	131,500.50	4.550	290,000	49579S CE4
2023	128,877.00	4.600	300,000	49579S CF1
2024	124,131.95	4.650	305,000	49579S CG9
2025	123,385.60	4.720	320,000	49579S CH7
2026	122,372.15	4.770	335,000	49579S CJ3
2027	121,124.50	4.820	350,000	49579S CK0
2028	121,311.90	4.870	370,000	49579S CL8
2029	118,035.60	4.920	380,000	49579S CM6
2030	116,236.65	4.970	395,000	49579S CN4
2031	140,788.95	5.000	505,000	49579S CP9
2032	200,731.20	5.000	760,000	49579S CQ7
<b>Total</b>	<b>\$1,716,525.95</b>		<b>\$4,855,000</b>	

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*Unrefunded Series 2012C Bonds.* Following completion of the refunding described herein, the following Series 2012C Bonds will remain outstanding:

**TABLE No. 8  
KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT  
IDENTIFICATION OF UNREFUNDED SERIES 2012C BONDS**

<b>Maturity Date (August 1)</b>	<b>Initial Denominational Amount</b>	<b>Accretion Rate</b>	<b>Maturity Value</b>	<b>CUSIP <sup>†</sup></b>
2033	\$73,605.45	12.000%	\$885,000	49579S DA1
<b>Total</b>	\$73,605.45		\$885,000	

<sup>†</sup> Copyright 2019, CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Municipal Advisor or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General

In order to provide sufficient funds for repayment of principal and Accreted Value of and interest on the Refunding Bonds when due, the Board of Supervisors of each of the County of Fresno and the County of Tulare (each a “Board of Supervisors” and together the “Boards of Supervisors”) are empowered and obligated to levy and collect within their own Counties *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. The levy may include an allowance for an annual reserve, established for the purposes of avoiding fluctuating tax levies. When so collected by the Counties, the tax revenues will be deposited by the County of Fresno in the Interest and Sinking Fund of the District, which is required to be maintained by the County of Fresno and to be used solely for the payment of general obligation bonds of the District. Amounts on deposit in the Interest and Sinking Fund are pledged for the payment of the principal and redemption price of and interest on the Refunding Bonds.

### Not a County Obligation

No funds of the Counties are pledged or obligated to repayment of the Refunding Bonds. The Refunding Bonds are payable solely from the proceeds of *ad valorem* taxes to be levied and collected by the Counties within the District pursuant to the California Constitution and other State law, for the payment by the District of principal and Accreted Value of and interest on the Refunding Bonds, and are not a debt or obligation of either of the Counties. Although the Counties are obligated to collect the *ad valorem* tax for the payment of the Refunding Bonds, the Refunding Bonds are not a debt (or a pledge of the full faith and credit) of either of the Counties.

## **Pledge of Tax Revenues and Statutory Lien**

Under State law, school districts may levy *ad valorem* taxes to pay principal and interest on general obligation bond debt that, like the Refunding Bonds, are approved at an election to finance specified projects or are bonds issued to refund such voter-approved general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Refunding Bonds to a purpose other than payment of the Refunding Bonds.

Pursuant to the Resolution, the District has pledged revenues from the *ad valorem* taxes collected from the levy by the Boards of Supervisors to the payment of the Refunding Bonds, and amounts on deposit in the Interest and Sinking Fund of the District to the payment of the principal and Accreted Value of or redemption price of and interest on the Refunding Bonds (the "Pledge"). This Pledge is valid and binding from the date of adoption of the Resolution for the benefit of the owners of the Refunding Bonds and successors thereto. The Pledge provides security for the Refunding Bonds in addition to the statutory lien described below. The Refunding Bonds, secured by the Pledge, are being issued to refinance one or more of the bonds which provided funds for projects specified in the District's Measure "C." The amounts held in the Interest and Sinking Fund of the District are immediately subject to this Pledge, and the Pledge constitutes a lien and security interest, pursuant to Section 5451 of the California Government Code, which immediately attaches to the property taxes and amounts held in the Interest and Sinking Fund of the District to secure the payment of the Refunding Bonds and is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the Pledge and without the need of any physical delivery, recordation, filing, or further act.

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

On March 26, 2019, the United States Court of Appeals for the First Circuit ("First Circuit") issued an opinion regarding issues relating to the treatment and scope of special revenues in the insolvency proceedings of Puerto Rico. The First Circuit ruled that Sections 928(a) and 922(d) of the United States Bankruptcy Code permit, but do not require, continued payment during the pendency of bankruptcy proceedings, reasoning those provisions stand for the premise that any consensual prepetition lien (as evidenced here by the Pledge) secured by special revenues will survive the period of municipal bankruptcy, and, accordingly, municipalities can elect to voluntarily continue payment on these debts during the course of the bankruptcy proceedings so as to not fall behind and thus be at risk of being unable to secure financing in the future. To the extent the decisions in these appeals affect the treatment or scope of special revenues in bankruptcy cases, they may also affect the creditworthiness of the Refunding Bonds. See also, "OTHER LEGAL MATTERS – Possible Limitation on Remedies," herein.

## ***Ad Valorem* Property Taxation**

Taxes are levied by the Counties for each fiscal year on taxable real and personal property that is situated in the boundaries of the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll.

The “secured roll” is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien that is sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

For further discussion of property tax collection, see “Tax Charges and Delinquencies” below.

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

### **Assessed Valuation**

The assessed valuation of property in the boundaries of the District is established by the County Assessor for each of the Counties, except for public utility property that is assessed by the State Board of Equalization as described above. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or the consumer price index or comparable data for the area if such rate is less than 2%, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners.

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.

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership of or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the boundaries of the District. Any such reduction would result in a

corresponding increase in the annual tax rates levied by the Counties to pay the debt service with respect to the Refunding Bonds.

Property within the District has a 2018-19 total assessed value of \$3,032,518,281. Shown in the following table are the assessed valuations for taxable property within the boundaries of the District for the fiscal years 1999-00 through 2018-19, as of the date the equalized assessment tax roll is established.

**TABLE No. 9**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**Assessed Valuations**  
**Fiscal Years 1999-00 through 2018-19**

<b>Fiscal Year</b>	<b>Local Secured</b>	<b>Utility</b>	<b>Unsecured</b>	<b>Total</b>	<b>Annual Change</b>
1999-00	\$1,308,558,445	\$ 606,037	\$ 67,458,906	\$1,376,623,388	3.62%
2000-01	1,346,239,632	939,685	66,321,878	1,413,501,195	2.68
2001-02	1,387,088,720	769,052	72,610,654	1,460,468,426	3.32
2002-03	1,457,712,537	679,296	81,672,273	1,540,064,106	5.45
2003-04	1,483,461,688	740,921	78,277,014	1,562,479,623	1.45
2004-05	1,563,855,480	45,690	87,441,326	1,651,342,496	5.69
2005-06	1,663,413,071	1,027,272	82,579,998	1,747,020,341	5.79
2006-07	1,854,705,901	749,774	95,594,815	1,951,050,490	11.68
2007-08	2,081,943,988	663,792	90,860,221	2,173,468,001	11.40
2008-09	2,189,867,625	663,792	84,144,614	2,274,676,031	4.66
2009-10	2,153,807,405	668,803	98,512,566	2,252,988,774	(0.95)
2010-11	2,146,839,956	668,803	95,542,775	2,243,051,534	(0.44)
2011-12	2,173,178,557	588,660	86,451,958	2,260,219,175	0.77
2012-13	2,191,707,219	588,660	97,154,959	2,289,450,838	1.29
2013-14	2,306,405,925	592,471	93,882,760	2,400,881,156	4.87
2014-15	2,415,348,086	592,471	96,994,535	2,512,935,092	4.67
2015-16	2,538,522,957	558,073	101,762,444	2,640,843,474	5.09
2016-17	2,633,428,911	558,073	106,283,419	2,740,270,403	3.76
2017-18	2,772,850,406	561,071	100,909,741	2,874,321,218	4.89
2018-19	2,893,888,833	561,071	138,068,377	3,032,518,281	5.50

*Source: California Municipal Statistics, Inc.*

**Appeals and Adjustments of Assessed Valuation.** Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District’s control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, 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.

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 county assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the county 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 November 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 "Assessor"), the 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 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 measurement is computed on a calendar year basis. According to the websites of the Fresno and Tulare County Assessors' offices, both Fresno and Tulare Counties have in the past, pursuant to Article XIII A of the State Constitution and Proposition 8, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the Counties.

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

See APPENDIX A – "GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

**Bonding Capacity.** As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. Although refunding bonds of a school district, once issued, are counted for purposes of the school district's bonding limit, such calculation does not limit the issuance of refunding bonds.

*Assessed Valuation by Jurisdiction.* The following table shows the District’s fiscal year 2018-19 assessed valuation of property by amount and percentage within the political jurisdictions in each of the Counties.

**TABLE No. 10**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**2018-19 Assessed Valuation by Jurisdiction**

<b>Jurisdiction:</b>	<b>Assessed Valuation in School District</b>	<b>% of School District</b>	<b>Assessed Valuation of Jurisdiction</b>	<b>% of Jurisdiction in School District</b>
City of Dinuba, Tulare County	\$ 6,202,894	0.20%	\$1,167,672,497	0.53%
City of Orange Cove, Fresno County	195,855,496	6.46	\$195,855,496	100.00%
City of Reedley, Fresno County	1,189,242,298	39.22	\$1,189,242,298	100.00%
Unincorporated Fresno County	1,385,826,124	45.70	\$23,176,026,651	5.98%
Unincorporated Tulare County	255,391,470	8.42	\$13,320,668,606	1.92%
<b>Total District:</b>	<b>\$3,032,518,282</b>	<b>100.00%</b>		
<b>Summary by County:</b>				
Total Fresno County	\$2,770,923,918	91.37%	\$78,519,340,361	3.53%
Total Tulare County	261,594,364	8.63	\$34,984,032,948	0.75%
<b>Total District:</b>	<b>\$3,032,518,282</b>	<b>100.00%</b>		

*Source: California Municipal Statistics, Inc.*

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

**TABLE No. 11**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**2018-19 Assessed Valuation and Parcels by Land Use**

	<b>2018-19</b>	<b>% of</b>	<b>No. of</b>	<b>% of</b>	<b>No. of Taxable</b>	<b>% of</b>
<b><u>Non-Residential:</u></b>	<b><u>Assessed Valuation</u></b> <sup>(1)</sup>	<b><u>Total</u></b>	<b><u>Parcels</u></b>	<b><u>Total</u></b>	<b><u>Parcels</u></b>	<b><u>Total</u></b>
Agricultural	\$ 706,839,714	24.43%	2,561	16.64%	2,539	16.85%
Commercial	251,493,839	8.69	441	2.86	439	2.91
Vacant Commercial	6,477,847	0.22	69	0.45	69	0.46
Industrial	301,001,874	10.40	137	0.89	137	0.91
Vacant Industrial	3,786,777	0.13	43	0.28	43	0.29
Government/Social/Institutional	1,767,884	0.06	117	0.76	43	0.29
Miscellaneous	<u>210,217</u>	<u>0.01</u>	<u>87</u>	<u>0.57</u>	<u>85</u>	<u>0.56</u>
Subtotal Non-Residential	\$1,271,578,152	43.94%	3,455	22.44%	3,355	22.26%
<b><u>Residential:</u></b>						
Single Family Residence	\$1,299,480,987	44.90%	8,133	52.83%	8,115	53.85%
Mobile Home	103,024,103	3.56	1,277	8.29	1,277	8.47
Mobile Home Park	12,226,047	0.42	2	0.01	2	0.01
2-4 Residential Units	30,054,758	1.04	185	1.20	185	1.23
5+ Residential Units/Apartments	103,185,924	3.57	119	0.77	119	0.79
Miscellaneous Residential	12,160,458	0.42	247	1.60	240	1.59
Vacant Residential	<u>62,178,404</u>	<u>2.15</u>	<u>1,977</u>	<u>12.84</u>	<u>1,776</u>	<u>11.79</u>
Subtotal Residential	\$1,622,310,681	56.06%	11,940	77.56%	11,714	77.74%
<b>Total:</b>	\$2,893,888,833	100.00%	15,395	100.00%	15,069	100.00%

<sup>(1)</sup> Local secured assessed valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

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*Assessed Valuation of Single-Family Homes.* The following table shows the distribution of assessed valuation of single-family homes in the District among various categories of value for fiscal year 2018-19, including average and median value per parcel.

**TABLE No. 12**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**Per Parcel 2018-19 Assessed Valuation of Single Family Homes**

	<u>No. of Parcels</u>	<u>2018-19 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	8,115	\$1,299,480,987	\$160,133	\$147,131

<u>2018-19 Assessed Valuation</u>	<u>No. of Parcels</u> <sup>(1)</sup>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	122	1.503%	1.503%	\$ 2,175,192	0.167%	0.167%
\$25,000 - \$49,999	434	5.348	6.852	17,076,622	1.314	1.482
\$50,000 - \$74,999	633	7.800	14.652	39,803,587	3.063	4.545
\$75,000 - \$99,999	790	9.735	24.387	69,108,587	5.318	9.863
\$100,000 - \$124,999	1,056	13.013	37.400	120,278,062	9.256	19.119
\$125,000 - \$149,999	1,144	14.097	51.497	156,483,241	12.042	31.161
\$150,000 - \$174,999	988	12.175	63.672	160,162,793	12.325	43.486
\$175,000 - \$199,999	726	8.946	72.619	135,769,591	10.448	53.934
\$200,000 - \$224,999	607	7.480	80.099	129,014,758	9.928	63.862
\$225,000 - \$249,999	513	6.322	86.420	121,416,286	9.343	73.205
\$250,000 - \$274,999	424	5.225	91.645	110,534,881	8.506	81.711
\$275,000 - \$299,999	265	3.266	94.911	75,523,752	5.812	87.523
\$300,000 - \$324,999	125	1.540	96.451	38,651,261	2.974	90.498
\$325,000 - \$349,999	84	1.035	97.486	28,291,677	2.177	92.675
\$350,000 - \$374,999	63	0.776	98.262	22,764,190	1.752	94.427
\$375,000 - \$399,999	35	0.431	98.694	13,528,297	1.041	95.468
\$400,000 - \$424,999	31	0.382	99.076	12,691,021	0.977	96.444
\$425,000 - \$449,999	11	0.136	99.211	4,816,195	0.371	96.815
\$450,000 - \$474,999	10	0.123	99.335	4,614,428	0.355	97.170
\$475,000 - \$499,999	8	0.099	99.433	3,867,188	0.298	97.467
\$500,000 and greater	<u>46</u>	<u>0.567</u>	100.000	<u>32,909,378</u>	<u>2.533</u>	100.000
<b>Total:</b>	8,115	100.000%		\$1,299,480,987	100.000%	

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

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*Largest Taxpayers in District.* The twenty taxpayers with the greatest combined ownership of taxable property in the District on the 2018-19 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

**TABLE No. 13**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**Largest 2018-19 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2018-19 Assessed Valuation</u>	<u>% of Total (1)</u>
1.	O'Neill Beverages Co. LLC	Food Processing	\$ 85,615,668	2.96%
2.	Booth Ranches LLC	Agricultural/Food Processing	28,519,980	0.99
3.	Gerawan Farming Inc.	Food Processing	26,287,110	0.91
4.	Colony Land Company LP	Agricultural	24,737,466	0.85
5.	Airport Ranch Co.	Agricultural	18,320,857	0.63
6.	Stoneman LLC	Agricultural	17,666,771	0.61
7.	Otani Properties	Commercial	16,246,821	0.56
8.	Calaveras Materials Inc.	Sand and Gravel	15,766,699	0.54
9.	Sunshine Agriculture Incorporated	Agricultural	13,703,058	0.47
10.	Cotter Family Farms LLC	Agricultural	12,622,512	0.44
11.	Running Luck Ranch LLC	Agricultural	12,320,360	0.43
12.	Kings River MHC Holdings LP	Mobile Home Park	11,627,747	0.40
13.	Meadowbrook Reedley	Apartments	10,688,440	0.37
14.	KY Farming LLC	Agricultural	10,022,789	0.35
15.	GF Land Company LP	Agricultural	9,586,470	0.33
16.	Reedley Center Inc.	Commercial	9,217,129	0.32
17.	Wine Group LLC	Food Processing	8,733,234	0.30
18.	Tavlan Properties LLC	Agricultural	8,636,401	0.30
19.	Britz Inc.	Agricultural	8,434,150	0.29
20.	Maxco Supply Inc.	Industrial	<u>7,819,299</u>	<u>0.27</u>
			\$356,572,961	12.32%

<sup>(1)</sup> 2018-19 local secured assessed valuation: \$2,893,888,833.

Source: California Municipal Statistics, Inc.

**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 Refunding 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 Refunding Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local

agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, drought, 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 and Accreted Value of and interest on the Refunding Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

**Typical Tax Rate Area.** The following table shows *ad valorem* property tax rates in a typical Tax Rate Area in the City of Reedley portion of the District (TRA 008-029) over the five-year period from 2014-15 through 2018-19. The 2018-19 assessed valuation of the property within TRA 008-029 is \$477,693,597, which is approximately 15.8% of the total assessed value of the District.

**TABLE No. 14**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**Typical Total Tax Rates as Percentage of Assessed Valuation**  
**(TRA 008-029 <sup>(1)</sup>)**  
**Fiscal Years 2014-15 through 2018-19**

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
General Tax Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Sierra Kings Healthcare District	0.070266	0.066312	.086736	.044812	.067702
<b>Kings Canyon Joint Unified School District</b>	<b>0.163212</b>	<b>0.153974</b>	<b>.149176</b>	<b>.136594</b>	<b>.143744</b>
State Center Community College District	0.009308	0.008064	.008480	.025934	.022966
<b>Total All Property Tax Rate</b>	<b>1.242786%</b>	<b>1.228350%</b>	<b>1.244392%</b>	<b>1.207340%</b>	<b>1.234412%</b>

<sup>(1)</sup> 2018-19 Assessed Valuation of TRA 008-029: \$477,693,597

Source: California Municipal Statistics, Inc.

### Tax Charges and Delinquencies

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

County tax collectors prepare the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$23 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurers.

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

The following table shows real property tax charges and corresponding delinquencies with respect to property located in the District within Fresno County for fiscal years 2008-09 through 2017-18 (the most recent year for which figures are available).

**TABLE No. 15**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**Secured Tax Charges and Delinquencies**  
**Fiscal Years 2008-09 through 2017-18**  
**(Fresno County Portion Only)**

	<b>Secured Tax Charge <sup>(1)</sup></b>	<b>Amount Delinquent June 30</b>	<b>% Delinquent June 30</b>
2008-09	\$21,973,898.88	\$1,014,309.66	4.62%
2009-10	22,595,516.70	907,872.82	4.02
2010-11	22,808,862.72	636,691.36	2.79
2011-12	22,725,377.00	637,153.57	2.80
2012-13	22,929,650.18	541,139.22	2.36
2013-14	26,644,271.50	658,839.42	2.47
2014-15	28,284,064.10	644,115.23	2.28
2015-16	29,663,711.96	683,471.64	2.30
2016-17	31,260,596.20	697,159.43	2.23
2017-18	32,538,428.74	865,512.89	2.66

<sup>(1)</sup> All taxes collected by Fresno County within the District.

Source: *California Municipal Statistics, Inc.*

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The following table shows real property tax charges, both total and bond debt service levy only, and corresponding delinquencies with respect to property located in the District within Tulare County for fiscal years 2013-14 through 2017-18 (the most recent year for which figures are available).

**TABLE No. 16**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**Secured Tax Charges and Delinquencies**  
**Fiscal Years 2013-14 through 2017-18**  
**(Tulare County Portion Only)**

	<b>Secured Tax Charge <sup>(1)</sup></b>	<b>Amount Delinquent June 30</b>	<b>% Delinquent June 30</b>
2013-14	\$737,316.33	\$16,672.40	2.26%
2014-15	768,670.54	19,556.43	2.54
2015-16	803,212.94	18,399.88	2.29
2016-17	810,857.90	19,954.96	2.46
2017-18	853,548.65	18,223.96	2.14

	<b>Secured Tax Charge <sup>(2)</sup></b>	<b>Amount Delinquent June 30</b>	<b>% Delinquent June 30</b>
2013-14	\$310,645.28	\$ 6,752.69	2.17%
2014-15	326,579.27	8,025.05	2.46%
2015-16	324,487.45	12,222.24	3.77%
2016-17	319,275.48	5,566.79	1.74%
2017-18	324,377.65	6,752.10	2.08%

<sup>(1)</sup> All taxes collected by Tulare County within the District.

<sup>(2)</sup> Bond debt service levy collected by Tulare County within the District.

Source: California Municipal Statistics, Inc.

**Teeter Plan**

The Board of Supervisors of Fresno County has implemented an alternative method for the distribution of secured property taxes to local agencies, known as the “Teeter Plan.” The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk, which in turn makes it more certain that sufficient funds will be available for the District’s repayment of the Refunding Bonds.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures

also apply to assessments on the secured roll. The Fresno County Board of Supervisors adopted the Teeter Plan on October 12, 1993, while the Tulare County Board of Supervisors also did so in 1993. However, the Tulare County Board of Supervisors terminated its Teeter Plan in June 2009 due to cash flow issues and other financial matters. **Only Fresno County's Teeter Plan currently applies to the District and to its outstanding general obligation bonds. In the Tulare County portion of the District, the amount of the levy of its secured property taxes for the payment of the Refunding Bonds will depend on the actual collections of the *ad valorem* secured property taxes and delinquency rates experienced with respect to taxable property within the Tulare County portion of the District.**

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the county as an interest-free offset against future advances of tax levies under the Teeter Plan.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. Fresno County has never discontinued the Teeter Plan with respect to any levying agency.

If the Teeter Plan for Fresno County was terminated, the amount of the levy of *ad valorem* secured property taxes in the District would depend upon the collections of the *ad valorem* secured property taxes and delinquency rates experienced with respect to the parcels within the Fresno County portion of the District.

### **Direct and Overlapping Debt**

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. and effective June 1, 2019. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two 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 column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

**TABLE No. 17**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**Statement of Direct and Overlapping Bonded Debt**

2018-19 Assessed Valuation: \$3,032,518,281

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/19</u>
State Center Community College District	3.520%	\$ 6,141,872
<b>Kings Canyon Joint Unified School District</b>	<b>100.000</b>	<b>70,616,041</b> <sup>(1)</sup>
Sierra-Kings Healthcare District	80.263	18,473,469
City of Orange Cove 1915 Act Bonds	100.000	<u>1,044,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$96,275,382
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Fresno County General Fund Obligations	3.529%	\$ 1,310,847
Fresno County Pension Obligation Bonds	3.529	9,008,752
Tulare County Certificates of Participation	0.748	241,716
Tulare County Pension Obligation Bonds	0.748	1,811,020
Tulare County Board of Education Certificates of Participation	0.748	253,460
College of Sequoias Certificates of Participation	0.068	3,410
City of Dinuba General Fund Obligations	0.531	<u>132,130</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$12,761,335
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		 \$11,618,552
 COMBINED TOTAL DEBT		 \$120,655,269 <sup>(2)</sup>

(1) Excludes the Refunding Bonds described herein, but includes the Refunded Bonds.

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

Ratios to 2018-19 Assessed Valuation:

<b>Direct Debt (\$70,616,041)</b> .....	<b>2.33%</b>
Total Direct and Overlapping Tax and Assessment Debt ....	3.17%
Combined Total Debt .....	3.98%

Ratios to Redevelopment Incremental Valuation (\$535,963,025):

Total Overlapping Tax Increment Debt .....	2.17%
--------------------------------------------	-------

Source: California Municipal Statistics, Inc.

## FRESNO COUNTY INVESTMENT POOL

*The following information concerning the County of Fresno Investment Pool (the "Investment Pool" or "Pool") has been obtained from the Fresno County website (<http://www.co.fresno.ca.us>) and has not been confirmed or verified by the District or the Underwriter. The website is not incorporated herein by reference. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.*

The Fresno County Board of Supervisors approved the current County Investment Policy Statement (the "Investment Policy") on December 5, 2017 (See APPENDIX G – "FRESNO COUNTY INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT"). The Investment Policy applies to all financial assets deposited and retained in the Investment Pool. The primary goal is to invest public funds in a manner that will provide a market average rate of return consistent with the objectives of Fresno County, while meeting the daily cash flow demands of the County Treasury. The main investing objectives, in order of priority are: Legality, Safety, Liquidity, Return on Investment; and Local Community Reinvestment.

Oversight of the investments is conducted in several ways. The County's Treasury Oversight Committee annually reviews and monitors the Investment Policy. Next, the Auditor-Controller's Internal Audit Division audits the portfolio on a quarterly and annual basis pursuant to California Government Code Sections 26920 and 26922. Finally, an independent audit is also conducted annually as required by Sections 27130 through 27137 of California Government Code and the Investment Policy. All audit reports, and the quarterly Treasurer's Investment Reports are available on-line at <http://www.co.fresno.ca.us/DepartmentPage.aspx?id=12314>. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.)

The District's funds held by the County Treasurer are invested in the Investment Pool. According to the County's most recently available quarterly investment report, as of March 31, 2019, the market value of the Pool was \$3.85 billion. As of March 31, 2019, the Pool has a weighted average maturity of 2.06 years. On a book value basis, 31.08% of the Pool's portfolio matures within 12 months, 16.86% matures between 1 and 2 years, 18.79% matures between 2 and 3 years, 17.62% matures between 3 and 4 years, and 15.65% matures in 4 years or more. (See APPENDIX G– "FRESNO COUNTY INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT").

*Neither the District, the Financial Advisor, nor the Underwriter has made an independent investigation of the investments in the Pool nor have they made any assessment of the current County Investment Policy. The value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the Board of Supervisors of Fresno County, may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described herein.*

## TAX MATTERS

### **Federal Tax Status – Series A Refunding Bonds**

In the opinion of Lozano Smith, LLP, Sacramento, California, Bond Counsel to the District, subject, however, to certain qualifications set forth below, under existing law, the interest on the Series A Refunding Bonds is

excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Series A Refunding Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series A Refunding Bonds.

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

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

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



## **Federal Tax Status – Series B Refunding Bonds**

In the opinion of Lozano Smith LLP, Bond Counsel, under Section 149(d) of Tax Code, interest paid on the Series B Refunding Bonds or original issue discount, if any, will be includable in “gross income” within the meaning of Section 61 of the Tax Code.

## **California Tax Status**

In the further opinion of Bond Counsel, interest on the Refunding Bonds is exempt from State of California personal income taxes.

## **Other Tax Considerations**

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

Future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Series A Refunding Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Refunding Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Refunding Bonds. Prospective purchasers of the Refunding Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

## **Forms of Opinion**

The proposed forms of opinion of Bond Counsel for the Refunding Bonds are attached hereto as APPENDIX D.

## **OTHER LEGAL MATTERS**

### **Legality for Investment**

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

### **Absence of Material Litigation**

There is no action, suit, or proceeding known to be pending or threatened, to restrain or enjoin the execution or delivery of the Refunding Bonds, or in any way contesting or affecting the validity of the Refunding Bonds or any proceedings of the District taken with respect thereto. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District’s ability to issue the Refunding Bonds.

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

### **Professionals Involved in the Offering**

Lozano Smith, LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Refunding Bonds, and will receive compensation contingent upon the sale and delivery of the Refunding Bonds.

Keygent LLC (the “Financial Advisor”) has been employed by the District to perform financial services in relation to the sale and delivery of the Refunding Bonds. The Financial Advisor will not participate in the underwriting of the Refunding Bonds. The Financial Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Fees charged by Keygent LLC are contingent upon the sale of the Refunding Bonds.

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Underwriter’s Counsel with respect to the Refunding Bonds. Payment of the fees and expenses of the Underwriter’s Counsel are also contingent upon the sale and delivery of the Refunding Bonds.

### **Escrow Verification**

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of the projected payments of principal and interest to retire the Refunded Bonds will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the “Verification Agent”). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

### **Possible Limitations on Remedies**

State law contains a number of safeguards to protect the financial solvency of school districts. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the “State Superintendent”), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition for relief under Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) on behalf of the district for the adjustment of its debts. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, then the application of *ad valorem* taxes to pay the Refunding Bonds could be stayed during the proceeding (unless they are determined to be “special revenues” within the meaning of the Bankruptcy Code and not derived from District projects), and it is possible that the terms of the Refunding Bonds and the Resolution (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with the requirements of the

Bankruptcy Code. Bankruptcy courts are courts of equity with broad discretionary powers, and their decisions can be heavily influenced by the facts in a case, including whether commingled *ad valorem* tax revenues can be identified, and the overall goal of the Bankruptcy Code to facilitate an adjustment of debts. A bankruptcy proceeding, if initiated on behalf of the District, could have an adverse effect on the liquidity and value of the Refunding Bonds. See also, "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Pledge of Tax Revenues and Statutory Lien," herein.

The Counties, on behalf of the District, are expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Refunding Bonds and may invest these funds in the Fresno County investment portfolio, as described in "THE COUNTY OF FRESNO INVESTMENT POOL" herein and APPENDIX G - "FRESNO COUNTY INVESTMENT POLICY AND MONTHLY INVESTMENT REPORT" attached hereto. If either of the Counties goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if such County does not voluntarily pay such tax revenues to the owners of the Refunding Bonds, it is not entirely clear what procedures the owners of the Refunding Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Refunding Bonds.

## CONTINUING DISCLOSURE

Neither the Counties nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

The District has covenanted for the benefit of the holders and Beneficial Owners of the Refunding Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system or such other electronic system designated by the MSRB (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than the March 31 following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2018-19 fiscal year (which is due no later than March 31, 2020) and notice of the occurrence of certain enumerated events ("Listed Events") within ten (10) business days after the occurrence of such a Listed Event. The specific nature of the information to be contained in the Annual Report and the notices of Listed Events is set forth in APPENDIX E - "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC").

In the five years preceding the date of this Official Statement, the District timely filed all of its required Annual Reports and notices of Listed Events, in all material respects, required under its previous continuing disclosure undertakings pursuant to the Rule. The District has developed appropriate written policies and procedures and established periodic training regarding continuing disclosure obligations pursuant to the Rule.

## RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), is expected to assign the rating of "AA" to the Refunding Bonds, with the understanding that a municipal bond insurance policy insuring the payment, when due, of principal and Accreted Value of and interest on the Refunding Bonds will be issued by Build America Mutual Assurance Company at the time of delivery of the Refunding Bonds. S&P

Global Ratings has also assigned an underlying rating of “A+” to the Refunding Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies, and assumptions of its own. There is no assurance that such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency concerned if, in the judgment of such rating agency, circumstances so warrant. The District undertakes no responsibility either to bring to the attention of the owners of the Refunding Bonds any downward revision or withdrawal of any ratings obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Refunding Bonds.

## **UNDERWRITING**

The Refunding Bonds are being purchased for reoffering to the public by the Underwriter pursuant to the terms of one or more bond purchase agreements for the Refunding Bonds, by and between the Underwriter and the District (the “Bond Purchase Agreements”).

The Underwriter has agreed to purchase the Series A Refunding Bonds at a price of \$2,141,686.40 (being equal to the aggregate principal amount of the Series A Refunding Bonds (\$1,840,000.00), plus original issue premium for the Series A Refunding Bonds (\$313,370.40), less an underwriter’s discount of \$11,684.00).

The Underwriter has agreed to purchase the Series B Refunding Bonds at a price of \$15,235,550.79 (being equal to the aggregate initial Denominational Amount of the Series B Refunding Bonds (\$15,332,914.80), less an underwriter’s discount of \$97,364.01).

The Bond Purchase Agreements provide that the Underwriter will purchase all of the respective Refunding Bonds of each series (if any are purchased), subject to certain terms and conditions set forth in the respective Bond Purchase Agreements, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Refunding Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

## **PAYING AGENT**

The District has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent”), a national banking association organized under the laws of the United States, to serve as Paying Agent for the Refunding Bonds. The Paying Agent is to carry out those duties assignable to it under the Resolution and other documents related to the Refunding Bonds. Except for the contents of this section, the Paying Agent has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement or for the recitals contained in the Resolution or the Refunding Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Paying Agent has no oversight responsibility, and is not accountable, for the use or application by the District of any of the Refunding Bonds authenticated or delivered pursuant to the Resolution or for the use or application of the proceeds of such Bonds by the District. The Paying Agent has not evaluated the risks, benefits, or propriety of any investment in the Refunding Bonds and makes no representation, and has

reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Refunding Bonds, the technical or financial feasibility of the Project, or the investment quality of the Refunding Bonds, about all of which the Paying Agent expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Paying Agent may be found at its website at [www.bnymellon.com](http://www.bnymellon.com). Neither the information on the Paying Agent’s website, nor any links from that website, is a part of this Official Statement, nor should any such information be relied upon to make investment decisions regarding the Refunding Bonds.

**ADDITIONAL INFORMATION**

Brief descriptions or summaries of the District, the Resolution, the Refunding Bonds, and other documents, agreements and statutes are included in this Official Statement. The summaries or references herein to the Resolution, and other documents, agreements and statutes referred to herein, and the description of the Refunding Bonds included herein, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to such documents, and the description herein of the Refunding Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents may be obtained at the principal corporate trust office of the Paying Agent.

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

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

The execution and delivery of this Official Statement have been duly authorized by the District’s Board of Trustees.

**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**

By:           /s/ John Campbell            
Superintendent

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## APPENDIX A

### GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

*The information in this appendix concerning the operations of the Kings Canyon Joint Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and Accreted Value of or interest on the Refunding Bonds is payable from the general fund of the District or from State revenues. The Refunding Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and the ad valorem tax pledged to repayment of the Refunding Bonds is required to be levied and collected by the Counties of Fresno and Tulare on property, within their own Counties and within the District, in an amount sufficient for the timely payment of principal and Accreted Value of and interest on the Refunding Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the front portion of this Official Statement.*

### THE DISTRICT

#### General Information

The District is a K-12 public school system that serves students from a 600-square-mile-area, one of the largest geographic area districts in California. Diverse in geography and culture, the District serves the cities of Reedley and Orange Cove, a small portion of the city of Dinuba, and the foothill and mountain unincorporated communities of Navelencia, Squaw Valley, Dunlap and Miramonte. The District employs approximately 1,500 staff members and has a student population approaching 10,000.

The District operates 22 school campuses in configurations that include K-5, K-8, middle school (6-8) and high school (9-12). The District also offers a robust selection of programs that meet the broad spectrum of student needs, including adult, alternative, vocational, and special education, as well as a middle college and an online academy for high school students.

#### Administration

**Governing Board.** The District is governed by a seven-member Board of Trustees (the "Board"), each member of which is elected to a four year term by voters in seven trustee areas. Elections for positions to the Board are held every two years, alternating between three and four available positions. Current members of the Board, together with their office and the date their term expires, are listed below:

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Sarah Rola	Trustee Area 2, President	November 2022
Craig A. Cooper	Trustee Area 6, Clerk	November 2020
Manuel Ferreira	Trustee Area 5, Member	November 2022
Clotilda Mora	Trustee Area 7, Member	November 2020
Jim Mulligan	Trustee Area 3, Member	November 2022
Noel Remick	Trustee Area 1, Member	November 2022
Robin Tyler	Trustee Area 4, Member	November 2022

*Superintendent and Administrative Personnel Involved in the Offering.* The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day to day District operations as well as the supervision of the District's other personnel. The Chief Financial Officer of the District is responsible for the administration, financial, and operations management of the District, and reports to the Superintendent.

*John Campbell, Superintendent.* John Campbell has been with the District since July of 2002. Mr. Campbell was hired as Superintendent for the District in July of 2017. Prior to becoming Superintendent for the District, Mr. Campbell served as Reedley High School Principal and Deputy Superintendent for the District. He received his Bachelors' and Master's degrees in Educational Leadership from Fresno State University.

*Adele Nikkel, Chief Financial Officer.* Mrs. Adele Nikkel was hired by the District as the Director of Fiscal Services on June 30, 1997. In October of 2015, Adele Nikkel moved to Madera Unified School District, taking a promotion to the position of Chief Financial Officer. Adele Nikkel returned to the District in November of 2018 as Chief Financial Officer for the District. Prior to joining the District, Adele Nikkel served as an accountant for a non-profit psychiatric hospital for fifteen years. Adele Nikkel holds a Bachelor's Degree in Business Management and Chief Business Official certification through California Association of School Business Officials (CASBO). Adele Nikkel is an active member in Rotary and volunteers at community events through Rotary.

## **Employment**

As of July 8, 2019, the District employed 999.53 full-time-equivalent ("FTE") employees, not including substitutes. FTE does not refer to the actual number of individual staff-members, rather it is a unit of measurement indicating the aggregate workload of full-time and part-time staff, calculated on the basis of 1.0 FTE being equivalent of one full-time worker. The District's staff consist of 523.82 FTE certificated employees including certificated management and non-management, 472.71 FTE classified employees including classified management and non-management, and 3 FTE confidential employees.

In addition to the FTE counts above, the District employs approximately 359 substitute teachers and 708 substitute classified employees.

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For the fiscal year ended June 30, 2018, the total certificated and classified payrolls were approximately \$46.6 million and \$16.3 million, respectively. For fiscal year 2018-19, the District has estimated \$49.1 million and \$17.6 million for certificated and classified payrolls, respectively, and for fiscal year 2019-20, has budgeted \$50.2 million and \$18.3 million for certificated and classified payrolls, respectively, pursuant to its 2019-20 adopted budget. District employees are represented by employee bargaining units as follows:

**TABLE No. A-1**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**Employee Bargaining Units and Current Collective Bargaining Agreements**

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Kings Canyon Teachers Association	467	June 30, 2019
California School Employees Association, Chp #148	470	June 30, 2019

*Source: The District.*

### **District Retirement Systems**

*The information set forth below regarding the CalSTRS and CalPERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources that 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.*

The District participates in retirement plans with the State Teachers’ Retirement System (“CalSTRS”), which covers all full-time certificated District employees, and the State Public Employees’ Retirement System (“CalPERS”), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

**State Pension Trusts.** Each of CalSTRS and CalPERS 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 CalSTRS and CalPERS as follows: (i) CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) CalPERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of CalSTRS and CalPERS maintains a website, as follows: (i) CalSTRS: [www.calstrs.com](http://www.calstrs.com); (ii) CalPERS: [www.calpers.ca.gov](http://www.calpers.ca.gov). The information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

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**District Contributions.** The following table sets forth the District’s total contributions to CalSTRS and CalPERS for fiscal years 2015-16 through 2017-18, the District’s estimated contributions for fiscal year 2018-19, the District’s budgeted/projected contributions for fiscal year 2019-20, and the percentage of the District’s total Governmental Funds expenditures represented by such aggregated contributions. For more information regarding the District’s retirement benefits obligations, see APPENDIX C – “ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 12 - EMPLOYEE RETIREMENT SYSTEMS” herein.

**TABLE No. A-2**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**Aggregate Employer Contributions to CalSTRS and CalPERS**  
**Fiscal Years 2015-16 through 2019-20**

<b>Fiscal Year</b>	<b>District CalSTRS Contributions <sup>(1)</sup></b>	<b>District CalPERS Contributions <sup>(1)</sup></b>	<b>District Contribution (CalSTRS and CalPERS Combined) as Percentage of Total General Fund Expenditures</b>
2015-16	\$4,430,560	\$1,549,003	6.0%
2016-17	5,460,123	1,945,242	6.9
2017-18	6,537,506	2,292,925	7.5
2018-19 <sup>(2)</sup>	7,866,578	3,046,000	9.1
2019-20 <sup>(3)</sup>	8,276,465	3,657,889	9.4

<sup>(1)</sup> Reflects data for all District funds, including the District’s general fund. Does not include on-behalf payments from the State.

<sup>(2)</sup> Estimated.

<sup>(3)</sup> Projected.

*Source: The District’s Audit Reports for fiscal years 2015-16 through 2017-18, the District’s 2018-19 Estimated Actuals, and the District’s 2019-20 Budget.*

**CalSTRS.** CalSTRS is a defined benefit plan operated on a statewide basis in accordance with State Teacher’s Retirement Law. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. The contribution requirements of employers (such as the District) and plan members are established by State statute. (See discussion of rates in California Public Employees’ Pension Reform Act of 2013, below.) The State also contributes to CalSTRS.

Based on publicly available information, CalSTRS has substantial unfunded liabilities. Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the member and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as “pre-enhancement benefits”) within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 (“AB 1469”) which implemented a new funding strategy for CalSTRS and increased the employer contribution rate in Fiscal Year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increases by 1.85% beginning in Fiscal Year 2015-16 until the

employer contribution rate is 19.10% of covered payroll as further described below. AB 1469 increased member contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013, effective July 1, 2016. On July 1, 2018, however, for members hired on or after January 1, 2013, the rate increased from 9.205% of pay to 10.250% of pay, and remains at that level for the 2019-20 fiscal year. The State's total contribution also increased from approximately 3% in Fiscal Year 2013-14 to 7.828% of payroll in Fiscal Year 2019-20, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 10.328%. In addition, AB 1469 provided the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for Fiscal Year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded actuarial obligation with respect to service credited to members before July 1, 2014, by June 30, 2046. The State Teachers Retirement Board also has authority to reduce employer and State contributions if they are no longer necessary. CalSTRS currently expects that its board will exercise its authority to increase the State contribution rate by the maximum of 0.5% for the three years following the 2019-20 fiscal year.

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

As of June 30, 2018, an actuarial valuation (the "2018 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$107.2 billion, an increase of approximately \$10.9 million from the June 30, 2017 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2018, June 30, 2017 and June 30, 2016, based on the actuarial assumptions, were approximately 64.0%, 62.6%, and 63.7%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2018 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method;" a 7.00% investment return assumption consistent with the State Teachers' Retirement Board's decision on February 1, 2017; assumed 3.00% interest on member accounts; projected 3.50% payroll growth assumption; projected 2.75% inflation; and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2018 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "California Public Employees' Pension Reform Act of 2013" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

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Pursuant to AB 1469, a school district’s contribution rates will increase in accordance with the following schedule:

**TABLE No. A-3**  
**K-14 SCHOOL DISTRICT CONTRIBUTION RATES**  
**CalSTRS (Defined Benefit Program)**

<b>Effective Date</b>	<b>Projected Employer Contribution Rate <sup>(1)</sup></b>
July 1, 2018	16.28%
July 1, 2019	18.13
July 1, 2020	19.10

<sup>(1)</sup> Expressed as a percentage of covered payroll.  
*Source: AB 1469.*

The District’s total employer contributions to CalSTRS for fiscal years 2015-16 through 2018-19 were equal to 100% of the required contributions for each year (see Table No. A-2 above). Due to the expected increase in employer contribution rates under AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of CalSTRS’ comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275. The information presented in these reports is not incorporated in this Official Statement.

**CalPERS.** The District contributes to the School Employer Pool under the 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 survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Laws.

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

Active plan members hired before January 1, 2013 are required to contribute 7.0 % of their salary, members hired after January 1, 2013 contribute at an actuarially determined rate, which was 6% of their respective salaries in Fiscal Years 2015-16 and 2016-17, 6.50% in Fiscal Year 2017-18 and 7.00% in Fiscal Year 2018-19. (See discussion of rates in *California Public Employees’ Pension Reform Act of 2013* below.) The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration (the “CalPERS Board”).

School districts are required to contribute to CalPERS at an actuarially determined rate, which was 13.888%, 15.531%, and 18.062% of eligible salary expenditures for Fiscal Years 2016-17, 2017-18, and 2018-19 respectively, and 20.733% of eligible salary expenditures for Fiscal Year 2019-20.

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

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

The CalPERS 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 CalPERS Board approved new actuarial assumptions, including (i) lowering the inflation assumption rate from 2.75% to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, (iii) and certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the mortality, retirement, and disability retirement rates.

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

On April 18, 2018, the CalPERS Board established the employer contribution rates for Fiscal Year 2018-19 and released certain information from the CalPERS Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired

after such date, the projected employer contribution for Fiscal Year 2019-20 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for Fiscal Year 2025-26.

On April 16, 2019, the CalPERS Board established the employer contribution rates for fiscal year 2019-20 and released certain information from the CalPERS Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected employer contribution for fiscal year 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

The District's contributions to CalPERS for fiscal years 2015-16 through 2018-19 equaled 100% of the required contributions for each year (see Table No. A-2 above). With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see “– California Public Employees’ Pension Reform Act of 2013” below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

*California Public Employees’ Pension Reform Act of 2013.* The Governor signed the California Public Employee’s Pension Reform Act of 2013 (“PEPRA”) into law on September 12, 2012, which governs pensions for public employers and public pension plans on and after January 1, 2013. PEPRA affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the “Implementation Date”). As it pertains to CalSTRS participants hired after the Implementation Date, PEPRA changed the normal retirement age, increasing the eligibility for the 2% “age factor” (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, PEPRA changed the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and also increased the eligibility requirement for the maximum age factor of 2.5% to age 67.

PEPRA also implemented certain other changes to CalPERS and CalSTRS including the following: (a) all new participants enrolled in CalPERS and CalSTRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalSTRS and CalPERS are both required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for CalSTRS members who retire with 25 years of service), and (c) “pensionable compensation” is capped for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for CalSTRS and CalPERS members not participating in Social Security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA did and will not increase the District’s future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District’s pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

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

As of June 30, 2018, the District’s proportionate share of net CalSTRS pension liability was \$77,305,980, and the District’s proportionate share of net CalPERS pension liability was \$31,170,711. The District’s proportionate share of net pension liability for each plan is based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. For further information regarding the District’s net pension liability, see also “APPENDIX C - ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018, Note 12 – EMPLOYEE RETIREMENT SYSTEMS.”

### **Other Post-Employment Benefits**

In addition to the retirement plan benefits with CalSTRS and CalPERS discussed above, the District provides certain post-retirement healthcare benefits (“OPEB”), in accordance with District employment contracts. The District’s Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the District’s governing board. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership in the Plan consists of 180 retirees and beneficiaries currently receiving benefits and 925 active employees.

The contribution requirements of plan members and the District are established and may be amended by the District and the employee labor groups. The benefit payment is based on projected pay-as-you-go financing requirements, as determined annually through the labor agreements. For Fiscal Year 2017-18, the District paid \$1,470,303 in benefits.

Beginning in fiscal year 2017-18, the District was required to implement GASB Statement Number 75, which replaced GASB Statement Number 45 as the accounting standard for OPEB plans. On November 1, 2018, DFA, LLC, completed an evaluation of the District’s obligations as of a July 1, 2016 valuation date, in accordance with GASB Statement Number 75. The District does not participate in and has no fiduciary position in an irrevocable trust to pay OPEB.

**OPEB Liability.** The District’s total OPEB liability as of June 30, 2018 was \$21,493,868, measured using an actuarial valuation as of July 1, 2016, rolled forward to June 30, 2018, using standard update procedures.

The following table illustrates the District’s OPEB liability and related ratios, as shown in the District’s audited financial statements as of June 30, 2018:

**TABLE No. A-4**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**Changes in the Total and Net OPEB Liability**

<b>Total OPEB Liability as of July 1, 2017</b>	\$21,378,324
Service Cost	838,328
Interest	747,519
Benefit Payments	(1,470,303)
Net Changes in Total OPEB Liability	115,544
<b>Total OPEB Liability as of June 30, 2018</b>	<b>\$21,493,868</b>

*Source: District Annual Financial Report for fiscal year 2017-18.*

**OPEB Expense.** For the year ended June 30, 2018, the District recognized OPEB expense of \$115,544. While the District does not participate in and has no fiduciary position in an irrevocable trust to pay OPEB, the District has established a special reserve fund for the purpose of paying future OPEB expenses (“Special Reserve for OPEB”). Funds in the Special Reserve for OPEB can be used for purposes other than paying OPEB expenses upon action by the District’s Board of Trustees. As of July 1, 2019, the District had \$411,802 in its Special Reserve for OPEB.

For a description of the District’s actuarial methods and assumptions, see APPENDIX C –“ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018 - Note 9 – LONG TERM OBLIGATIONS” herein.

**Medicare Premium Payment Program**

In addition to the Plan described above, the District participates in the Medicare Premium Payment Program (the “MPP Program”). The MPP Program is a cost-sharing multiple-employer OPEB plan administered by CalSTRS. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Program is fully-subscribed and closed to new entrants.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments made to CalSTRs.

**OPEB Liability.** The District’s proportionate share of the OPEB liability for the MPP Program, as of June 30, 2018, was \$636,688, based on a projection of the District's long-term share of contributions to the MPP Program relative to the projected contributions of all participating school districts, actuarially determined.



*OPEB Expense.* For the year ended June 30, 2018, the District recognized OPEB expense of \$-60,931.

## **Risk Management**

The District is a member of the Self Insured Schools of California III (“SISC III”), California Valued Trust (“CVT”), the School Insurance Authority (“SIA”) joint powers authorities (“JPAs”). The District pays an annual premium to the applicable entity for its health, workers’ compensation, and property liability coverage. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District’s financial statements; however, fund transactions between the entities and the District are included in the District’s financial statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$15,758,828 to SISC III and CVT for employee medical benefits.

The District has appointed two board members to the governing board of SIA. During the year ended June 30, 2018, the District made payments of \$1,115,989 to SIA for workers' compensation insurance and has made payments of \$425,350 to SIA for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

For more information regarding the JPAs, see APPENDIX C— “ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018,” Note 11 – RISK MANAGEMENT.

## **DISTRICT FINANCIAL INFORMATION**

*The following selected financial information provides a brief overview of the District's finances. This financial information has been extracted from the District's Annual Financial Reports and, in some cases, from unaudited information provided by the District's Business office. See APPENDIX C – “ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2018” herein.*

### **State Funding of Education**

*The following information concerning the State's funding of education and the State budget process has been compiled from publicly-available information provided by the State. Neither the District, the Financial Advisor, nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.*

**Revenue Limit Funding.** Prior to fiscal year 2013-14, school districts operated under general purpose revenue limits established by the California Department of Education. In general, revenue limits were calculated for each school district by multiplying the average daily attendance (“ADA”) for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments (“COLAs”) and to equalize revenues among school districts of the same type. Funding of a school district’s revenue limit was provided by a mix of local property taxes and State

apportionments of basic and equalization aid. Beginning in fiscal year 2013-14, school districts are funded based on uniform funding grants assigned to certain grade spans.

The following table shows the historical ADA and revenue limit rates for the District for fiscal years 2008-09 through 2012-13, prior to implementation of the LCFF (defined below).

**Table No. A-5**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**Aggregated Enrollment, Average Daily Attendance**  
**and Base Revenue Limit**  
**Fiscal Years 2008-09 through 2012-13**

Fiscal Year	Average Daily Attendance <sup>(1)</sup>	Revenue Limit Per ADA <sup>(2)</sup>	Funded Base Revenue Limit <sup>(2)</sup>
2008-09	9,245	\$6,177	\$5,443
2009-10	9,182	6,439	5,257
2010-11	9,180	6,414	5,261
2011-12	9,318	6,769	5,261
2012-13	9,447	6,769	5,261

Note: All amounts are rounded to the nearest whole number.

<sup>(1)</sup> Data based on State legislation which reconfigured ADA to represent actual attendance without regard to excused absences. Reflects ADA as of the second principal reporting period (P-2 ADA), ending on April 15 of each school year. Includes charter school and county instructed students, but excludes adult education and regional occupational program students.

<sup>(2)</sup> Deficit revenue limit funding, if provided for in State budget legislation, previously reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for a 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 limit funding was most recently reinstated beginning in fiscal year 2008-09, and has been discontinued following the implementation of the LCFF (as defined herein).

Source: *The District*.

**Local Control Funding Formula.** State Assembly Bill 97 (Stats. 2013, Chapter 47) (“A.B. 97”), enacted as part of the 2013-14 State budget, established a new system for funding school districts, charter schools and county offices of education. Certain provisions of A.B. 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) (“S.B. 91”).

The primary component of A.B. 97, as amended by S.B. 91, was the implementation of the Local Control Funding Formula (“LCFF”). Beginning in fiscal year 2013-14, the bulk of funding for school districts is being provided on the basis of target base funding grants per unit of ADA (each, a “Base Grant”) assigned to each of four grade spans. Each Base Grant is subject to certain adjustments, as further described herein. According to a report published by the State Legislative Analyst’s Office, the State general fund cost of fully implementing the LCFF in fiscal year 2013-14 would have been approximately \$18 billion more than what was spent on education in the prior fiscal year (assuming current levels of property tax revenue, ADA and enrollment). Given this cost, the LCFF was intended to be implemented over a span of eight fiscal years, during which time school districts would receive annual funding increases based on the gap between their respective prior-year funding level and the target LCFF allocation following full implementation. In each year, each school district was expected to see the same proportion of their funding gap closed, with dollar amounts varying depending on the size of a district’s

funding gap. The State's cost to fund the LCFF in each fiscal year was expected to fluctuate depending on a number of factors, including the provision of COLAs, fluctuations in ADA and student demographics, and growth in property tax revenues.

The specific Base Grants, beginning in fiscal year ended 2013-14, per unit of ADA, for each grade span were as follows: (a) \$6,845 for grades K-3; (b) \$6,947 for grades 4-6; (c) \$7,154 for grades 7-8; and (d) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of the COLAs would 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. As of fiscal year 2018-19, school districts and charter schools are fully-funded under LCFF. See also "State Budget" herein for the adjusted Base Grants provided by current state budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and support college and career readiness programs in high schools. Following full implementation of the new funding system in 2018-19, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period.

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

## **Enrollment**

Enrollment in the District in recent years has remained relatively stable and, in 2018-19 and 2019-20, is expected to continue a stable trend, neither increasing nor decreasing significantly.

The District operates two charter schools: Dunlap Leadership Academy Charter School and Reedley Middle College High Charter School, both of which charter schools' financial activities are accounted for in the District's Charter Schools Fund.

In addition to the two charter schools operated by the District, a charter school known as the Hume Lake Charter, operates a K-12 charter school program within the territorial boundaries of the District. The Hume Lake Charter has a current enrollment of approximately 69 students and is sponsored and provided oversight by the Fresno County Office of Education.

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 fiscal years 2013-14 through 2019-20.

**TABLE A-6**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**ADA <sup>(1)</sup> and Enrollment by Grade Span**  
**Fiscal Years 2013-14 through 2019-20**

<b>Year</b>	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>	<b>Total ADA</b>	<b>Total Enrollment <sup>(1)</sup></b>	<b>% of Unduplicated EL/LI Enrollment <sup>(2)</sup></b>
2013-14	3,151	2,187	1,293	2,658	9,289	9,758	87.14%
2014-15	3,059	2,219	1,366	2,558	9,201	9,609	87.11
2015-16	3,014	2,251	1,458	2,447	9,169	9,512	87.10
2016-17	2,977	2,290	1,451	2,488	9,206	9,626	87.05
2017-18	2,958	2,232	1,497	2,494	9,181	9,554	85.97
2018-19 <sup>(3)</sup>	2,947	2,204	1,524	2,545	9,220	9,591	86.88
2019-20 <sup>(4)</sup>	2,947	2,204	1,524	2,545	9,220	9,591	86.88

Note: All figures rounded to nearest whole number.

<sup>(1)</sup> Except for 2018-19 and 2019-20, reflects annual report figures. Does not include students of charter schools operated by the District or county instructed, adult education and regional occupational program students.

<sup>(2)</sup> For purposes of calculating Supplemental and Concentration Grants, 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 has been based on a rolling average of such district’s EL/LI enrollment for the then current fiscal year and the two immediately preceding fiscal years.

<sup>(3)</sup> Reflects P-2 report figures.

<sup>(4)</sup> Projected.

Source: Kings Canyon Joint Unified School District

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The following table shows a breakdown of the ADA by grade span and the total enrollment for the two charter schools operated by the District, for fiscal years 2013-14 through 2018-19.

**TABLE A-7**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**Charter School ADA and Enrollment by Grade Span <sup>(1)</sup>**  
**Fiscal Years 2013-14 through 2018-19**

Year	9-12 <sup>(3)</sup>	Total ADA	Total Enrollment <sup>(1)</sup>
2013-14 <sup>(2)</sup>	59	59	
2014-15	152	152	166
2015-16	187	187	205
2016-17	204	204	218
2017-18	227	227	238
2018-19 <sup>(4)</sup>	247	247	251
2019-20 <sup>(5)</sup>	277	277	290

Note: All figures rounded to nearest whole number.

<sup>(1)</sup> Except for 2018-19 and 2019-20, reflects annual report figures.

<sup>(2)</sup> Only reflects Dunlap Leadership Academy Charter School; Reedley Middle College High Charter School was not charted yet.

<sup>(3)</sup> Both of the District’s charter schools serve students in grades 9-12 only.

<sup>(4)</sup> Estimated.

<sup>(5)</sup> Projected

Source: Kings Canyon Joint Unified School District

For certain school districts that would have received greater funding levels under the prior revenue limit system, 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, LCFF assumes the discontinuance of deficit revenue limit funding, implementation of COLAs in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the eight-year implementing period of the LCFF. The District does not qualify for the ERT add-on.

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

Certain schools districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid”

requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is not a basic aid school district and formerly was a revenue limit district.

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

School districts are also required to adopt local control and accountability plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs covering a three-year period are required to be updated annually, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

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

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

The State Superintendent of Public Instruction (the “State Superintendent”), with the approval of the State Board of Education, is authorized to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (a) modify a district’s LCAP, (b) impose budget revisions designed to improve student outcomes, and (c) stay or rescind actions of the local governing board that

would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized under LCFF to rescind an action required by a local collective bargaining agreement.

### **District Revenue Sources**

In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for 14 programs was excluded from the LCFF—including, among others, child nutrition, after school education and safety, special education, and State preschool—and school districts will continue to receive restricted State revenues to fund these programs.

The federal government provides funding for several school district programs, including specialized programs such as No Child Left Behind, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, portions of a school district's budget can come from local sources other than unrestricted property taxes, including but not limited to interest income, leases and rentals, foundations, donations and sales of property.

*LCFF.* State funding, under the LCFF, consists of base grants and supplemental grants, and, prior to implementation of the LCFF, the District received State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues.

For fiscal year 2016-17, the District received \$92,336,959 from the LCFF or approximately 79.5% of its general fund revenues. For fiscal year 2017-18, the District received \$97,118,112 from the LCFF or approximately 79.2% of its general fund revenues. For fiscal year 2018-19 the District has estimated it received \$104,080,180 from the LCFF, comprising approximately 80.1% of its estimated general fund revenues. For fiscal year 2019-20, the District has budgeted, pursuant to its adopted budget to receive 107,413,080 from the LCFF, comprising approximately 84.3% of its budgeted general fund revenues.

*Federal Revenues.* The federal government provides funding for several District programs, including special education programs and Title I and II funding. Most of the federal revenues received by the District are restricted. For fiscal year 2016-17, the District received \$6,150,651 from federal revenues, comprising approximately 5.3% of total general fund revenues. For fiscal year 2017-18, the District received \$7,596,739 from federal revenues, comprising approximately 6.2% of total general fund revenues. For fiscal year 2018-19, the District has estimated it received \$11,120,435 from federal revenues, comprising approximately 8.6% of its estimated general fund revenues. For fiscal year 2019-20, the District has budgeted to receive \$8,122,634 from federal revenues, comprising approximately 6.4% of its budgeted general fund revenues.

*Other State Revenues.* The District receives other State revenues in addition to the LCFF sources. These other State revenues are primarily restricted revenues funding items such as the Community Day School Additional Funding, Home-to-School Transportation, Economic Impact Aid, and Special Education Transportation. For fiscal year 2016-17, the District received \$11,392,049 from other State revenues, comprising approximately 9.8% of total general fund revenues. For fiscal year 2017-18, the District received \$12,109,501 from other State revenues, comprising approximately 9.9% of total general fund revenues. For fiscal year 2018-19, the District has estimated it received \$8,833,821 from other State revenues, comprising approximately 6.8% of its estimated general fund revenues. For fiscal year 2019-20, the District has budgeted to receive \$6,171,797 from other State revenues, comprising approximately 4.8% of its budgeted general fund revenues.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material. For fiscal year 2018-19, the District estimated receipt of \$2,022,239 in Lottery money, and for fiscal year 2019-20, has budgeted receipt of \$2,002,000 in Lottery money.

**Other Local Revenues.** In addition to property taxes, the District receives additional local revenues from items such as the leasing of property owned by the District and interest earnings. For fiscal year 2016-17, the District received \$6,254,818 from other local revenues, comprising approximately 5.4% of total general fund revenues. For fiscal year 2017-18, the District received \$5,810,143 from other local revenues, comprising approximately 4.7% of total general fund revenues. For fiscal year 2018-19, the District has estimated receipt of \$5,965,596 from other local revenues, comprising approximately 4.6% of its estimated total general fund revenues. For fiscal year 2019-20, the District has budgeted to receive \$5,646,132 from other local revenues, comprising approximately 4.4% of its budgeted total general fund revenues.

The District maintains a fund, separate and apart from the general fund, to account for developer fees levied on residential development within the District. For fiscal years 2016-17 and 2017-18, the District received developer fee collections of \$298,010, and \$465,841, respectively. The District has estimated \$613,681 for such collections in fiscal year 2018-19. Developer fee revenues may only be used to construct or modernize school facilities to accommodate enrollment generated by new development.

### **Accounting Practices**

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

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Revenues are recognized when measurable and available except for certain revenue sources that are not susceptible to accrual. Expenditures are recognized in the accounting period in which the liability is incurred.

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## Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's Annual Financial Report for the fiscal year ended June 30, 2018 was prepared by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, Fresno, California. The auditor has not participated in the preparation of this Official Statement. See APPENDIX C – "ANNUAL FINANCIAL REPORT OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2018." The Annual Financial Reports for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District may impose a charge for copying, mailing and handling.

*Audited Financial Statements.* Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The District's auditor has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial report after a public meeting to be conducted no later than January 31 following the close of each fiscal year. The District expects the audited financial report for the fiscal year ended June 30, 2019 to be adopted no later than January 31, 2020.

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The following table shows the audited general fund income and expense statements for the District for fiscal years 2015-16 through 2017-18.

**TABLE No. A-8**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**Aggregated Summary of Audited General Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For Fiscal Years 2015-16 through 2017-18**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
<b><u>Revenues</u></b>			
LCFF sources	\$89,447,408	\$ 92,336,959	\$ 97,118,112
Federal sources	8,115,498	6,150,651	7,596,739
Other state sources	16,932,534	11,392,049	12,109,501
Other local sources	4,725,948	6,254,818	5,810,143
<b>Total Revenues</b>	<b>\$119,221,388</b>	<b>\$116,134,477</b>	<b>\$122,634,495</b>
<b><u>Expenditures</u></b>			
Certificated Salaries	\$ 42,007,250	\$ 44,496,850	\$ 46,599,415
Classified Salaries	14,543,683	15,440,434	16,269,295
Employee Benefits	21,580,725	23,399,322	26,427,056
Books and Supplies	6,879,717	7,839,346	8,356,172
Services and Other Operating Expenditures	13,040,725	12,312,083	14,351,233
Other Outgo	316,848	1,728,207	933,036
Capital Outlay	1,943,162	2,356,156	4,000,901
Debt Service – Principal	97,664	93,405	97,663
Debt Service – Interest	1,863		
<b>Total Expenditures</b>	<b>\$100,411,637</b>	<b>\$107,665,803</b>	<b>\$117,034,771</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ 18,809,751</b>	<b>\$ 8,468,674</b>	<b>\$ 5,599,724</b>
<b>Other Financing Sources/Uses</b>			
Transfers In	\$ 108,236	--	--
(Transfers Out) <sup>(1)</sup>	(14,961,160)	(\$ 5,235,645)	(\$10,210,697)
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 3,956,827</b>	<b>\$ 3,233,029</b>	<b>(\$ 4,610,973)</b>
<b>Fund Balance, Beginning July 1</b>	<b>\$16,612,550</b>	<b>\$20,569,377</b>	<b>\$26,304,087 <sup>(2)</sup></b>
<b>Fund Balance, Ending June 30</b>	<b>\$20,569,377</b>	<b>\$23,802,406</b>	<b>\$21,693,114</b>

<sup>(1)</sup> Annual transfer from general fund to deferred maintenance fund, and transfers to capital facility fund for one-time projects.

<sup>(2)</sup> The \$2,501,681 difference between the 2016-17 Ending Balance and 2017-18 Beginning Balance is a result of the consolidation of the Deferred Maintenance Fund (\$1,086,819) and the Pupil Transportation Fund (\$1,414,862) into the General Fund.

Sources: District's Annual Financial Statements for Fiscal Years ended June 30, 2016, 2017, and 2018.

## District Budget Process and County Review

The District is required by State law to adopt a final budget by July 1 in each year. Throughout the fiscal year, all revenues and appropriations are subject to review and since the budget must remain in balance, any shortfall in revenues could require a reduction in appropriations. State law requires local governments to maintain a balanced budget and the District anticipates that it will have no difficulty in complying with the State requirement.

The District is under the jurisdiction of the Fresno County Superintendent of Schools (the "County Superintendent"), which is not an official of Fresno County, but is separate from Fresno County.

A county superintendent must review and approve, conditionally approve or disapprove a school district's budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the district with recommendations for revision. The district is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the county superintendent no later than October 8. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval. By December 31 of each year, every school district must have an adopted budget, or the county superintendent may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations.

If, after taking various remedial actions, a county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent, and the president of the State Board of Education (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State Board of Education or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

**Reports and Certifications.** A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 et seq.), each school district is required

to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then current projections, 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, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. In the last five years, the District has not received a negative or qualified certification for an interim financial report.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from ad valorem property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State Board of Education or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State General Fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State General Fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State General Fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State General Fund will be based upon the availability of funds within the State General Fund.

The following table sets forth a summary of the District’s estimated and budgeted general fund revenues and expenditures for fiscal years 2018-19 and 2019-20, pursuant to its 2019-20 adopted budget.

**TABLE No. A-9**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**Aggregated Summary of General Fund Revenues, Expenditures**  
**and Changes in Fund Balance**  
**For Fiscal Years 2018-19 and 2019-20**

	<b>Estimated Actuals</b>	<b>Adopted Budget</b>
	<b><u>2018-19</u></b>	<b><u>2019-20</u></b>
<b><u>Revenues</u></b>		
LCFF sources	\$104,080,180	\$107,413,080
Federal sources	11,120,435	8,122,634
Other state sources	8,833,821	6,171,797
Other local sources	5,965,596	5,646,132
<b>Total Revenues</b>	<b>\$130,000,032</b>	<b>\$127,353,643</b>
<b><u>Expenditures</u></b>		
Certificated Salaries	\$ 49,105,686	\$ 50,224,891
Classified Salaries	17,630,758	18,354,277
Employee Benefits	25,559,600	26,276,384
Books and Supplies	8,967,703	9,163,286
Services and Other Operating Expenditures	16,5489,568	17,001,534
Capital Outlay	1,311,418	4,635,878
Other Outgo (excluding transfers of indirect costs)	1,602,345	1,602,342
Other Outgo – Transfers of Indirect Costs	(489,398)	(502,061)
<b>Total Expenditures</b>	<b>\$120,236,681</b>	<b>\$126,756,535</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 9,763,351</b>	<b>\$ 597,108</b>
<b>Other Financing Sources/Uses</b>		
Transfers In	--	--
(Transfers Out) <sup>(1)</sup>	\$ (5,888,641)	\$ (3,500,000)
<b>Net Change in Fund Balances</b>	<b>\$ 3,874,710</b>	<b>\$ (2,902,892)</b>
<b>Fund Balance, Beginning July 1</b>	<b>\$ 21,285,593</b>	<b>\$ 25,160,303</b>
<b>Fund Balance, Ending June 30</b>	<b>\$ 25,160,303</b>	<b>\$ 22,257,411</b>

<sup>(1)</sup> Annual transfer from general fund to deferred maintenance fund, and transfers to capital facility fund for one-time projects.

Sources: District’s 2019-20 Adopted Budget.

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**District Debt Structure**

*Long-Term Debt Summary.* A schedule of changes in the District’s long-term obligations for the year ended June 30, 2018, is shown in the following table.

**TABLE A-10**  
**KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT**  
**(Fresno and Tulare Counties, California)**  
**Summary of Long-Term Debt**  
**for Fiscal Year 2017-18**

<b>Long-Term Debt</b>	<b>Beginning Balance July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance June 30, 2018</b>	<b>Due Within One Year</b>
General Obligation Bonds					
2002 Series, Series 2002	\$ 14,720,999	\$ 818,103	--	\$ 15,539,102	\$1,620,000
2006, Series 2006A	485,000	--	\$ 485,000	--	--
2006, Series 2007B	5,757,367	168,050	135,000	5,790,417	255,000
2010 Refunding	1,385,000	--	1,385,000	--	--
2006, Series 2012C	11,779,180	746,899	--	12,526,079	--
2012, Series 2013A	13,695,000	--	--	13,695,000	--
2012, Series 2014B	7,690,000	--	--	7,690,000	--
2012, Series 2016C	16,700,000	--	--	16,700,000	--
2016 Refunding	14,670,000	--	--	14,670,000	385,000
Unamortized bond premiums	4,473,615	--	358,407	4,115,208	--
Capital Leases	451,447	--	97,663	353,784	97,663
Compensated Absences – net	470,256	48,743	--	518,999	--
Other postemployment benefits (OPEB)	22,075,943	1,585,857	1,531,234	22,130,556	--
<b>Total</b>	<b>\$114,353,807</b>	<b>\$3,367,642</b>	<b>\$3,992,304</b>	<b>\$113,729,145</b>	<b>\$2,357,663</b>

Source: Kings Canyon Joint Unified School District.

**General Obligation Bonds.** In addition to the Refunding Bonds discussed herein, the District has additional outstanding general obligation bonds, all of which are secured by *ad valorem* taxes levied upon all property subject to taxation by the District. For a detailed summary of the District’s outstanding general obligation bonds, including annual debt service requirements for the Refunding Bonds and the District’s outstanding general obligation bonds, see “THE BONDS – Outstanding Bonds” and “–Aggregate Debt Service” in the front portion of this Official Statement.

**Accumulated Unpaid Employee Vacation.** The long-term portion of accumulated unpaid employee vacation (“compensated absences,” as shown above in Table No. A-9) for the District at June 30, 2018, amounted to \$518,999.

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**PG&E Retrofit Financing.** The District has entered into an agreement to finance the energy retrofit project at various District sites. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District’s liability on this capital lease is summarized below:

	<u>Totals</u>
Balance, July 1, 2017	\$ 451,447
Payments	97,663
Balance, June 30, 2018	\$ 353,784

The capital lease has remaining minimum lease payments as follows:

<u>Year Ending June 30</u>	<u>Total Lease Payments</u>
2019	\$ 97,663
2020	97,663
2021	73,979
2022	64,903
2023	19,576
Total	\$343,784

### State Budget

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

**The State Budget Process.** According to the State Constitution, the Governor of the State (the “Governor”) must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State’s voters on November 2, 2010 as “Proposition 25”, a final budget must be adopted by a majority vote (rather than a supermajority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. As discussed below, the Governor signed the 2018-19 State Budget on June 27, 2018.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district’s State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously

appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: [www.sco.ca.gov](http://www.sco.ca.gov). Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

**2018-19 Budget.** On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the “2018-19 Budget”).

To protect against potential future economic recessions, the 2018-19 Budget fully funds the Budget Stabilization Account (“BSA”) with a deposit of over \$4.35 billion and adds two additional reserves to State law: the Budget Deficit Savings Account, intended to facilitate supplemental payments to continue to fully fund the BSA; and Safety Net Reserve Fund, intended to protect against potential future cuts to certain health and welfare programs.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of \$129.8 billion and total expenditures of \$127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of \$16.7 billion, including \$7.3 billion in the traditional general fund reserve and \$9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects general fund revenues of \$133.3 billion and authorizes expenditures of \$138.7 billion. The State projected to end the 2018-19 fiscal year with total available general fund reserves of \$15.9 billion, including \$2.0 billion in the traditional general fund reserve and \$13.8 billion in the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA’s current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at \$78.4 billion, reflecting a year-to-year increase of \$2.8 billion. As concerning K-12 education, ongoing Proposition 98 pupil expenditures in fiscal year 2018-19 are set at \$11,645. Other significant features concerning education funding include the following:

- *Local Control Funding Formula.* An increase of \$3.7 billion in Proposition 98 funding to fully implement the LCFF, including a 2.71% COLA to the adjusted Base Grants the prior year, and an additional \$570 million above the COLA as an ongoing increase the LCFF.
- *Low-Performing Students Block Grant.* \$300 million in one-time Proposition 98 funding to provide resources to local education agencies with students who (1) perform at the lowest levels on the State’s academic assessments, and (2) do not generate supplemental LCFF funds or State or federal special education resources.
- *State System of Support.* An increase of \$57.8 million in Proposition 98 funding for county offices of education to provide technical assistance to local educational agencies.
- *Multi-Tiered Systems of Support (MTSS).* \$15 million in one-time Proposition 98 funding to expand the State’s MTSS framework to foster positive school climate in both academic and behavioral areas.
- *California Collaborative for Educational Excellence.* \$13.3 million in one-time Proposition 98 funding for the California Collaborative for Educational Excellence (the “Collaborative”) and a co-lead county office of education to help build capacity for community engagement in the LCAP process, as well as \$11.5 million in Proposition 98 funding to support the Collaborative in its role within the statewide system of support.



- *Special Education Local Plan Area (SELPA) Technical Assistance.* \$10 million in Proposition 98 funding for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.
- *Career Technical Education (CTE).* \$164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor's Office, in consultation with the California Department of Education, as well as \$150 million in ongoing Proposition 98 funding to make permanent the State's Career Technical Education Incentive Grant Program.
- *One-Time Discretionary Funding.* An increase of \$1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.
- *Special Education, Bilingual, and STEM Teachers.* \$75 million in one-time Proposition 98 funding to 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 STEM teachers; and \$50 million in onetime Proposition 98 funding 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.
- *Classified School Employee Summer Assistance Program.* \$50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the school year and then paid during the summer recess period.
- *Classified School Employee Professional Development Block Grant Program.* \$50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.
- *Charter School Facility Grant Program.* \$21.1 million one-time and \$24.8 million ongoing Proposition 98 funding to reflect increases in programmatic costs.
- *Kids Code After School Program.* \$15 million one-time Proposition 98 funding to increase opportunities for students in after-school programs to access computer coding education.
- *Fire-Related Support.* \$4.4 million Proposition 98 funding 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 funding relief through the LCFF. The 2018-19 Budget also holds harmless the ADA used in calculating the LCFF for these counties for three years.
- *Fiscal Crisis and Management Assistance Team (FCMAT).* \$972,000 Proposition 98 funding to allow FCMAT to coordinate with county offices of education to offer more proactive and preventive services to fiscally distressed school districts, specifically those with a qualified interim budget status.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). The information presented on such website is not incorporated herein by reference.

**2019-20 State Budget Proposal.** On January 10, 2019, Governor Newsom presented the state budget proposal to the California Legislature for fiscal year 2019-20 (the “2019-20 State Budget Proposal”). Information about the State Budget and State spending for education is regularly available at various State-mandated websites. Text of the proposed and adopted budgets may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov). An impartial analysis of the budget is posted by the Office of the Legislative Analyst (the “LAO”) at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

The 2019-20 State Budget Proposal allocates \$13.6 billion (including debt payments and reserve deposits required by Proposition 2) to building budgetary resiliency and paying down the state's unfunded pension liabilities. This includes \$4 billion to eliminate debts and reverse deferrals, \$4.8 billion to build reserves, and an additional \$4.8 billion to pay down unfunded retirement liabilities. These investments will better enable the state to protect funding for schools and other core programs that serve the state's neediest individuals during the next economic slowdown.

The 2019-20 State Budget Proposal includes \$4 billion to eliminate budgetary debts and reverse the deferrals of the past decades. Specifically, the 2019-20 State Budget Proposal proposes \$2.4 billion to pay off the state's budgetary debts, including the elimination of all outstanding loans from special funds and transportation accounts. The 2019-20 State Budget Proposal includes \$1 billion to eliminate the annual payroll deferral and also provides \$700 million to eliminate the deferral of the fourth-quarter payment to the California Public Employees' Retirement System (“CalPERS”).

The 2019-20 State Budget Proposal continues to build additional reserves beyond the \$13.5 billion currently set aside in the BSA for FY 2019-20. The 2019-20 State Budget Proposal assumes an additional \$1.8 billion transfer in the budget year and an additional \$4.1 billion over the remainder of the forecast period, bringing the BSA to \$19.4 billion by 2022-23. The 2019-20 State Budget Proposal also adds \$700 million to the Safety Net Reserve created in the 2018 Budget Act, bringing the total in this reserve to \$900 million. This reserve sets aside funds specifically to protect safety net services during the next recession. Finally, the 2019-20 State Budget Proposal reserves \$2.3 billion in the Special Fund for Economic Uncertainties to address emergencies and unforeseen events.

The 2019-20 State Budget Proposal proposes per-pupil funding levels nearly \$5,000 more than 2011-12 levels, from \$7,008 to \$12,003. The Budget proposes investing in all students with the greatest increases for the neediest students, including students with disabilities. The 2019-20 State Budget Proposal's minimum guarantee of funding for K-12 schools and community colleges in 2019-20 is \$80.7 billion.

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

- *Local Control Funding Formula.* The Proposition 98 funding level for 2019-20 represents an increase of \$2.8 billion over 2018-19. The 2019-20 State Budget Proposal maintains level funding for K-12 education despite the decline in the Proposition 98 minimum guarantee by: (1) maintaining a \$44 million over-appropriation to the Proposition 98 minimum guarantee in 2017-18, and (2) using settle-up payments to offset otherwise unfunded 2018-19 obligations. Total K-12 per-pupil expenditures from all sources are projected to be \$16,857 in 2018-19 and \$17,160 in 2019-20. Ongoing K-12 per-pupil expenditures of

Proposition 98 funds are \$12,003 in 2019-20, an increase of \$435 per pupil over the level provided in 2018-19.

- *CalSTRS Employer Contribution.* The 2019-20 State Budget Proposal proposes a \$3 billion one-time non-Proposition 98 General Fund payment to CalSTRS to reduce long-term liabilities for employers. Of this amount, a total of \$700 million would be provided to buy down the employer contribution rates in 2019-20 and 2020-21. Based on current assumptions, employer contributions would decrease from 18.13 percent to 17.1 percent in 2019-20 and from 19.1 percent to 18.1 percent in 2020-21. The remaining \$2.3 billion would be paid toward the employers' long-term unfunded liability. Overall, the payment is expected to save employers \$6.9 billion over the next three decades, with an estimated reduction in the out-year contribution rate of approximately half a percentage point.
- *Statewide System of Support.* The 2019-20 State Budget Proposal supports county offices of education by providing them with an increase of \$20.2 million Proposition 98 General Fund for school district assistance, consistent with the formula adopted in the 2018 Budget Act.
- *Special Education.* The 2019-20 State Budget Proposal proposes \$576 million Proposition 98 General Fund (of which \$186 million is one-time) to support expanded special education services and school readiness supports at local educational agencies with high percentages of both students with disabilities and unduplicated students who are low-income, youth in foster care, and English language learners. Eligible local educational agencies may use these grants to fund special education and school readiness services not currently included in an individualized education program.
- *Full-Day Kindergarten.* Building upon the \$100 million General Fund provided in the 2018 Budget Act to eligible school districts to construct new or retrofit existing facilities for full-day kindergarten programs, the 2019-20 State Budget Proposal proposes an additional \$750 million one-time non-Proposition 98 General Fund for a similar purpose. In addition to constructing new or retrofitting existing facilities to support full-day kindergarten programs, participating school districts will have the ability to use project savings to fund other activities that reduce barriers to providing full-day kindergarten.
- *Longitudinal Education Data.* The 2019-20 State Budget Proposal provides \$10 million one-time non-Proposition 98 General Fund to plan for and develop a longitudinal data system. This system will connect student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. A portion of this funding will be used for initial planning purposes. The bulk of the funding will be available for the initial stages of system implementation, once an implementation plan is adopted by the Administration and the Legislature.
- *Proposition 51.* The 2019-20 State Budget Proposal proposes the release of \$1.5 billion Proposition 51 bond funds to support school construction projects.

**May Revision to the 2019-20 Proposed State Budget.** The Governor released the May Revision to the 2019-20 State Budget Proposal (the "May Revision") on May 9, 2019. The May Revision proposed a balanced budget for fiscal year 2019-20. The May Revision projects an increase of \$3.2 billion in short-term general fund revenues as compared to the 2019-20 State Budget Proposal. Most of the increased revenues, however, are constitutionally obligated to reserves, debt repayments and schools. Therefore, the budget surplus remains relatively unchanged. The May Revision estimates that total resources available in fiscal year 2018-19 will be approximately \$149.47 billion (including revenues and transfers of \$138.05 billion and a prior year balance of \$11.42 billion) and total

expenditures in fiscal year 2018-19 will be approximately \$143.24 billion. The May Revision projects total resources available for fiscal year 2019-20 of approximately \$150.03 billion, inclusive of revenues and transfers of approximately \$143.84 billion and a prior year balance of approximately \$6.22 billion. The May Revision projects total expenditures of approximately \$147.03 billion, inclusive of non-Proposition 98 expenditures of \$91.13 billion and Proposition 98 expenditures of \$55.90 billion. The May Revisions proposes to allocate approximately \$1.39 billion of the State general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and approximately \$1.65 billion of such fund balance to the State's special fund for economic uncertainties. In addition, the May Revision estimates that the State's Proposition 2 rainy day fund (the "Rainy Day Fund") will have a fund balance of approximately \$16.52 billion.

The May Revision assumes slow economic expansion and a balanced budget through fiscal year 2019-20, although its forecasts are limited by growing uncertainty related to the global political and economic climate, federal policies, rising costs and the duration of the current economic expansion. The May Revision projects that the Rainy Day Fund will reach its maximum of 10% of general fund revenues in fiscal year 2020-21. By the end of fiscal year 2022-23, the May Revision projects that the Rainy Day Fund balance will have a balance of \$18.7 billion.

The May Revision includes total funding of \$101.8 billion for all K-12 education programs, including \$58.9 billion from the general fund and \$42.9 billion from other funds.

Certain adjustments and budgetary proposals for K-12 education set forth in the May Revision include the following:

- *Proposition 98 Minimum Guarantee.* The May Revision projects increased Proposition 98 funding by \$78.4 million in fiscal year 2017-18, \$278.8 million in fiscal year 2018-19 and \$389.3 million in fiscal year 2019-20, due to increase in general fund revenues, an increase in the minimum guarantee funding level in fiscal year 2017-18 and a slightly slower decline in ADA than projected in the 2019-20 State Budget Proposal.
- *Public School System Stabilization Account.* For the first time, the May Revision projects that a deposit is required to the Public School System Stabilization Account in the amount of \$389.3 million in Proposition 98 resources.
- *Special Education.* The May Revision proposes to allocate \$696.2 million in ongoing Proposition 98 general fund resources to special education, \$119.2 million more than set forth in the 2019-20 State Budget Proposal, to increase coordination between local general education and special education programs, and for program governance and accountability for special education student outcomes.
- *Retaining Well-Prepared Educators.* The May Revision includes \$89.8 million in one-time non-Proposition 98 general fund resources for loan repayments of newly credentialed teachers to work in high-need schools. The May Revisions also includes \$44.8 million in one-time non-Proposition 98 general fund resources to provide training an resources for classroom educators, including teachers and paraprofessionals, and \$13.9 million in ongoing federal funds for professional learning opportunities for public school administrators supporting diverse student populations in State public schools.
- *Access to Computer Science Education.* The May Revisions includes \$15 million in one-time Proposition 98 general fund resources for broadband infrastructure and \$1 million in one-time non-Proposition 98 general fund resources for the State Board of Education to establish a State Computer Science Coordinator.

- *CalSTRS Employer Contribution Rate.* The May Revision includes \$150 million in one-time non-Proposition 98 general fund resources to reduce the employer contribution rate to \$16.7% in fiscal year 2019-20.
- *Local Control Funding Formula Adjustments.* The May Revision proposes an increase of \$70 million in Proposition 98 general fund resources in fiscal year 2018-19 and a decrease of \$63.9 million in Proposition 98 general fund resources in fiscal year 2019-20 for school districts, charter schools and county offices of education to reflect changes in ADA and cost-of-living in fiscal year 2019-20 that affect the LCFF calculation.
- *Classified School Employees Summer Assistance Program.* The May Revision includes an increase of \$36 million in one-time Proposition 98 general fund resources to provide an additional year of funding for the Classified School Employees Summer Assistance Program, which provides a State match for classified employee savings used to provide income during summer months.
- *Local Property Tax Adjustments.* The May Revision proposes an increase of \$146.6 million of Proposition 98 general fund resources in fiscal year 2018-19 and \$142.1 million in fiscal year 2019-20 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in these years.
- *Wildfire-Related Cost Adjustments.* The May Revision proposes an increase of \$2 million in one-time Proposition 98 general fund resources to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires in 2017 and 2018. The May Revision also proposes an increase of \$727,000 in one-time Proposition 98 general fund resources to reflect adjustments to the State's student nutrition programs resulting from wildfire-related losses.
- *Categorical Program Cost-of-Living Adjustments.* The May Revision proposes to decrease the Proposition 98 general fund by \$7.4 million for selected categorical programs during fiscal year 2019-20. Such decrease reflects a change in the cost-of-living set forth in the 2019-20 State Budget Proposal of 3.46% to 3.26% in the May Revision.
- *Categorical Program Growth.* The May Revision proposes to increase the Proposition 98 general fund by \$7.6 million for selected categorical programs, based on updated estimates of ADA growth.

The complete May Revision is available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). The District takes no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

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

**Final 2019-20 Budget.** On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). At this time the LAO has not yet published a summary of the 2019-20 Budget. On July

11, 2019, the State Department of Finance (the “DOF”) published its summary of the 2019-20 Budget (the “DOF Summary”). The following information is drawn from the July 11, 2019 DOF summary which is believed to be reliable, but not guaranteed by the District as to accuracy or completeness.

For fiscal year 2019-20, the 2019-20 Budget authorizes \$214.8 billion in total spending, including \$147.8 billion from the State general fund. The 2019-20 Budget projects that the State will end the current fiscal year with total reserves of \$19.2 billion, including \$1.4 billion in the traditional general fund reserve, \$16.5 billion in the BSA, \$900 million in the Safety Net Reserve and \$400 million in the PSSSA.

With respect to education funding, the 2019-20 Budget includes total funding of \$103.4 billion (\$58.8 billion General Fund and \$44.6 billion other funds) for all K-12 education programs.

Features of the 2019-20 Budget highlighted by the DOF Summary include the following:

- *Local Control Funding Formula.* The 2019-20 Budget provides \$1.9 billion in new Proposition 98 funding for the LCFF, reflecting a 3.26% COLA to the adjusted Base Grants the prior year.
- *Special Education.* Noting a need for support from county office of education, the 2019-20 Budget provides \$152.6 million to provide all Special Education Local Plan Areas (SELPAs) with at least the statewide target rate for base special education funding (approximately \$557 per ADA), and also includes \$492.7 million for special education allocated based on the number of children ages 3 to 5 years with exceptional needs that the school district is serving. The 2019-20 Budget further conditions these increases upon the adoption of special education funding formula and special education accountability system reforms as part of the 2020 Budget Act.
- *CalSTRS and CalPERS Employer Contribution Rates.* In anticipation of a need for relief for employers in order to meet expected increases from 18.1 percent in 2018-19 to 23.6 percent by 2020-21, the 2019-20 Budget includes a \$3.15 billion non-Proposition 98 General Fund payment on their behalf to CalSTRS and the CalPERS Schools Pool. Of this amount, an estimated \$850 million will buy down the employer contribution rates in 2019-20 and 2020-21. With these payments, the CalSTRS employer contribution rate will decrease from 18.13 percent to 17.1 percent in 2019-20 and from 19.1 percent to 18.4 percent in 2020-21. The payments will decrease the CalPERS Schools Pool employer contribution rate from 20.7 percent to 19.7 percent in 2019-20 and from 23.6 percent to 22.9 percent in 2020-21. The remaining \$2.3 billion will be paid toward the employers’ long-term unfunded liability for both systems.
- *After School Programs.* The 2019-20 Budget includes \$50 million in ongoing Proposition 98 General Fund to provide an increase of approximately 8.3 percent to the per-pupil daily rate for ASES (increasing this rate from \$8.19 to \$8.87 per day).
- *Longitudinal Data System.* The 2019-20 Budget provides \$10 million in one-time non-Proposition 98 General Fund to plan for and develop a longitudinal data system, intended to connect information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies.

- *Retaining And Supporting Well-Prepared Educators.* The 2019-20 Budget provides \$89.8 million in one-time non-Proposition 98 General Fund to provide up to 4,487 grants of \$20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years, and also provides an additional \$43.8 million in one-time non-Proposition 98 General Fund to provide training and resources for classroom educators, including teachers and paraprofessionals. Finally, the Budget includes \$13.8 million in ongoing federal funds to establish the 21st Century California Leadership Academy.
- *Computer Science.* The 2019-20 Budget provides \$7.5 million in one-time non-Proposition 98 General Fund for broadband infrastructure and \$1 million in one-time non-Proposition 98 General Fund, available over four years, to the Department of Education to establish a state Computer Science Coordinator.
- *Charter Schools.* The 2019-20 Budget includes accountability proposals to better align the governance, transparency, and accountability requirements of school districts and charter schools.
- *School Facilities Bond Funds.* The 2019-20 Budget assumes \$1.5 billion Proposition 51 bond funds, an increase of \$906 million over the prior year, to support school construction projects, and includes an additional \$1.2 million in ongoing Proposition 51 bond funds and State School Site Utilization Funds, and 10 positions for the Office of Public School Construction to support the increased processing of applications and program workload.
- *Full-Day Kindergarten.* The 2019-20 Budget includes \$300 million in one-time non-Proposition 98 General Fund to construct new or retrofit existing facilities to support full-day kindergarten programs
- *Other K-12 Budget Adjustments.* In addition to the above, the 2019-20 Budget also provides the following funding increases:
  - Proposition 98 Settle-Up. An increase of \$686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funding owed through 2017-18.
  - Classified School Employees Summer Assistance Program. An increase of \$36 million one-time Proposition 98 General Fund to provide an additional year of funding for this program, which provides a state match for classified employee savings used to provide income during summer months.
  - Wildfire-Related Cost Adjustments. An increase of \$2 million one-time Proposition 98 General Fund to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by 2017 and 2018 wildfires. Additionally, an increase of \$727,000 one-time Proposition 98 General Fund to reflect adjustments to the state's student nutrition programs resulting from wildfire-related losses. Further, the Budget holds both school districts and charter schools impacted by the 2018 wildfires harmless for state funding for two years.
  - Breakfast After the Bell. An increase of \$500,000 one-time Proposition 98 General Fund to increase participation in the Breakfast After the Bell school nutrition program.

*The State has not entered into any contractual commitment with the District, the Counties, the Underwriter or the Owners of the Refunding Bonds to provide State budget information to the District or the Owners of the Refunding Bonds. Although they believe the State sources of information listed above are reliable, none of the District, the Municipal Advisor or the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein.*

**Future Actions.** The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

### **State Dissolution of Redevelopment Agencies**

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("Matosantos"), finding A.B.x1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that A.B.x1 27, a companion bill to A.B.x1 26, violated the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 1A and Proposition 22" herein. A.B.x1 27 would have permitted redevelopment agencies to continue operations provided their establishing city or county agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide.

A.B.x1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("A.B. 1484"), which, together with A.B.x1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to A.B.x1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

The priority among the various types of enforceable obligations is as follows: (1) the first priority for payment is tax allocation bonds issued by the former redevelopment agency; (2) second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; (3) third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; (4) fourth is tax revenues in the Trust Fund in excess of such amounts, if any, and will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other



assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory 2% pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (A.B. 1290, Chapter 942, Statutes of 1993) (“A.B. 1290”), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of A.B. 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

A.B.X1 26 states that in the future, pass-throughs shall be made in the amount “which would have been received had the redevelopment agency existed at that time,” and that the county auditor/controller shall “determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of A.B.X1 26 using current assessed values and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies.”

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. A.B. 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease. The District can make no representations as to the extent to which its revenue limit apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

The District can make no representations as to the extent to which its revenue limit apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

The principal and Accreted Value of and interest on the Refunding Bonds are payable from the proceeds of an *ad valorem* property tax levied by the Counties on all property subject to taxation by the District within the boundaries of the District for the payment thereof as described herein, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 98

and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Refunding Bonds. The tax levied by the Counties for payment of Bonds was approved by the voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

### **Article XIII A of the California Constitution**

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8, approved by the voters in November of 1978, provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the Counties to pay debt service on the Refunding Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” in the front part of this Official Statement.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district, or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978; or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978; or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

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

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

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

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

### **State-Assessed Utility Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions. Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, non-utility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION - State Funding of Education; State Budget Process” herein.

### **Article XIII B of the California Constitution**

Article XIII B of the State Constitution (“Article XIII B”), 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 (“ADA”) of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for Fiscal Year 1986-87 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 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 State 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 shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "Propositions 98 and 111" herein.

#### **Article XIII C and Article XIII D of the California Constitution**

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

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

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

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article 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: (a) 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; (b) 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; (c) 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; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (e) 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; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

### **Propositions 98 and 111**

On November 8, 1988, voters of the State of California 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 changed State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in 1986-87; and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically 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 can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budget in a different way than is proposed in the 2018-19 State Budget.

On June 5, 1990, the voters of the State of California 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. Further, 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 Fiscal Year 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 (i) 40.9% of State general fund revenues (the “first test”) or (ii) 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 (A) the first test; (B) the second test, or (C) 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 (also referred to as a “maintenance factor”) that will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 39**

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

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

### ***Jarvis v. Connell***

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments

reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

### **Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (a) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (b) shift property taxes from local governments to schools or community colleges, (c) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature, or (d) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

### **Proposition 30**

On November 6, 2012, voters of the State of California approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or



other consumption in the State. This excise tax is being levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending in the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (a) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers), (b) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers), and (c) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers).

The California Children’s Education and Health Care Protection Act of 2016 (also known as “Proposition 55”) is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the temporary tax increases are 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 temporary 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 will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

## **Proposition 2**

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

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

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

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

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

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

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

### **Proposition 51**

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

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

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

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and the above-described Propositions were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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## APPENDIX B

### COUNTY OF FRESNO DEMOGRAPHIC INFORMATION

*The following information concerning the City of Reedley (the "City") and the County of Fresno (the "County") is included only for the purpose of supplying general information regarding the area of the District. The Refunding Bonds are not a debt of the City, the County, Tulare County, other listed cities, the State or any of its political subdivisions, and neither the City, the County, other listed cities, the State nor any of its political subdivisions are liable therefor.*

#### **Fresno County General Information**

The County is a political subdivision chartered by the State. It is the sixth-largest county in the State in terms of area, occupying over 6,000 square miles in the heart of the San Joaquin Valley, and has a population of 1,018,241 as of January 1, 2019. There are 15 incorporated cities within the County: Fresno, Clovis, Reedley, Sanger, Kerman, Fowler, Selma, Kingsburg, Parlier, Orange Cove, Huron, San Joaquin, Tranquility, Mendota, and Firebaugh. The largest employment categories include public administration, trade, transportation, utilities, agriculture, education, health and other services, and manufacturing. The County is the trade, financial and commercial center for many surrounding counties in Central California and is a hub of transportation facilities connecting Central California to all parts of the United States. Two major north-south highways, State Highway 99 and Interstate Highway 5, pass through the County. State Highways 180 and 145 run east and west. Railroads, major airlines, bus lines and numerous trucking companies also serve the area.

Within the County, there are roughly three different agricultural areas. East and south of the City, grapes and other fruit and nut crops are grown, harvested and processed for shipment; west of the City is the largest melon-producing area in the State. Also to the west, large crops of cotton, alfalfa, barley, rice, wheat and vegetables are produced. The southwest area of the County contains oil wells and extensive cattle and sheep ranches.

#### **City of Reedley General Information**

The City of Reedley is located in the central San Joaquin Valley of California, between the State's coastal mountain ranges and the Sierra Nevada Mountains. Reedley is situated approximately 25 miles southeast of the City of Fresno and about 25 miles northwest of the City of Visalia. Within an hour travel time, Yosemite, Sequoia and Kings Canyon National Parks can be enjoyed. The Monterey Peninsula and Pacific Ocean are less than three hours away.

The San Joaquin Valley is rich in agricultural production. Reedley's economy is predominantly based upon agricultural production and agricultural industries, although it has diversified in recent years.

The City was incorporated in 1913, with a Council-Manager form of government. The City provides full city services including a municipal airport, water system, sewer plant, and trash collection. The City operates a police department and a volunteer fire department.

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## Population

The following table shows the population of Reedley, Orange Cove and the County for current and last six years. The City of Reedley, with an estimated 2019 population of 26,666, is the fourth largest city in the County.

### POPULATION OF THE CITIES OF REEDLEY, ORANGE COVE, AND THE COUNTY

Calendar Year <sup>(1)</sup>	City of Reedley	City of Orange Cove	Fresno County
2013	25,305	9,314	958,127
2014	25,313	9,435	965,933
2015	25,815	9,476	976,153
2016	25,898	9,515	985,571
2017	26,218	9,752	995,922
2018	26,556	9,924	1,007,252
2019	26,666	9,975	1,018,241

(1) Figures as of January 1 of the year indicated.

Source: California State Department of Finance.

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## Employment and Industry

The unemployment rate in the County was estimated to be 7.7% in April, 2019 (not seasonally adjusted), down from the January 2019 figure of 8.9% in the County, but still up slightly from the 2018 annual average of 7.5%. This compares with an unadjusted unemployment rate of 4.3% for California and 3.6% for the United States in April, 2019.

The table below provides information about employment by industry type for the County with annual averages for the years 2014 through 2018, which is the last year for which such information is available.

**FRESNO METROPOLITAN STATISTICAL AREA  
(FRESNO COUNTY)  
Civilian Labor Force, Employment and Unemployment by Industry (Annual Averages)  
March 2018 Benchmark**

	2014	2015	2016	2017	2018
Civilian Labor Force <sup>(1)</sup>	438,300	440,500	445,000	445,300	448,400
Employment	387,500	395,700	402,700	407,400	414,900
Unemployment	50,700	44,900	42,300	37,900	33,400
Unemployment Rate	11.6%	10.2%	9.5%	8.5%	7.5%
<b>Wage and Salary Employment: <sup>(2)</sup></b>					
Total Farm	48,800	47,300	46,900	46,100	44,000
Mining and Logging	300	300	300	300	300
Construction	13,900	15,000	16,000	17,400	18,700
Manufacturing	24,000	25,400	25,200	25,600	26,000
Wholesale Trade	13,500	13,500	14,000	14,100	14,300
Retail Trade	36,500	37,600	38,800	38,900	39,200
Information	3,900	3,900	3,800	3,600	3,600
Financial and Insurance	8,400	8,500	8,700	9,000	9,200
Professional and Business Services	31,000	31,500	31,900	30,600	31,900
Educational and Health Services	57,000	60,400	64,300	67,700	70,100
Leisure and Hospitality	30,600	31,400	32,800	33,800	34,200
Other Services	11,200	11,500	11,700	11,800	12,000
Federal Government	9,800	9,600	9,800	9,800	10,000
State Government	11,400	11,900	12,100	12,400	12,600
Local Government	45,100	47,200	49,000	50,400	52,000
<b>Total All Industries <sup>(3)</sup></b>	<b>361,500</b>	<b>371,800</b>	<b>382,800</b>	<b>389,200</b>	<b>397,400</b>

<sup>(1)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(3)</sup> Columns may not add to totals due to rounding.

Source: State of California Employment Development Department.

## Largest Employers

The following table shows the principal employers in the County for the fiscal year ended June 30, 2018:

**FRESNO COUNTY**  
**Principal Employers, 2018**  
**(By numbers of employees)**

<u>Employer</u>	<u>Number of Employees</u>
1. Fresno Unified School District	12,921
2. Community Medical Centers	8,400
3. County of Fresno	8,055
4. Clovis Unified School District	7,560
5. California State University Fresno	5,731
6. State Center Community College District	4,991
7. City of Fresno	4,419
8. Children’s Hospital of Central CA	3,975
9. Saint Agnes Medical	2,600
10. Kaiser Permanente Medical	2,300

*Source: County of Fresno Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.*

## Effective Buying Income

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

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The following table summarizes the median household effective buying income for the County of Fresno, the State of California, and the United States for the years 2015 through 2018.

**COUNTY OF FRESNO, THE STATE OF CALIFORNIA  
AND THE UNITED STATES  
Median Household Effective Buying Income  
2015 through 2018**

Area	Median Household Effective Buying Income			
	2015	2016	2017	2018
County of Fresno	\$38,000	\$40,819	\$41,237	\$44,641
State of California	50,072	53,589	55,681	59,646
United States	45,448	46,738	48,043	50,735

*Source: The Nielsen Company.*

**Commercial Activity**

A summary of taxable sales within the County of Fresno in recent years is shown in the following table. Annual figures for 2017 and 2018 are not yet available.

**COUNTY OF FRESNO  
Taxable Retail Sales  
Number of Permits and Valuation of  
Taxable Transactions (shown in thousands of dollars)**

	Retail & Food Services		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2010	12,653	\$6,973,970	19,350	\$10,154,265
2011	12,659	7,602,313	19,238	11,179,478
2012	12,670	8,164,919	19,164	12,020,630
2013	12,047	8,597,480	18,112	12,618,111
2014	12,268	8,998,182	18,304	13,328,511
2015 <sup>(1)</sup>	7,298	9,247,617	20,242	14,080,800
2016	13,128	9,567,618	20,530	14,073,246
2017	13,166	9,943,017	20,655	14,631,309
2018				

<sup>(1)</sup> Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

*Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).*

**Construction Activity**

Building activity for the past five years in the County of Fresno is shown in the following table. Annual figures for 2018 are not yet available.

**COUNTY OF FRESNO  
Total Building Permit Valuations  
(Valuations in Thousands)**

	2013	2014	2015	2016	2017
<b>Permit Valuation</b>					
New Single-family	\$316,274.9	\$388,564.8	\$580,986.1	\$689,016.6	\$512,951.0
New Multi-family	38,251.7	43,654.0	34,183.6	52,363.2	131,175.3
Res. Alterations/Additions	13,673.3	35,354.2	31,800.5	30,648.8	29,478.7
<b>Total Residential</b>	<b>\$368,199.9</b>	<b>\$467,573.0</b>	<b>\$646,970.2</b>	<b>\$772,028.6</b>	<b>\$673,605.0</b>
New Commercial	\$84,573.3	\$74,140.9	\$210,280.3	\$184,408.2	\$201,676.5
New Industrial	16,564.2	21,368.5	8,359.4	14,895.8	14,087.9
New Other	37,704.0	74,012.1	121,042.6	147,642.2	68,383.0
Com. Alterations/Additions	77,977.7	70,566.8	88,609.5	80,745.4	69,202.2
<b>Total Nonresidential</b>	<b>\$192,721.0</b>	<b>\$240,088.3</b>	<b>\$428,291.8</b>	<b>\$427,691.6</b>	<b>\$353,349.6</b>
New Dwelling Units					
Single Family	1,161	1,410	2,153	2,559	1,886
Multiple Family	453	539	343	339	1,135
<b>TOTAL</b>	<b>1,614</b>	<b>1,949</b>	<b>2,496</b>	<b>2,898</b>	<b>3,021</b>

Source: Construction Industry Research Board, Building Permit Summary.

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**APPENDIX C**

**ANNUAL FINANCIAL REPORT OF THE DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**KINGS CANYON UNIFIED SCHOOL DISTRICT**

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ANNUAL FINANCIAL REPORT

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**JUNE 30, 2018**

# KINGS CANYON UNIFIED SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Kings Canyon Unified School District  
Reedley, 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 Kings Canyon Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## *Opinions*

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

## *Emphasis of Matter - Change in Accounting Principles*

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

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 70, schedule of changes in the District's total OPEB liability and related ratios on page 71, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 72, schedule of the District's proportionate share of the net pension liability on page 73, and the schedule of District contributions on page 74, 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 Kings Canyon Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2018, on our consideration of the Kings Canyon Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kings Canyon Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kings Canyon Unified School District's internal control over financial reporting and compliance.

*Varinck, Trine, Day + Co. LLP*

Fresno, California  
December 15, 2018



## **Kings Canyon Unified School District**

**1801 10<sup>th</sup> Street, Reedley CA 93654**  
**(Mailing: 1502 I St, Reedley CA 93654)**  
**(559) 305-7010**  
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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Kings Canyon Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018 with comparative information for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

#### **The Financial Statements**

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

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) and deferred outflows, as well as all liabilities (including long-term obligations) and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

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

The Primary unit of the government is the Kings Canyon Unified School District.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

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

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

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

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

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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

### THE DISTRICT AS A TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

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

### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$33.6 million for the fiscal year ended June 30, 2018. Of this amount, \$12.1 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. The \$33.6 million in net position of governmental activities represents the accumulated results of all past years' operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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Table 1

(Amounts in thousands)

	Governmental Activities		
	2018	2017, as Restated	Change
<b>Assets</b>			
Current and other assets	\$ 66,162	\$ 68,836	\$ (2,674)
Capital assets	178,487	167,739	10,748
<b>Total Assets</b>	<u>244,649</u>	<u>236,575</u>	<u>8,074</u>
<b>Deferred Outflows of Resources</b>	<u>31,803</u>	<u>19,621</u>	<u>12,182</u>
<b>Liabilities</b>			
Current liabilities	15,796	11,332	4,464
Long-term obligations	113,729	114,353	(624)
Net pension liability	108,477	93,495	14,982
<b>Total Liabilities</b>	<u>238,002</u>	<u>219,180</u>	<u>18,822</u>
<b>Deferred Inflows of Resources</b>	<u>4,817</u>	<u>3,614</u>	<u>1,203</u>
<b>Net Position</b>			
Net investment in capital assets	93,598	86,433	7,165
Restricted	12,093	13,817	(1,724)
Unrestricted	(72,058)	(66,848)	(5,210)
<b>Total Net Position</b>	<u>\$ 33,633</u>	<u>\$ 33,402</u>	<u>\$ 231</u>

**Changes in Net Position**

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

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

Table 2

(Amounts in thousands)

	Governmental Activities		
	2018	2017	Change
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 423	\$ 856	\$ (433)
Operating grants and contributions	28,677	25,717	2,960
General revenues:			
Federal and state general funding	93,227	91,255	1,972
Property taxes	14,886	14,536	350
Other general revenues	4,723	5,811	(1,088)
<b>Total Revenues</b>	<u>141,936</u>	<u>138,175</u>	<u>3,761</u>
<b>Expenses</b>			
Instruction related	91,794	83,935	7,859
Pupil services	21,477	20,397	1,080
Administration	6,224	5,447	777
Plant services	14,069	11,925	2,144
Other	8,141	7,782	359
<b>Total Expenses</b>	<u>141,705</u>	<u>129,486</u>	<u>12,219</u>
<b>Change in Net Position</b>	<u>\$ 231</u>	<u>\$ 8,689</u>	<u>\$ (8,458)</u>

**Governmental Activities**

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$141.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$14.9 million because the cost was paid by those who benefited from the programs (\$4.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$28.7 million). We paid for the remaining "public benefit" portion of our governmental activities with \$93.2 million in State funds, and with other revenues, like interest and general entitlements. Kings Canyon remains steady in building our reserves, maintaining efficiencies and maximizing categorical flexibilities. Our core values are safety for students and employees, student achievement, jobs for employees and fiscal responsibility.

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



# KINGS CANYON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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Table 3

(Amounts in thousands)

	Net Cost of Services	
	2018	2017
Instruction	\$ 73,859	\$ 68,214
Pupil services	12,254	11,018
Administration	5,159	4,928
Plant services	13,485	11,451
All other services	7,847	7,301
<b>Total</b>	<b>\$ 112,604</b>	<b>\$ 102,912</b>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$50.4 million, which is a decrease of \$7.1 million from last year. The primary reasons for this overall increase are:

- The General Fund is our principal operating fund. The fund balance in the General Fund decreased from \$26.3 million to \$21.7 million due primarily to transfers out for capital projects in the Special Reserve Capital Outlay Fund.
- The Building Fund decreased from \$10.5 million to \$6.2 million due to capital outlay costs.
- The Special Reserve for Capital Outlay Fund increased from \$3.1 million to \$9.6 million due to a transfer in from the General Fund for \$10.2 million.
- The non-major governmental funds decreased by \$1.3 million, primarily due to capital outlay costs in the Charter Schools Fund.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 26, 2018. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District budgeted a decrease in General Fund balance of approximately \$3.5 million. While revenues and transfers in were approximately \$1.6 million more than budgeted, expenditures and transfers out were approximately \$2.7 million more than budgeted, leaving the fund with a decrease of approximately \$4.6 million.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2018, the District had \$178.5 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of just over \$10.8 million (Table 4).

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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Table 4

(Amounts in thousands)

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land and construction in progress	\$ 17,298	\$ 25,939
Buildings and improvements	155,518	135,901
Equipment	5,671	5,899
<b>Total</b>	<u>\$ 178,487</u>	<u>\$ 167,739</u>

We have completed projects for our spending plan in our first two series of funds from Measure K that passed in November 2012 (Series A & B). Our third issuance (\$16.7 million in funding) is programmed to be completed by October of 2018.

### Long-Term Obligations

At the end of this year, the District had \$113.7 million in debt versus \$114.4 million last year, a decrease of \$0.7 million. Those obligations consisted of:

Table 5

(Amounts in thousands)

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017, as Restated</u>
General obligation bonds (financed with property taxes), including premiums	\$ 90,725	\$ 91,356
Capitalized lease obligations	354	451
Compensated absences	519	470
Other postemployment benefits (OPEB)	22,131	22,076
<b>Total</b>	<u>\$ 113,729</u>	<u>\$ 114,353</u>

The District's S&P bond rating as of the most recent bond issuance was "AA". The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$90.7 million is below this statutorily-imposed limit.

We present more detailed information regarding our long-term obligations in Notes to Financial Statements.

### Net Pension Liability (NPL)

As of June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2018, the District reported Deferred Outflows from pension activities of \$31.5 million, Deferred Inflows from pension activities of \$4.8 million, and a Net Pension Liability of \$108.5 million.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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

- **Student Achievement:** The District supports success for all students by maintaining and enhancing quality educational and co-curricular programs for students. Integral to achieving this goal are programs designed to keep kids motivated and in class.
  - School-Wide Average Daily Attendance in 2017-2018 was 96.3 percent, up from 95.8 percent in 2016-2017.
- **Our Employees:** The District employees are caring professionals who are skilled, empowered and prepared to provide effective services.
- **Safety:** The District strives to provide a safe and orderly learning environment.
  - Eight schools received the PBIS Model School Award (Positive Behavior Intervention & Support).
  - Child Safety Check Systems installed on all 74 buses.
  - Security cameras were also installed in new bus replacements.
- **Fiscal Responsibility:** The District works to protect and preserve the fiscal health of the District and has a Board policy for a ten percent reserve. We strive to achieve long term stability so that our energy can be focused on providing quality education for our students.
  - Comparative Analysis of District Income and Expenditures (CADIE) report, created by School Services of California (SSC), ranked the District #1 in the State for Fiscal Stability in fiscal year 2015-2016 and 2016-2017. The District is up from 15th in the valley in fiscal year 2011-2012.
  - In 2017-2018, total reserves were \$18,115,061.
- **Technology:**
  - The District spent \$1.4 million in technology.
  - Puente a Tecnologia: Bridges the technology literacy and academic achievement gap between our ELs and non-EL populations. Provides an opportunity for students with access to technology and internet in the home. Simultaneously provides parents with the opportunity to learn English and receive training on digital literacy to support the academic success of their child(ren) at home.
  - 1:1 Technology
- **Facilities:** The District continues to improve current facilities, build new ones and plan for future growth to ensure optimum learning environments.



# KINGS CANYON UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

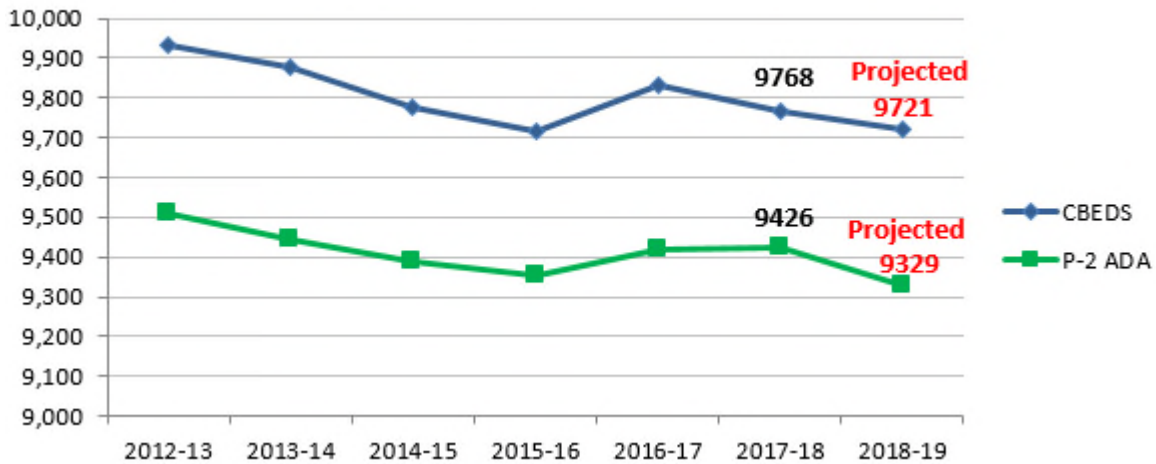
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### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In considering the District Budget for the 2018-2019 school year, the Governing Board and District Administration used the following criteria:

- LCAP (Local Control Accountability Plan) was adopted in June of 2018. Meaningful engagement of parents, pupils, and other stakeholders, including those representing the subgroups identified in *Education Code* Section 52052, is critical to the LCAP and budget process.
- Conservative budgeting
- Maintain a minimum of ten percent reserve
- Routine Restricted Maintenance and Deferred Maintenance are each funded at three percent
- Enrollment and ADA:

### K-12 & Charter CBEDS vs ADA



### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Rosa Cardona, Director of Fiscal Services at (559) 305-7028 or John Campbell, Superintendent at (559) 305-7004.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 59,357,012
Receivables	6,651,796
Stores inventories	153,583
Nondepreciable capital assets	17,298,290
Capital assets being depreciated	242,551,511
Accumulated depreciation	(81,362,859)
<b>Total Assets</b>	<b>244,649,333</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	349,810
Deferred outflows of resources related to pensions	31,453,204
<b>Total Deferred Outflows of Resources</b>	<b>31,803,014</b>
<b>LIABILITIES</b>	
Accounts payable	15,142,983
Unearned revenue	653,599
Long-term obligations:	
Current portion of long-term obligations other than pensions	2,357,663
Noncurrent portion of long-term obligations other than pensions	111,371,482
<b>Total Long-Term Obligations</b>	<b>113,729,145</b>
Aggregate net pension liability	108,476,691
<b>Total Liabilities</b>	<b>238,002,418</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	4,817,162
<b>NET POSITION</b>	
Net investment in capital assets	93,597,960
Restricted for:	
Debt service	4,022,284
Capital projects	1,340,604
Educational programs	3,629,971
Other activities	3,099,850
Unrestricted	(72,057,902)
<b>Total Net Position</b>	<b>\$ 33,632,767</b>

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

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Instruction	\$ 75,017,471	\$ 23,452	\$ 14,747,196
Instruction-related activities:			
Supervision of instruction	3,303,977	15,339	1,243,979
Instructional library, media, and technology	1,727,179	763	162,996
School site administration	11,744,841	-	1,740,801
Pupil services:			
Home-to-school transportation	5,283,682	-	-
Food services	6,980,124	346,381	5,791,921
All other pupil services	9,213,356	11	3,084,813
Administration:			
Data processing	1,285,454	-	-
All other administration	4,938,390	20,127	1,045,149
Plant services	14,069,010	16,533	567,150
Ancillary services	2,290,358	789	165,650
Community services	283,023	-	6,667
Interest on long-term obligations	4,183,760	-	-
Other outgo	1,383,958	-	120,730
<b>Total Governmental Activities</b>	<u>\$ 141,704,583</u>	<u>\$ 423,395</u>	<u>\$ 28,677,052</u>
General revenues and subventions:			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
Taxes levied for other specific purposes			
Federal and State aid not restricted to specific purposes			
Interest and investment earnings			
Miscellaneous			
<b>Subtotal, General Revenues</b>			
<b>Change in Net Position</b>			
Net Position - Beginning as Restated			
Net Position - Ending			

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

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**Net (Expenses)  
Revenues and  
Changes in  
Net Position**  

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**Governmental  
Activities**

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\$ (60,246,823)

(2,044,659)

(1,563,420)

(10,004,040)

(5,283,682)

(841,822)

(6,128,532)

(1,285,454)

(3,873,114)

(13,485,327)

(2,123,919)

(276,356)

(4,183,760)

(1,263,228)

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(112,604,136)

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10,421,702

4,325,034

138,899

93,226,973

944,283

3,778,309

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112,835,200

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231,064

33,401,703

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\$ 33,632,767

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**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Capital Outlay Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 36,817,534	\$ 9,552,015	\$ 3,376,218
Receivables	4,958,228	44,316	155,537
Due from other funds	964,010	10,000	10,007,538
Stores inventories	35,256	-	-
<b>Total Assets</b>	<b>\$ 42,775,028</b>	<b>\$ 9,606,331</b>	<b>\$ 13,539,293</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 10,370,940	\$ 3,415,723	\$ 854,214
Due to other funds	10,065,703	-	-
Unearned revenue	645,271	-	-
<b>Total Liabilities</b>	<b>21,081,914</b>	<b>3,415,723</b>	<b>854,214</b>
<b>Fund Balances:</b>			
Nonspendable	185,256	-	-
Restricted	2,985,276	6,190,608	-
Committed	-	-	-
Assigned	407,521	-	12,685,079
Unassigned	18,115,061	-	-
<b>Total Fund Balances</b>	<b>21,693,114</b>	<b>6,190,608</b>	<b>12,685,079</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 42,775,028</b>	<b>\$ 9,606,331</b>	<b>\$ 13,539,293</b>

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



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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 9,611,245	\$ 59,357,012
1,493,715	6,651,796
1,575,093	12,556,641
118,327	153,583
<u>\$ 12,798,380</u>	<u>\$ 78,719,032</u>
\$ 502,106	\$ 15,142,983
2,490,938	12,556,641
8,328	653,599
<u>3,001,372</u>	<u>28,353,223</u>
118,977	304,233
8,988,456	18,164,340
689,575	689,575
-	13,092,600
-	18,115,061
<u>9,797,008</u>	<u>50,365,809</u>
<u>\$ 12,798,380</u>	<u>\$ 78,719,032</u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

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

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<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 50,365,809</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 259,849,801
Accumulated depreciation is	<u>(81,362,859)</u>
Net Capital Assets	178,486,942
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:	
Pension contributions subsequent to measurement date	9,491,694
Net change in proportionate share of net pension liability	605,805
Difference between projected and actual earnings on pension plan investments	1,078,293
Differences between expected and actual experience in the measurement of the total pension liability.	1,402,603
Changes of assumptions	<u>18,874,809</u>
Total Deferred Outflows of Resources Related to Pensions	31,453,204
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:	
Net change in proportionate share of net pension liability	(1,042,951)
Difference between projected and actual earnings on pension plan investments	(2,058,873)
Differences between expected and actual experience in the measurement of the total pension liability.	(1,348,341)
Changes of assumptions	<u>(366,997)</u>
Total Deferred Inflows of Resources Related to Pensions	(4,817,162)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(108,476,691)
Deferred amounts on refunding (the difference between the reacquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.	349,810

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

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

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

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Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

General obligation bonds, including premiums	\$ 90,725,806	
Capital leases	353,784	
Compensated absences	518,999	
Other postemployment benefits (OPEB) liability	<u>22,130,556</u>	
Total Long-Term Obligations		<u>\$ (113,729,145)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ 33,632,767</u></u></b>

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

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Special Reserve Capital Outlay Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 97,118,112	\$ -	\$ -
Federal sources	7,596,739	-	-
Other State sources	12,109,501	-	232,722
Other local sources	5,810,143	172,711	267,647
<b>Total Revenues</b>	<b>122,634,495</b>	<b>172,711</b>	<b>500,369</b>
<b>EXPENDITURES</b>			
Current			
Instruction	64,009,453	-	-
Instruction-related activities:			
Supervision of instruction	3,144,462	-	-
Instructional library, media and technology	1,653,214	-	-
School site administration	10,274,936	-	-
Pupil services:			
Home-to-school transportation	5,030,689	-	-
Food services	26,439	-	-
All other pupil services	8,750,804	-	-
Administration:			
Data processing	1,159,273	-	-
All other administration	4,199,457	-	-
Plant services	11,945,349	4,100	-
Ancillary services	2,164,856	-	-
Community services	270,307	-	-
Other outgo	1,383,958	-	-
Facility acquisition and construction	2,923,911	4,479,003	9,123,623
Debt service			
Principal	97,663	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>117,034,771</b>	<b>4,483,103</b>	<b>9,123,623</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>5,599,724</b>	<b>(4,310,392)</b>	<b>(8,623,254)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	11,677,697
Transfers out	(10,210,697)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(10,210,697)</b>	<b>-</b>	<b>11,677,697</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,610,973)</b>	<b>(4,310,392)</b>	<b>3,054,443</b>
<b>Fund Balance - Beginning</b>	<b>26,304,087</b>	<b>10,501,000</b>	<b>9,630,636</b>
<b>Fund Balance - Ending</b>	<b>\$ 21,693,114</b>	<b>\$ 6,190,608</b>	<b>\$ 12,685,079</b>

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

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<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,512,653	\$ 99,630,765
6,415,346	14,012,085
2,936,813	15,279,036
5,520,435	11,770,936
<u>17,385,247</u>	<u>140,692,822</u>
3,008,470	67,017,923
69,363	3,213,825
11,402	1,664,616
841,296	11,116,232
-	5,030,689
6,582,867	6,609,306
28,284	8,779,088
-	1,159,273
450,922	4,650,379
408,540	12,357,989
81,237	2,246,093
-	270,307
-	1,383,958
1,277,873	17,804,410
2,005,000	2,102,663
2,423,800	2,423,800
<u>17,189,054</u>	<u>147,830,551</u>
<u>196,193</u>	<u>(7,137,729)</u>
-	11,677,697
<u>(1,467,000)</u>	<u>(11,677,697)</u>
<u>(1,467,000)</u>	<u>-</u>
<u>(1,270,807)</u>	<u>(7,137,729)</u>
<u>11,067,815</u>	<u>57,503,538</u>
<u>\$ 9,797,008</u>	<u>\$ 50,365,809</u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

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

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (7,137,729)**  
**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	\$ 18,819,763	
Depreciation expense	(8,072,281)	
	10,747,482	10,747,482

In the Statement of Activities compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, related expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year vacation earned was more than the amounts used by \$48,743. (48,743)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (3,976,443)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year. (54,613)

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds		2,005,000
Capital leases		97,663

Governmental funds report the effect of premiums, discounts, and deferred amounts on refunding when the debt is first issued, however, the amounts are deferred and amortized on the Statement of Activities.

Amortization of debt premiums		358,407
Amortization of deferred amount on refunding		(26,908)

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

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, Continued FOR THE YEAR ENDED JUNE 30, 2018**

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Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds.

**Change in Net Position of Governmental Activities**

\$ (1,733,052)  
**\$ 231,064**

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

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

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	<u>Scholarship Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Deposits and investments	\$ 90,046	\$ 423,753
<b>LIABILITIES</b>		
Due to student groups	-	\$ 423,753
<b>NET POSITION</b>		
Reserved for scholarships	<u>\$ 90,046</u>	

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



**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>Scholarship Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 5,700
Transfers in	23
<b>Total Additions</b>	<u>5,723</u>
 <b>DEDUCTIONS</b>	
Scholarships awarded	<u>8,750</u>
 <b>Change in Net Position</b>	(3,027)
<b>Net Position - Beginning</b>	<u>93,073</u>
<b>Net Position - Ending</b>	<u>\$ 90,046</u>

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

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Kings Canyon Unified School District was organized on July 1, 1972, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates twelve elementary schools, three middle schools, two high schools, one continuation school, two charter schools, one independent study school, and an adult education school.

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

#### Component Units

Component units are legally separate organizations for which the District is financially accountable. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District.

The District has approved charters for Dunlap Leadership Academy Charter School and Reedley Middle College High Charter School pursuant to *Education Code* Section 47605. The Dunlap Leadership Academy Charter School and Reedley Middle College High Charter School are operated by the District, and their financial activities are presented in the Charter Schools Fund.

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, Fund 15, Pupil Transportation Equipment Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits, were not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been consolidated with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$407,521.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

**Special Reserve Capital Outlay Fund** The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

**Charter Schools Fund** The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

**Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

**Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

**Tax Override Fund** The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

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

Trust funds are used to account for the assets held by the District under a trust agreement for individuals and private organizations and are therefore, not available to support the District's own programs. The District's trust funds are scholarship funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting; which differs from the manner in which governmental fund financial statements are prepared.

The government-wide *Statement of Activities* presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. 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*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

**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. The major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Investments**

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when used.

### Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at the donor's acquisition cost.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

### Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### **Accounts Payable and Long-Term Obligations**

Accounts payable and long-term obligations are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

### **Premiums**

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Debt premiums related to those obligations are deferred and amortized over the life of the bonds using the straight-line method.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the deferred charge on debt refunding and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

### **Pensions**

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

### **Postemployment Benefits Other Than Pensions (OPEB)**

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



# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business official may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than ten percent of General Fund expenditures and other financing uses.

### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$12,092,709 of restricted net position.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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

### Estimates

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

### Property Tax

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

### Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 59,357,012
Fiduciary funds	513,799
Total Deposits and Investments	<u>\$ 59,870,811</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 524,189
Cash in revolving	150,650
Investments	59,195,972
Total Deposits and Investments	<u>\$ 59,870,811</u>

#### Policies and Practices

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

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	\$ 58,410,462	\$ -	\$ -	\$ 58,410,462	\$ -

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### **Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, \$570,993 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### **NOTE 3 - FAIR VALUE MEASUREMENTS**

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

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

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

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

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



**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2018, consists of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	\$ 3,181,876	\$ -	\$ -	\$ 1,037,873	\$ 4,219,749
State Government					
State grants and entitlements	1,289,690	-	138,683	223,262	1,651,635
Local Sources	486,662	44,316	16,854	232,580	780,412
Total	<u>\$ 4,958,228</u>	<u>\$ 44,316</u>	<u>\$ 155,537</u>	<u>\$ 1,493,715</u>	<u>\$ 6,651,796</u>

**NOTE 5 - CAPITAL ASSETS**

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 6,869,952	\$ -	\$ -	\$ 6,869,952
Construction in process	19,069,096	9,063,142	17,703,900	10,428,338
Total Capital Assets Not Being Depreciated	<u>25,939,048</u>	<u>9,063,142</u>	<u>17,703,900</u>	<u>17,298,290</u>
Capital Assets Being Depreciated				
Land improvements	27,638,708	897,082	-	28,535,790
Buildings and improvements	164,457,716	24,950,054	-	189,407,770
Furniture and equipment	22,994,566	1,613,385	-	24,607,951
Total Capital Assets Being Depreciated	<u>215,090,990</u>	<u>27,460,521</u>	<u>-</u>	<u>242,551,511</u>
Less Accumulated Depreciation				
Land improvements	6,098,842	1,143,164	-	7,242,006
Buildings and improvements	50,096,170	5,087,823	-	55,183,993
Furniture and equipment	17,095,566	1,841,294	-	18,936,860
Total Accumulated Depreciation	<u>73,290,578</u>	<u>8,072,281</u>	<u>-</u>	<u>81,362,859</u>
Governmental Activities Capital Assets, Net	<u>\$ 167,739,460</u>	<u>\$ 28,451,382</u>	<u>\$ 17,703,900</u>	<u>\$ 178,486,942</u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,924,091
School site administration	80,723
Home-to-school transportation	1,130,119
Food services	242,168
Data processing	161,446
All other general administration	80,723
Plant services	1,453,011
Total Depreciation Expenses Governmental Activities	<u><u>\$ 8,072,281</u></u>

**NOTE 6 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds		
General	\$ 964,010	\$ 10,065,703
Building	10,000	-
Special Reserve Capital Outlay	10,007,538	-
Total Major Governmental Funds	<u>10,981,548</u>	<u>10,065,703</u>
Non-Major Governmental Funds		
Charter Schools	798,793	1,551,700
Adult Education	162,288	231,217
Child Development	148,211	253,361
Cafeteria	465,801	454,660
Total Non-Major Governmental Funds	<u>1,575,093</u>	<u>2,490,938</u>
Total All Governmental Funds	<u><u>\$ 12,556,641</u></u>	<u><u>\$ 12,556,641</u></u>

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

The General Fund owes the Charter Schools Non-Major Governmental Fund for in-lieu property taxes.	\$ 237,610
The General Fund owes the Adult Education Non-Major Governmental Fund for payroll expenses.	1,685
The General Fund owes the Adult Education Non-Major Governmental Fund for various expenses.	1,329
The General Fund owes the Child Development Non-Major Governmental Fund for various expenses.	541
The General Fund owes the Cafeteria Non-Major Governmental Fund for Fresh Fruit Program revenue.	32,902
The General Fund owes the Cafeteria Non-Major Governmental Fund for June Summer program charges.	26,439
The General Fund owes the Cafeteria Non-Major Governmental Fund for various expenses.	1,780
The General Fund owes the Special Reserve Capital Outlay Fund for capital projects costs.	8,540,538
The General Fund owes the Charter Schools Non-Major Governmental Fund for balances carried over from prior years.	561,183
The General Fund owes the Adult Education Non-Major Governmental Fund for balances carried over from prior years.	159,274
The General Fund owes the Child Development Non-Major Governmental Fund for balances carried over from prior years.	147,670
The General Fund owes the Cafeteria Non-Major Governmental Fund for balances carried over from prior years.	344,752
The General Fund owes the Building Fund for balances carried over from prior years.	10,000
The Charter Schools Non-Major Governmental Fund owes the General Fund for transportation and various other expenses.	13,435
The Charter Schools Non-Major Governmental Fund owes the General Fund for indirect costs.	241
The Charter Schools Non-Major Governmental Fund owes the General Fund for workers' compensation charges.	17,887
The Charter Schools Non-Major Governmental Fund owes the General Fund for warehouse orders.	1,937
The Charter Schools Non-Major Governmental Fund owes the Special Reserve Capital Outlay Fund for capital projects costs.	1,467,000
The Charter Schools Non-Major Governmental Fund owes the General Fund for balances carried over from prior years.	51,200
The Adult Education Non-Major Governmental Fund owes the General Fund for transportation and various other expenses.	399
The Adult Education Non-Major Governmental Fund owes the General Fund for indirect costs.	39,125
The Adult Education Non-Major Governmental Fund owes the General Fund for workers' compensation charges.	9,893
The Adult Education Non-Major Governmental Fund owes the General Fund for warehouse orders.	1,148
The Adult Education Non-Major Governmental Fund owes the General Fund for balances carried over from prior years.	180,652
The Child Development Non-Major Governmental Fund owes the General Fund for transportation and various other expenses.	20,411
The Child Development Non-Major Governmental Fund owes the General Fund for indirect charges.	69,904
The Child Development Non-Major Governmental Fund owes the General Fund for workers' compensation charges.	13,767
The Child Development Non-Major Governmental Fund owes the General Fund for warehouse orders.	4,122
The Child Development Non-Major Governmental Fund owes the Cafeteria Non-Major Governmental Fund for adult meals.	32,878
The Child Development Non-Major Governmental Fund owes the General Fund for balances carried over from prior years.	85,229
The Child Development Non-Major Governmental Fund owes the Cafeteria Fund for balances carried over from prior years.	27,050
The Cafeteria Non-Major Governmental Fund owes the General Fund for various expenses.	312
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect charges.	341,528
The Cafeteria Non-Major Governmental Fund owes the General Fund for workers' compensation charges.	37,292
The Cafeteria Non-Major Governmental Fund owes the General Fund for warehouse orders.	957
The Cafeteria Non-Major Governmental Fund owes the General Fund for balances carried over from prior years.	74,571
Total	<u>\$ 12,556,641</u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**Operating Transfers**

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2018, consists of the following:

The General Fund transferred to the Special Reserve Capital Outlay Fund for capital projects.	\$ 10,210,697
The Charter Schools Non-Major Governmental Fund transferred to the Special Reserve Capital Outlay Fund for capital projects	<u>1,467,000</u>
Total	<u><u>\$ 11,677,697</u></u>

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2018, consists of the following:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 5,348,885	\$ 3,415,723	\$ 854,214	\$ 370,055	\$ 9,988,877
State apportionment	504,080	-	-	-	504,080
Salaries and benefits	1,990,885	-	-	132,051	2,122,936
Deferred payroll	2,527,090	-	-	-	2,527,090
Total	<u><u>\$ 10,370,940</u></u>	<u><u>\$ 3,415,723</u></u>	<u><u>\$ 854,214</u></u>	<u><u>\$ 502,106</u></u>	<u><u>\$ 15,142,983</u></u>

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 151,028	\$ -	\$ 151,028
State categorical aid	494,243	8,328	502,571
Total	<u><u>\$ 645,271</u></u>	<u><u>\$ 8,328</u></u>	<u><u>\$ 653,599</u></u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2017, as Restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds:					
2002, Series 2002	\$ 14,720,999	\$ 818,103	\$ -	\$ 15,539,102	\$ 1,620,000
2006, Series 2006A	485,000	-	485,000	-	-
2006, Series 2007B	5,757,367	168,050	135,000	5,790,417	255,000
2010 Refunding	1,385,000	-	1,385,000	-	-
2006, Series 2012C	11,779,180	746,899	-	12,526,079	-
2012, Series 2013A	13,695,000	-	-	13,695,000	-
2012, Series 2014B	7,690,000	-	-	7,690,000	-
2012, Series 2016C	16,700,000	-	-	16,700,000	-
2016 Refunding	14,670,000	-	-	14,670,000	385,000
Unamortized bond premiums	4,473,615	-	358,407	4,115,208	-
Capital leases	451,447	-	97,663	353,784	97,663
Compensated absences - net	470,256	48,743	-	518,999	-
Other postemployment benefits (OPEB)	22,075,943	1,585,847	1,531,234	22,130,556	-
Total	<u>\$ 114,353,807</u>	<u>\$ 3,367,642</u>	<u>\$ 3,992,304</u>	<u>\$ 113,729,145</u>	<u>\$ 2,357,663</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. The General Fund makes payments for the capital leases. The compensated absences and other postemployment benefits will be paid by the fund for which the employee worked.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2017	Accreted Interest/ Issued	Redeemed	Bonds Outstanding June 30, 2018
7/31/02	8/1/27	3.0-5.68	\$ 17,996,488	\$ 14,720,999	\$ 818,103	\$ -	\$ 15,539,102
12/19/06	8/1/17	3.47-4.1	19,000,000	485,000	-	485,000	-
11/29/07	8/1/32	3.35-5.0	4,524,967	5,757,367	168,050	135,000	5,790,417
11/10/10	8/1/17	2.0-5.0	6,865,000	1,385,000	-	1,385,000	-
3/15/12	8/1/50	5.59-6.4	8,474,303	11,779,180	746,899	-	12,526,079
6/6/13	8/1/46	2.0-4.54	15,000,000	13,695,000	-	-	13,695,000
9/18/14	8/1/44	2.0-3.63	8,300,000	7,690,000	-	-	7,690,000
1/21/16	8/1/43	2.0-5.0	16,700,000	16,700,000	-	-	16,700,000
1/21/16	8/1/31	2.0-5.0	14,740,000	14,670,000	-	-	14,670,000
Total				<u>\$ 86,882,546</u>	<u>\$ 1,733,052</u>	<u>\$ 2,005,000</u>	<u>\$ 86,610,598</u>

**Debt Service Requirements to Maturity**

The bonds mature as follows:

2002 - Capital Appreciation

Year of Maturity	Full Maturity Amount	Accreted Obligation	Unaccreted Obligation
2019	\$ 1,620,000	\$ 1,620,000	\$ -
2020	1,695,000	1,609,572	85,428
2021	1,775,000	1,597,500	177,500
2022	1,860,000	1,582,860	277,140
2023	1,945,000	1,563,002	381,998
2024-2028	11,200,000	7,566,168	3,633,832
Total	<u>\$ 20,095,000</u>	<u>\$ 15,539,102</u>	<u>\$ 4,555,898</u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

2006, Series 2007B - Current Interest

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ -	\$ 91,219	\$ 91,219
2020	-	91,219	91,219
2021	-	91,219	91,219
2022	-	91,219	91,219
2023	-	91,219	91,219
2024-2028	-	456,095	456,095
2029-2033	2,085,000	456,095	2,541,095
Total	<u>\$ 2,085,000</u>	<u>\$ 1,368,285</u>	<u>\$ 3,453,285</u>

2006, Series 2007B - Capital Appreciation

<u>Year of Maturity</u>	<u>Full Maturity Amount</u>	<u>Accreted Obligation</u>	<u>Unaccreted Obligation</u>
2019	\$ 255,000	\$ 255,000	\$ -
2020	255,000	244,239	10,761
2021	270,000	247,482	22,518
2022	275,000	240,625	34,375
2023	290,000	242,266	47,734
2024-2028	1,610,000	1,159,056	450,944
2029-2033	2,410,000	1,316,749	1,093,251
Total	<u>\$ 5,365,000</u>	<u>\$ 3,705,417</u>	<u>\$ 1,659,583</u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

2006, Series 2012 C - Capital Appreciation

<u>Year of Maturity</u>	<u>Full Maturity Amount</u>	<u>Accreted Obligation</u>	<u>Unaccreted Obligation</u>
2034-2038	\$ 11,280,000	\$ 3,890,487	\$ 7,389,513
2039-2043	13,495,000	3,534,421	9,960,579
2044-2046	9,335,000	1,887,129	7,447,871
2047-2051 <sup>1</sup>	25,700,000	3,214,042	22,485,958
Total	<u>\$ 59,810,000</u>	<u>\$ 12,526,079</u>	<u>\$ 47,283,921</u>

<sup>1</sup> The bonds are subject to mandatory sinking fund payments as follows:

<u>Fiscal Year</u>	<u>Required Sinking Fund Payment</u>
2046	\$ 3,342,438
2047	3,462,349
2048	3,588,470
2049	3,720,394
2050	3,859,043
2051	4,000,000
Total	<u>\$ 21,972,694</u>

2012, Series 2013A

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ -	\$ 638,531	\$ 638,531
2020	-	638,531	638,531
2021	-	638,531	638,531
2022	-	638,531	638,531
2023	-	638,531	638,531
2024-2028	330,000	3,176,655	3,506,655
2029-2033	1,110,000	3,059,293	4,169,293
2034-2038	2,235,000	2,716,780	4,951,780
2039-2043	3,885,000	1,993,831	5,878,831
2044-2047	6,135,000	848,531	6,983,531
Total	<u>\$ 13,695,000</u>	<u>\$ 14,987,745</u>	<u>\$ 28,682,745</u>



**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

2012, Series 2014B

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ -	\$ 320,656	\$ 320,656
2020	-	320,656	320,656
2021	-	320,656	320,656
2022	-	320,656	320,656
2023	-	320,656	320,656
2024-2028	385,000	1,586,280	1,971,280
2029-2033	1,080,000	1,459,881	2,539,881
2034-2038	1,805,000	1,209,387	3,014,387
2039-2043	2,895,000	687,600	3,582,600
2044-2045	1,525,000	92,600	1,617,600
Total	\$ 7,690,000	\$ 6,639,028	\$ 14,329,028

2012, Series 2016C

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ -	\$ 604,581	\$ 604,581
2020	30,000	604,581	634,581
2021	80,000	603,981	683,981
2022	135,000	600,781	735,781
2023	240,000	595,381	835,381
2024-2028	1,710,000	2,756,905	4,466,905
2029-2033	2,800,000	2,235,405	5,035,405
2034-2038	4,185,000	1,622,181	5,807,181
2039-2043	6,045,000	855,395	6,900,395
2044	1,475,000	47,940	1,522,940
Total	\$ 16,700,000	\$ 10,527,131	\$ 27,227,131

2016 Refunding

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 385,000	\$ 724,900	\$ 1,109,900
2020	460,000	709,500	1,169,500
2021	535,000	686,500	1,221,500
2022	630,000	659,750	1,289,750
2023	720,000	628,250	1,348,250
2024-2028	5,265,000	2,495,750	7,760,750
2029-2032	6,675,000	851,000	7,526,000
Total	\$ 14,670,000	\$ 6,755,650	\$ 21,425,650

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### Capital Leases

The District has entered into an agreement to finance the energy retrofit project at various District sites. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on this lease agreement is summarized below:

	Total
Balance, July 1, 2017	\$ 451,447
Payments	97,663
Balance, June 30, 2018	<u>\$ 353,784</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Payments
2019	\$ 97,663
2020	97,663
2021	73,979
2022	64,903
2023	19,576
Total	<u>\$ 353,784</u>

### Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2018, amounted to \$518,999.

### Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	OPEB Expense
District Plan	\$ 21,493,868	\$ 115,544
Medicare Premium Payment (MPP) Program	636,688	(60,931)
Total	<u>\$ 22,130,556</u>	<u>\$ 54,613</u>

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The details of each plan are as follows:

### District Plan

#### **Plan Administration**

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 postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

#### *Plan Membership*

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	180
Active employees	925
Total	<u>1,105</u>

#### *Benefits Provided*

The Plan provides 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.

#### *Contributions*

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Kings Canyon Education Association (KCEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, KCEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District paid \$1,470,303 in benefits.

#### **Total OPEB Liability of the District**

The District's total OPEB liability of \$21,493,868 was measured as of June 30, 2018.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *Actuarial Assumptions*

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	4.0 percent
Salary increases	4.0 percent, average, including inflation
Discount rate	3.62 percent
Healthcare cost trend rates	5.0 percent for 2017 and thereafter

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

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

The actual assumptions used in the July 1, 2016 valuation were based on the results of an actual experience study for the period July 1, 2014 to June 30, 2016.

### **Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 21,378,324
Service cost	838,328
Interest	747,519
Benefit payments	(1,470,303)
Net change in total OPEB liability	<u>115,544</u>
Balance at June 30, 2018	<u><u>\$ 21,493,868</u></u>

### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

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

Discount Rate	Total OPEB Liability
1% decrease (2.62%)	\$ 23,357,464
Current discount rate (3.62%)	21,493,868
1% increase (4.62%)	19,831,257

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### *Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (4.0%)	\$ 19,108,422
Current healthcare cost trend rate (5.0%)	21,493,868
1% increase (6.0%)	24,310,437

### **OPEB Expense related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$115,544.

### **Medicare Premium Payment (MPP) Program**

#### **Plan Description**

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

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

#### **Benefits Provided**

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB**

At June 30, 2018, the District reported a liability of \$636,688 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1513 percent, and 0.1491 percent, resulting in a net increase in the proportionate share of 0.0022 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(60,931).

### **Actuarial Methods and Assumptions**

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### **Discount Rate**

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

### *Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.58%)	\$ 704,858
Current discount rate (3.58%)	636,688
1% increase (4.58%)	570,378

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates*

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 575,345
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	636,688
1% increase (4.7% Part A and 5.1% Part B)	697,419



**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 150,000	\$ -	\$ -	\$ 650	\$ 150,650
Stores inventories	35,256	-	-	118,327	153,583
<b>Total Nonspendable</b>	<b>185,256</b>	<b>-</b>	<b>-</b>	<b>118,977</b>	<b>304,233</b>
<b>Restricted</b>					
Educational programs	2,985,276	-	-	644,695	3,629,971
Food service	-	-	-	2,980,873	2,980,873
Capital projects	-	6,190,608	-	1,340,604	7,531,212
Debt services	-	-	-	4,022,284	4,022,284
<b>Total Restricted</b>	<b>2,985,276</b>	<b>6,190,608</b>	<b>-</b>	<b>8,988,456</b>	<b>18,164,340</b>
<b>Committed</b>					
Adult education	-	-	-	689,575	689,575
<b>Assigned</b>					
Capital Projects	-	-	12,685,079	-	12,685,079
Other postemployment benefits	407,521	-	-	-	407,521
<b>Total Assigned</b>	<b>407,521</b>	<b>-</b>	<b>12,685,079</b>	<b>-</b>	<b>13,092,600</b>
<b>Unassigned</b>					
Reserve for economic uncertainties	12,466,470	-	-	-	12,466,470
Remaining unassigned	5,648,591	-	-	-	5,648,591
<b>Total Unassigned</b>	<b>18,115,061</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,115,061</b>
<b>Total</b>	<b>\$21,693,114</b>	<b>\$ 6,190,608</b>	<b>\$12,685,079</b>	<b>\$ 9,797,008</b>	<b>\$50,365,809</b>

**NOTE 11 - RISK MANAGEMENT**

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with the School Insurance Authority (SIA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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**Workers' Compensation**

For fiscal year 2018, the District participated in the School Insurance Authority (SIA), an insurance purchasing pool. The intent of SIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SIA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SIA. Participation in the SIA is limited to districts that can meet SIA selection criteria.

**Employee Medical Benefits**

The District has contracted with the Self Insured Schools of California III (SISC III) to provide employee health benefits for management and confidential employees and California Valued Trust (CVT) for certificated and classified employees. SISC III and CVT are shared risk pools. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

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

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 77,305,980	\$ 21,693,924	\$ 4,215,273	\$ 7,702,839
CalPERS	31,170,711	9,759,280	601,889	5,765,298
Total	\$ 108,476,691	\$ 31,453,204	\$ 4,817,162	\$ 13,468,137

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The details of each plan are as follows:

### **California State Teachers' Retirement System (CalSTRS)**

#### **Plan Description**

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

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

#### **Benefits Provided**

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

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

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

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$6,729,462.

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

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

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 77,305,980
State's proportionate share of the net pension liability associated with the District	45,733,565
Total	<u><u>\$ 123,039,545</u></u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0836 percent and 0.0838 percent, resulting in a net decrease in the proportionate share of 0.0002 percent.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

For the year ended June 30, 2018, the District recognized pension expense of \$7,702,839. In addition, the District recognized pension expense and revenue of \$4,603,522 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 6,729,462	\$ -
Net change in proportionate share of net pension liability	356,741	808,059
Difference between projected and actual earnings on pension plan investments	-	2,058,873
Differences between expected and actual experience in the measurement of the total pension liability	285,885	1,348,341
Changes of assumptions	14,321,836	-
Total	<u>\$ 21,693,924</u>	<u>\$ 4,215,273</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2019	\$ (1,711,617)
2020	1,295,190
2021	186,759
2022	(1,829,205)
Total	<u>\$ (2,058,873)</u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 2,014,980
2020	2,014,980
2021	2,014,980
2022	2,014,977
2023	2,337,610
Thereafter	2,410,535
Total	<u>\$ 12,808,062</u>

**Actuarial Methods and Assumptions**

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 113,509,722
Current discount rate (7.10%)	77,305,980
1% increase (8.10%)	47,924,191

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### California Public Employees Retirement System (CalPERS)

#### Plan Description

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

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

#### Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%



# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$2,762,232.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$31,170,711. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.1306 percent and 0.1302 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$5,765,298. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,762,232	\$ -
Net change in proportionate share of net pension liability	249,064	234,892
Difference between projected and actual earnings on pension plan investments	1,078,293	-
Differences between expected and actual experience in the measurement of the total pension liability	1,116,718	-
Changes of assumptions	4,552,973	366,997
Total	<u>\$ 9,759,280</u>	<u>\$ 601,889</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ (29,218)
2020	1,244,117
2021	453,868
2022	(590,474)
Total	<u>\$ 1,078,293</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 1,950,248
2020	1,776,307
2021	1,590,311
Total	<u>\$ 5,316,866</u>

**Actuarial Methods and Assumptions**

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 45,862,105
Current discount rate (7.15%)	31,170,711
1% increase (8.15%)	18,982,970

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately.

### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,719,104 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## NOTE 13 - COMMITMENTS AND CONTINGENCIES

### Grants

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

### Litigation

The District is not currently a party to any legal proceedings.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Construction Commitments**

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Dunlap Elementary modernization and Dunlap Leadership Academy parking lot improvement.	\$ 341,270	November 2018
Jefferson Elementary modernization and Riverview School parking lot improvement.	204,890	October 2018
Orange Cove High School sports field improvement and Reedley High School ag science modernization.	1,101,451	December 2018
New Reedley Middle College High School campus.	4,058,725	December 2018
Total Projected Cost Remaining	<u>\$ 5,706,336</u>	

**NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS  
AUTHORITIES**

The District is a member of the Self Insured Schools of California III (SISC III), the California Valued Trust (CVT), and the School Insurance Authority (SIA) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District does not have any board members appointed to the governing board of SISC III and CVT.

During the year ended June 30, 2018, the District made payments of \$15,758,828 to SISC III and CVT for employee medical benefits.

The District has appointed two board members to the governing board of SIA.

During the year ended June 30, 2018, the District made payments of \$1,115,989 to SIA for workers' compensation insurance

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The District has appointed two board members to the governing board of SIA.

During the year ended June 30, 2018, the District made payments of \$425,350 to SIA for property and liability insurance coverage.

### NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District's beginning Net Position was restated for an understatement of general obligation debt recorded in the prior year. As a result, the effect on the current fiscal year is as follows:

#### Government-Wide Financial Statements

Net Position - Beginning	\$ 49,589,061
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(16,187,358)</u>
Net Position - Beginning as Restated	<u><u>\$ 33,401,703</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>		<b>Favorable</b>
				<b>(Unfavorable)</b>
				<b>Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 97,323,301	\$ 97,001,271	\$ 97,118,112	\$ 116,841
Federal sources	7,340,196	10,100,704	7,596,739	(2,503,965)
Other State sources	5,843,399	8,190,546	12,109,501	3,918,955
Other local sources	5,100,131	5,773,627	5,810,143	36,516
<b>Total Revenues</b> <sup>1</sup>	<u>115,607,027</u>	<u>121,066,148</u>	<u>122,634,495</u>	<u>1,568,347</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	46,629,100	47,488,158	46,599,415	888,743
Classified salaries	16,687,003	16,578,488	16,269,295	309,193
Employee benefits	23,564,298	23,661,957	26,427,056	(2,765,099)
Books and supplies	8,773,407	10,874,077	8,356,172	2,517,905
Services and operating expenditures	15,607,201	17,355,802	14,351,233	3,004,569
Other outgo	864,020	900,284	933,036	(32,752)
Capital outlay	1,166,842	1,578,520	4,000,901	(2,422,381)
Debt service - principal	97,663	97,663	97,663	-
<b>Total Expenditures</b> <sup>1</sup>	<u>113,389,534</u>	<u>118,534,949</u>	<u>117,034,771</u>	<u>1,500,178</u>
<b>Excess of Revenues Over Expenditures</b>	<u>2,217,493</u>	<u>2,531,199</u>	<u>5,599,724</u>	<u>3,068,525</u>
<b>Other Financing Uses</b>				
Transfers out	(3,500,000)	(6,027,788)	(10,210,697)	(4,182,909)
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,282,507)</u>	<u>(3,496,589)</u>	<u>(4,610,973)</u>	<u>(1,114,384)</u>
<b>Fund Balance - Beginning</b>	<u>26,304,087</u>	<u>26,304,087</u>	<u>26,304,087</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 25,021,580</u>	<u>\$ 22,807,498</u>	<u>\$ 21,693,114</u>	<u>\$ (1,114,384)</u>

<sup>1</sup> On behalf payments are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. Also, due to the consolidation of Fund 14, Deferred Maintenance Fund, Fund 15, Pupil Transportation Equipment Fund, and Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.



**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 838,328
Interest	747,519
Benefit payments	<u>(1,470,303)</u>
<b>Net change in total OPEB liability</b>	115,544
<b>Total OPEB liability - beginning</b>	<u>21,378,324</u>
<b>Total OPEB liability - ending</b>	<u><u>\$ 21,493,868</u></u>
<b>Covered payroll</b>	<u>N/A<sup>1</sup></u>
<b>District's total OPEB liability as a percentage of covered payroll</b>	<u>N/A<sup>1</sup></u>

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<sup>1</sup> The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

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Year ended June 30,	2018
District's proportion of the net OPEB liability	0.1513%
District's proportionate share of the net OPEB liability	\$ 636,688
District's covered-employee payroll	N/A <sup>1</sup>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

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<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
District's proportion of the net pension liability	<u>0.0836%</u>	<u>0.0838%</u>
District's proportionate share of the net pension liability	\$ 77,305,980	\$ 67,788,614
State's proportionate share of the net pension liability associated with the District	<u>45,733,565</u>	<u>38,590,849</u>
Total	<u>\$ 123,039,545</u>	<u>\$ 106,379,463</u>
District's covered - employee payroll	<u>\$ 44,519,141</u>	<u>\$ 42,242,554</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>173.65%</u>	<u>160.47%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
<b>CalPERS</b>		
District's proportion of the net pension liability	<u>0.1306%</u>	<u>0.1302%</u>
District's proportionate share of the net pension liability	<u>\$ 31,170,711</u>	<u>\$ 25,706,149</u>
District's covered - employee payroll	<u>\$ 16,656,185</u>	<u>\$ 15,601,249</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>187.14%</u>	<u>164.77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

*Note:* In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
<u>0.0831%</u>	<u>0.0847%</u>
\$ 55,971,347	\$ 49,514,741
<u>29,602,672</u>	<u>29,899,139</u>
<u>\$ 85,574,019</u>	<u>\$ 79,413,880</u>
<u>\$ 39,923,063</u>	<u>\$ 37,939,042</u>
<u>140.20%</u>	<u>130.51%</u>
<u>74%</u>	<u>77%</u>
<u>0.1333%</u>	<u>0.1277%</u>
<u>\$ 19,649,573</u>	<u>\$ 14,493,258</u>
<u>\$ 14,718,571</u>	<u>\$ 13,425,170</u>
<u>133.50%</u>	<u>107.96%</u>
<u>79%</u>	<u>83%</u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>CalSTRS</b>		
Contractually required contribution	\$ 6,729,462	\$ 5,600,508
Contributions in relation to the contractually required contribution	<u>6,729,462</u>	<u>5,600,508</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 46,635,218</u>	<u>\$ 44,519,141</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.580%</u>
<b>CalPERS</b>		
Contractually required contribution	\$ 2,762,232	\$ 2,313,211
Contributions in relation to the contractually required contribution	<u>2,762,232</u>	<u>2,313,211</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 17,785,281</u>	<u>\$ 16,656,185</u>
Contributions as a percentage of covered - employee payroll	<u>15.531%</u>	<u>13.888%</u>

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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<u>2016</u>	<u>2015</u>
\$ 4,532,627	\$ 3,545,168
<u>4,532,627</u>	<u>3,545,168</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 42,242,554</u>	<u>\$ 39,923,063</u>
<u>10.730%</u>	<u>8.88%</u>
\$ 1,848,280	\$ 1,732,523
<u>1,848,280</u>	<u>1,732,523</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 15,601,249</u>	<u>\$ 14,718,571</u>
<u>11.847%</u>	<u>11.771%</u>

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Budgetary Comparison Schedule**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

#### **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

#### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

*Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.

*Changes of Assumptions* - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

#### **Schedule of the District's 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 Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

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



# **KINGS CANYON UNIFIED SCHOOL DISTRICT**

## **NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018**

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### **Schedule of District Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

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***SUPPLEMENTARY INFORMATION***

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**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed Through California State Water Resources Control Board:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2014P107 <sup>1</sup>	\$ 16,046
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through California Department of Education (CDE):			
Title I - Part A, Basic Low-Income and Neglected	84.010	14329	4,972,520
Title I - Part C, Migrant Regular Program	84.011	14326	168,029
Title I - Part C, Migrant Summer Program	84.011	10005	34,081
Title II - Part A, Supporting Effective Instruction	84.367	14341	88,936
Title III - English Language Acquisition - LEP	84.365	14346	154,436
Adult Education Secondary	84.002	13978	25,694
Adult Education Basic and ESL	84.002A	14508	10,053
Indian Education	84.060	10011	1,585
Special Education Cluster			
Special Education, Preschool Local Entitlement	84.027A	13682	150,322
Special Education, Basic Local Assistance	84.027	13379	1,173,603
Special Education, Basic Local Assistance, Private School	84.027	10115	3,465
Special Education, Preschool Grants	84.173	13430	43,818
Subtotal - Special Education Cluster			<u>1,371,208</u>
Vocational Education - Technology Secondary	84.048	14894	<u>110,147</u>
Total U.S. Department of Education			<u>6,936,689</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through CDE:			
Child Nutrition Cluster			
Especially Needy Breakfast	10.553	13526	3,865,924
National School Lunch	10.555	13391	1,425,700
Meals Supplements - Snack	10.555	13391	284,862
Food Distribution	10.555	13391	434,918
Summer Food Program	10.559	13004	250,466
Subtotal - Child Nutrition Cluster			<u>6,261,870</u>
Child and Adult Food Care Program	10.558	13393	21,090
Child Nutrition - Fresh Fruit and Vegetable	10.582	14968	96,639
Forest Reserve	10.665	10044	193,772
Total U.S. Department of Agriculture			<u>6,573,371</u>

<sup>1</sup> Used contract number for program identification, no Catalog of Federal Domestic Assistance or Pass-Through Entity Identifying numbers available.

See accompanying note to supplementary information.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Naval Junior Reserve Officers Training Corps	<sup>1</sup>	JROTC112S <sup>1</sup>	\$ 50,247
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through California Department of Health Care Services:			
Medi-Cal Administrative Activities	93.778	10060	294,397
Medi-Cal Option Billing	93.778	10013	141,335
Total U.S. Department of Health and Human Services			435,732
Total Expenditures of Federal Awards			<u>\$ 14,012,085</u>

<sup>1</sup> Used contract number for program identification, no Catalog of Federal Domestic Assistance or Pass-Through Entity Identifying numbers available.

See accompanying note to supplementary information.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

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### ORGANIZATION

The Kings Canyon Unified School District was organized on July 1, 1966, and consists of an area comprising approximately 600 square miles. The District operates twelve elementary schools, three middle schools, two high schools, one continuation school, two charter schools, one independent study school, and an adult education school. There were no boundary changes during the year.

### GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Noel Remick	President	2018
Sarah Rola	Clerk	2018
Robin Tyler	Member	2018
Manuel Ferreira	Member	2020
Clotilda Mora	Member	2020
Craig Cooper	Member	2018
Connie Brooks	Member	2018

### ADMINISTRATION

NAME	TITLE
John Campbell	Superintendent
Roberto Gutierrez	Assistant Superintendent/Personnel
John Quinto	Assistant Superintendent/CBO-Business Services
Monica Benner	Assistant Superintendent-Curriculum & Instruction
Mary Ann Carousso	Administrator Student Services
Sheila Wiebe	Administrator for Educational Programs

See accompanying note to supplementary information.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Second Period Report</u>	<u>Annual Report</u>
<b>KINGS CANYON UNIFIED SCHOOL DISTRICT</b>		
Regular ADA		
Transitional kindergarten through third	2,946.73	2,957.66
Fourth through sixth	2,228.05	2,232.14
Seventh and eighth	1,493.68	1,497.17
Ninth through twelfth	2,527.74	2,494.40
Total Regular ADA	<u>9,196.20</u>	<u>9,181.37</u>
<b>DUNLAP LEADERSHIP ACADEMY</b>		
All non-classroom based attendance		
Regular ADA		
Ninth through twelfth	53.27	50.81
Total Regular ADA	<u>53.27</u>	<u>50.81</u>
<b>REEDLEY MIDDLE COLLEGE HIGH SCHOOL</b>		
All classroom based attendance		
Regular ADA		
Ninth through twelfth	176.06	176.08
Total Regular ADA	<u>176.06</u>	<u>176.08</u>

See accompanying note to supplementary information.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2018**

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**KINGS CANYON UNIFIED SCHOOL DISTRICT**

Grade Level	1986-1987	2017-2018	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	53,690	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		59,580	180	N/A	Complied
Grade 2		59,580	180	N/A	Complied
Grade 3		59,885	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		58,140	180	N/A	Complied
Grade 5		58,140	180	N/A	Complied
Grade 6		60,840	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		60,840	180	N/A	Complied
Grade 8		60,840	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,244	180	N/A	Complied
Grade 10		66,244	180	N/A	Complied
Grade 11		66,244	180	N/A	Complied
Grade 12		66,244	180	N/A	Complied

**REEDLEY MIDDLE COLLEGE HIGH SCHOOL CHARTER**

Grade Level	1986-1987	2017-2018	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800				
Grade 9		64,804	180	N/A	Complied
Grade 10		64,804	180	N/A	Complied
Grade 11		64,804	180	N/A	Complied
Grade 12		64,804	180	N/A	Complied

See accompanying note to supplementary information.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>Cafeteria Fund</u>
FUND BALANCE	
Balance, June 30, 2018, Unaudited Actuals	\$ 3,018,319
Increase in:	
Stores inventories	81,531
Balance, June 30, 2018, Audited Financial Statement	<u>\$ 3,099,850</u>

See accompanying note to supplementary information.



# KINGS CANYON UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 <sup>1,4</sup>	2018 <sup>4</sup>	2017 <sup>4</sup>	2016 <sup>4,5</sup>
<b>GENERAL FUND</b>				
Revenues and other sources	\$ 124,427,530	\$ 122,548,349	\$ 116,128,664	\$ 119,324,400
Expenditures and other uses	<u>123,835,293</u>	<u>124,664,693</u>	<u>112,901,448</u>	<u>115,372,797</u>
INCREASE/(DECREASE) IN FUND BALANCE	<u>\$ 592,237</u>	<u>\$ (2,116,344)</u>	<u>\$ 3,227,216</u>	<u>\$ 3,951,603</u>
ENDING FUND BALANCE	<u>\$ 21,877,830</u>	<u>\$ 21,285,593</u>	<u>\$ 23,401,937</u>	<u>\$ 20,174,721</u>
AVAILABLE RESERVES <sup>2</sup>	<u>\$ 17,779,468</u>	<u>\$ 18,115,061</u>	<u>\$ 19,861,717</u>	<u>\$ 11,537,280</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>14.4%</u>	<u>14.5%</u>	<u>17.6%</u>	<u>10.0%</u>
LONG-TERM OBLIGATIONS <sup>6</sup>	<u>Not Available</u>	<u>\$ 113,729,145</u>	<u>\$ 114,353,807</u>	<u>\$ 99,542,115</u>
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	<u>9,072</u>	<u>9,196</u>	<u>9,215</u>	<u>9,176</u>

The General Fund balance has increased by \$1,110,872 over the past two years. The fiscal year 2018-2019 budget projects a further increase of \$592,237 (2.78 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by \$14,187,030 over the past two years, primarily due to the implementation of GASB Statement No. 75.

Average daily attendance has increased by 20 over the past two years. A decline of 124 ADA is anticipated during fiscal year 2018-2019.

<sup>1</sup> Budget 2019 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

<sup>3</sup> Excludes charter schools ADA.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, the Pupil Transportation Equipment Fund, or the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

<sup>5</sup> Includes restatement to prior year long-term obligations.

<sup>6</sup> The balance of long-term obligations for the year ended June 30, 2017, has been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2018**

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<u>Name of Charter School</u>	<u>Included in Audit Report</u>
Dunlap Leadership Academy (Charter Number 1074)	Yes
Reedley Middle College High (Charter Number 1513)	Yes

See accompanying note to supplementary information.

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**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018**

	<b>Charter Schools Fund</b>	<b>Adult Education Fund</b>	<b>Child Development Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 1,265,658	\$ 754,500	\$ 164,167
Receivables	158,883	97,242	51,434
Due from other funds	798,793	162,288	148,211
Stores inventories	-	-	-
<b>Total Assets</b>	<u>\$ 2,223,334</u>	<u>\$ 1,014,030</u>	<u>\$ 363,812</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 116,069	\$ 93,238	\$ 12,993
Due to other funds	1,551,700	231,217	253,361
Unearned revenue	8,328	-	-
<b>Total Liabilities</b>	<u>1,676,097</u>	<u>324,455</u>	<u>266,354</u>
<b>Fund Balances:</b>			
Nonspendable	-	-	-
Restricted	547,237	-	97,458
Committed	-	689,575	-
<b>Total Fund Balances</b>	<u>547,237</u>	<u>689,575</u>	<u>97,458</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,223,334</u>	<u>\$ 1,014,030</u>	<u>\$ 363,812</u>

See accompanying note to supplementary information.

<b>Cafeteria Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Tax Override Fund</b>
\$ 2,086,449	\$ 1,335,001	\$ -	\$ 3,988,311	\$ 17,159
1,163,739	5,561	42	16,814	-
465,801	-	-	-	-
118,327	-	-	-	-
<u>\$ 3,834,316</u>	<u>\$ 1,340,562</u>	<u>\$ 42</u>	<u>\$ 4,005,125</u>	<u>\$ 17,159</u>
\$ 279,806	\$ -	\$ -	\$ -	\$ -
454,660	-	-	-	-
-	-	-	-	-
<u>734,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
118,977	-	-	-	-
2,980,873	1,340,562	42	4,005,125	17,159
-	-	-	-	-
<u>3,099,850</u>	<u>1,340,562</u>	<u>42</u>	<u>4,005,125</u>	<u>17,159</u>
<u>\$ 3,834,316</u>	<u>\$ 1,340,562</u>	<u>\$ 42</u>	<u>\$ 4,005,125</u>	<u>\$ 17,159</u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET, Continued  
JUNE 30, 2018**

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	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>	
Deposits and investments	\$ 9,611,245
Receivables	1,493,715
Due from other funds	1,575,093
Stores inventories	118,327
<b>Total Assets</b>	<b>\$ 12,798,380</b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 502,106
Due to other funds	2,490,938
Unearned revenue	8,328
<b>Total Liabilities</b>	<b>3,001,372</b>
<b>Fund Balances:</b>	
Nonspendable	118,977
Restricted	8,988,456
Committed	689,575
<b>Total Fund Balances</b>	<b>9,797,008</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,798,380</b>

See accompanying note to supplementary information.

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**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Charter Schools Fund</b>	<b>Adult Education Fund</b>
<b>REVENUES</b>		
Local Control Funding Formula	\$ 2,512,653	\$ -
Federal sources	-	35,747
Other State sources	170,252	1,078,394
Other local sources	247,657	29,761
<b>Total Revenues</b>	<b>2,930,562</b>	<b>1,143,902</b>
<b>EXPENDITURES</b>		
Current		
Instruction	1,354,475	490,754
Instruction-related activities:		
Supervision of instruction	60,204	-
Instructional library, media, and technology	-	11,402
School site administration	383,810	388,766
Pupil services:		
Food services	-	-
All other pupil services	20,532	7,752
Administration:		
All other administration	365	39,125
Plant services	2,280	126,468
Ancillary services	81,237	-
Facility acquisition and construction	1,253,575	-
Debt service		
Principal	-	-
Interest and other	-	-
<b>Total Expenditures</b>	<b>3,156,478</b>	<b>1,064,267</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(225,916)</b>	<b>79,635</b>
<b>Other Financing Uses</b>		
Transfers out	(1,467,000)	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,692,916)</b>	<b>79,635</b>
<b>Fund Balance - Beginning</b>	<b>2,240,153</b>	<b>609,940</b>
<b>Fund Balance - Ending</b>	<b>\$ 547,237</b>	<b>\$ 689,575</b>

See accompanying note to supplementary information.



<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Bond Interest and Redemption Fund</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	6,379,599	-	-	-
1,203,888	438,904	-	-	45,375
25,181	412,794	483,539	-	4,321,503
<u>1,229,069</u>	<u>7,231,297</u>	<u>483,539</u>	<u>-</u>	<u>4,366,878</u>
1,163,241	-	-	-	-
9,159	-	-	-	-
-	-	-	-	-
68,720	-	-	-	-
-	6,582,867	-	-	-
-	-	-	-	-
69,904	341,528	-	-	-
4,985	274,807	-	-	-
-	-	-	-	-
23,101	-	1,197	-	-
-	-	-	-	2,005,000
-	-	-	-	2,423,800
<u>1,339,110</u>	<u>7,199,202</u>	<u>1,197</u>	<u>-</u>	<u>4,428,800</u>
<u>(110,041)</u>	<u>32,095</u>	<u>482,342</u>	<u>-</u>	<u>(61,922)</u>
-	-	-	-	-
<u>(110,041)</u>	<u>32,095</u>	<u>482,342</u>	<u>-</u>	<u>(61,922)</u>
207,499	3,067,755	858,220	42	4,067,047
<u>\$ 97,458</u>	<u>\$ 3,099,850</u>	<u>\$ 1,340,562</u>	<u>\$ 42</u>	<u>\$ 4,005,125</u>

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE, Continued  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Tax Override Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>		
Local Control Funding Formula	\$ -	\$ 2,512,653
Federal sources	-	6,415,346
Other State sources	-	2,936,813
Other local sources	-	5,520,435
<b>Total Revenues</b>	<b>-</b>	<b>17,385,247</b>
<b>EXPENDITURES</b>		
Current		
Instruction	-	3,008,470
Instruction-related activities:		
Supervision of instruction	-	69,363
Instructional library, media, and technology	-	11,402
School site administration	-	841,296
Pupil services:		
Food services	-	6,582,867
All other pupil services	-	28,284
Administration:		
All other administration	-	450,922
Plant services	-	408,540
Ancillary services	-	81,237
Facility acquisition and construction	-	1,277,873
Debt service		
Principal	-	2,005,000
Interest and other	-	2,423,800
<b>Total Expenditures</b>	<b>-</b>	<b>17,189,054</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>196,193</b>
<b>Other Financing Uses</b>		
Transfers out	-	(1,467,000)
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(1,270,807)</b>
<b>Fund Balance - Beginning</b>	<b>17,159</b>	<b>11,067,815</b>
<b>Fund Balance - Ending</b>	<b>\$ 17,159</b>	<b>\$ 9,797,008</b>

See accompanying note to supplementary information.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

#### **Local Education Agency Organization Structure**

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

#### **Schedule of Average Daily Attendance (ADA)**

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

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District nor Charters neither met nor exceeded their target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

#### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

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

#### **Schedule of Financial Trends and Analysis**

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

# **KINGS CANYON UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018**

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### **Schedule of Charter Schools**

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

### **Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
Kings Canyon Unified School District  
Reedley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kings Canyon 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 Kings Canyon Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2018.

***Emphasis of Matter - Change in Accounting Principles***

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

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Kings Canyon Unified School District in a separate letter dated December 15, 2018.

### **Kings Canyon Unified School District's Response to the Finding**

Kings Canyon Unified School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Kings Canyon Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

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

*Vavrinek, Trine, Day + Co. LLP*

Fresno, California  
December 15, 2018



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

Governing Board  
Kings Canyon Unified School District  
Reedley, California

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

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



### ***Opinion on Each Major Federal Program***

In our opinion, Kings Canyon Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

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

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

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

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

*Varinck, Trine, Day & Co. LLP*

Fresno, California  
December 15, 2018



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Kings Canyon Unified School District  
Reedley, California

### **Report on State Compliance**

We have audited Kings Canyon Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Kings Canyon Unified School District's State government programs as noted below for the year ended June 30, 2018.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the Kings Canyon Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Kings Canyon Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Kings Canyon Unified School District's compliance with those requirements.

### ***Basis for Qualified Opinion on Classroom Teacher Salaries***

As described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002, Kings Canyon Unified School District did not comply with requirements regarding Classroom Teacher Salaries. Compliance with such requirements is necessary, in our opinion, for Kings Canyon Unified School District to comply with the requirements applicable to that program.

***Qualified Opinion on Classroom Teacher Salaries***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Kings Canyon Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

***Unmodified Opinion on Each of the Other Programs***

In our opinion, Kings Canyon Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	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)
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No (see below)
After School	No (see below)
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)

	<u>Procedures Performed</u>
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Non Classroom-Based Instruction	Yes
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No (see below)

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

The District does not offer an apprenticeship program; therefore, we did not perform procedures related to Apprenticeship: Related and Supplemental Instruction.

We did not perform procedures for the After/Before School Education and Safety Program because the grantee, Fresno County Superintendent of Schools, administers the program and has its own audit.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based.

Additionally, we did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

*Vavrinuk, Trine, Day + Co. LLP*

Fresno, California  
December 15, 2018

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>

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

**STATE AWARDS**

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
Unmodified for all programs except for the following program which was qualified:	

<u>Name of Program</u>
<u>Classroom Teacher Salaries</u>

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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The following finding represents a significant deficiency related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>Finding Type</u>
30000	Internal Control

**2018-001    30000**

### *District Management and Internal Control Over Financial Reporting*

#### **Criteria**

Personnel in charge of school district financial management must have sufficient knowledge of the business and perform required tasks with the diligence necessary to prevent material misstatements in its financial reporting.

#### **Condition**

During our audit, we found the following that would indicate deficiencies in internal control over financial reporting:

- A significant amount of expenditure transactions were coded to object code 5300 which is strictly for "Dues and Memberships". The District had posted expenditures of nearly \$1.5 million to this account code. In examining the expenditure detail, we found that the District was recording a variety of expenditures to this account code that should have been recorded elsewhere according to the guidance provided in the State Schools Accounting Manual (CSAM) prepared by the California Department of Education.
- The District has numerous interfund balances (due to and due from other funds) that were carried over from the prior year. Interfund balances are the result of short-term loans or amounts due between funds and should be closed out annually.
- The District's capital assets database was not maintained or updated during the year. The District waited until after the end of the fiscal year to update the database and was still in the process of this update during our final audit visit which was months after the District's fiscal year end.
- The District did not update its stores inventory balance in the general ledger to account for actual quantities on hand at June 30, 2018. The variance was material and required an audit adjustment to be posted.
- The District did not record the fair market value of food commodities received during the year which is necessary to correctly report Federal revenues and expenditures. We recorded the fair market value of commodities to correctly reflect the amounts within the Audited Financial Statements.

#### **Effect**

Audit adjustments were required due to material misstatements within the unaudited financial statements prepared by the District.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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### **Cause**

The District's previous Assistant Superintendent of Business Services did not appear to instill sufficient controls over processes in the business department nor ensured that business office personnel had sufficient training and oversight. The replacement for this position appears to have a high level of concern over these issues and the determination to address them.

### **Recommendation**

As of the date of these financial statements, the District has hired a new Chief Financial Officer to replace the outgoing Assistant Superintendent of Business Services. This person has extensive experience in school district finance. Our recommendation is for this person to address these issues with diligence and report regularly to the Board on the progress made. Additionally, business office support staff should be provided the opportunity to attend school accounting and finance workshops that are readily available through the County Office of Education, CASBO and/or FCMAT.

### **Corrective Action Plan**

- We have corrected a significant amount of purchase orders that were coded to 5300. Each accounts payable run we also audit payments to make sure we are using appropriate object codes and not 5300 as has been done in the past. Staff has been trained to not use 5300 in areas that are incorrect.
- The due to and from accounts have been reconciled to date. Monthly they will be audited for any adjustments that need to be made. Staff has been trained on the use of these accounts. They are only to be used for transfers that will be paid back. For permanent transfers we are to use interfund transfer accounts.
- We are currently searching for Capital Asset software. We hope to implement this software in February, catch up in the new software and year-end will be more manageable with software to help us.
- We have discussed this issue with the Director of Food Service regarding the inventory balance and the importance on balancing to the 9320 accounts. We are meeting in January to review this issue again.
- The fair market value of food commodities will be booked in the future.



**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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The following finding represents an instance of noncompliance and questioned costs relating to State program laws and regulations. The finding has been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
61000	Classroom Teacher Salaries

**2018-002      61000**

### *Classroom Teacher Salaries*

#### **Criteria**

*Education Code* Section 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 55 percent (for unified school districts) of total expenditures of the District.

#### **Condition**

The District spent 51.38 percent of their current expense of education (\$103,194,041) on classroom teacher salaries and benefits.

#### **Questioned Costs**

The deficiency was calculated to be \$3,735,624.

#### **Cause**

Based on the adopted Local Control Accountability Plan, the District has spent more of it's funding on instructional materials and technology to enhance students learning and success.

#### **Effect**

The deficiency amount was determined to be \$3,735,624; therefore, the District is out of compliance with *Education Code* Section 41372.

#### **Recommendation**

We recommend the District continue to work on this requirement and apply for a waiver of the requirement from the Fresno County Superintendent of Schools.

#### **Corrective Action Plan**

We will submit a waiver request with the Fresno County Superintendent of Schools and monitor the status of that request.

# KINGS CANYON UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### *State Awards Findings and Questioned Costs*

**2017-001      40000**

#### *Educator Effectiveness*

##### **Criteria**

*Senate Bill 103, Section 8 (Chapter 324, Statutes of 2015) and Assembly Bill 104, Section 58 (Chapter 13, Statutes of 2015)* requires that the District develop and adopt a plan delineating how the Educator Effectiveness funds will be spent and whether the plan was explained in a public meeting of the governing board of the school district, county board of education, or governing body of the charter school, before its adoption in a subsequent public meeting.

##### **Condition**

The District adopted the Educator Effectiveness plan in a governmental board meeting, however the District did not explain the plan before its adoption in a prior public meeting.

##### **Questioned Costs**

There is no questioned cost.

##### **Effect**

The District is out of compliance with *Senate Bill 103, Section 8 (Chapter 324, Statutes of 2015) and Assembly Bill 104, Section 58 (Chapter 13, Statutes of 2015)*.

##### **Recommendation**

We recommend that the District explain the Educator Effectiveness Plan at a board meeting in the current year and then approve the plan at a subsequent board meeting as required by Assembly Bill 104, Section 58(b)(2)(A).

##### **Current Status**

Implemented.

**KINGS CANYON UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**2017-002      61000**

*Classroom Teacher Salaries*

**Criteria**

*Education Code* Section 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 55 percent (for unified districts) of total expenditures of the District.

**Condition**

The District spent 51.57 percent of their current expense of education (\$95,531,722) on classroom teacher salaries and benefits which was below their 60 percent requirement.

**Questioned Costs**

The deficiency was calculated to be \$3,276,738 (3.43 percent).

**Effect**

The deficiency amount was determined to be \$3,276,738; therefore, the District is out of compliance with *Education Code* Section 41372.

**Cause**

Based on the adopted Local Control Accountability Plan, the District has spent more of it's funding on instructional materials and technology to enhance students learning and success.

**Recommendation**

We recommend the District continue to work on this requirement and monitor the status of the waiver request they submitted to the Fresno County Office of Education upon discovery of the noncompliance.

**Current Status**

Not implemented. See current year findings and recommendations.



Governing Board  
Kings Canyon Unified School District  
Reedley, California

In planning and performing our audit of the financial statements of Kings Canyon Unified School District, for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2018, on the government-wide financial statements of the District.

***KINGS CANYON CONTINUATION HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Timely Deposits***

**Observation**

As noted from the previous year, we found that deposits are not made timely to the bank. This condition can result in large cash balances being maintained on site where there is a greater chance of theft or the funds being lost or misplaced. This is a repeat finding.

**Recommendation**

Deposits to the bank should be made weekly to minimize the amount of cash held at the site. During weeks of high activity, there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

***Cash Receipts***

**Observation**

During our audit of the cash receipts system, we discovered that supporting documentation accompanying the snack bar deposits do not agree with the cash count sheets. Although beginning and ending inventory are tracked during sales, no reconciliation is performed between the number of items sold to the amount of money received.

**Recommendation**

The forms the snack bar use to track the beginning and ending inventory need to be modified to include the number of items sold multiplied by the respective sales price. A reconciliation should then be performed to verify the amount of money collected agrees to the number of products sold. This will give the advisor and bookkeeper the knowledge that all money collected for sales was accounted for and turned in to the ASB.

***CITRUS MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Master Ticket Log***

**Observation**

The master ticket log is not being utilized to account for all tickets on hand and used during the year. The site completes a ticket recap sheet for each individual event, but does not keep a running tally of the ticket roll.

**Recommendation**

A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log and the form should be reconciled to the log. The log should be used in conjunction with a ticket sales recap form.

***Timely Deposits***

**Observation**

During our audit of cash receipts, we found that some deposits are not made timely to the bank. We noted multiple instances where money was collected by the site and deposited to the bank up to one month later. This can result in large cash balances being maintained where there is a greater chance of theft or the funds being lost or misplaced.

**Recommendation**

All money collected by teachers and advisors should be brought to the front office to be stored in the safe on a daily basis. Deposits should be made weekly to minimize the amount of cash held at the site. During weeks of high activity there may be a need to make more than one deposit.

***NAVELENCIA MIDDLE SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Timely Deposits***

**Observation**

As noted from the previous year, deposits are not always made timely to the bank. This condition can result in large cash balances being maintained on site where there is a greater chance of theft or the funds being lost or misplaced. This is a repeat finding.

**Recommendation**

All money collected by teachers and advisors should be brought to the bookkeeper to be stored in the safe. Deposits to the bank should be made weekly to minimize the amount of cash held at the site. During weeks of high activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

***Cash Disbursements***

**Observation**

As noted from the previous year, disbursement requests were dated after the date on the invoice, indicating that the expenditure was not pre-approved. This is a repeat finding.

**Recommendation**

In order to provide proper controls over spending, the site should take the necessary steps to ensure expenditures are approved prior to the item being purchased.

***REEDLEY MIDDLE COLLEGE - ASSOCIATED STUDENT BODY (ASB)***

***Spirit Wear Inventory***

**Observation**

We discovered spirit wear items for sale did not have inventory available for review. When inventory is not tracked and reconciled to sales made, it is impossible to determine if all money was received for products sold. This is a repeat finding.

**Recommendation**

To improve internal controls, a sales analysis should be completed by whoever has responsibility for collecting sales and stocking the spirit wear. This form should be forwarded to the bookkeeper along with all funds collected from sales. The form should track the merchandise purchases, item counts each time the merchandise is restocked, and the revenue that should have been collected based on the number of items sold for the period and the price of the items. The funds collected should be verified and receipted immediately. According to the policies and procedures outlined in the *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference* published by the Fiscal Crisis & Management Assistance Team (FCMAT), which is available at [www.fcmat.org](http://www.fcmat.org), a physical inventory should be taken quarterly. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze sales activity, profits, and to determine if merchandise has been lost or stolen.

***Cash Receipts***

**Observation**

During the audit of the cash receipts system, we discovered that the bookkeeper and teachers/advisors were not consistently using receipts, sub-receipts, or a class roster (there is no supporting documentation) to document when funds are being turned in, how much, and by which students. Without this supporting documentation we cannot determine the deposit's intactness or if the teachers are forwarding the funds to the ASB bookkeeper in a timely manner. Since there are no sub-receipts attached to the funds turned in, the bookkeeper cannot reconcile the funds back to any documentation to determine the accuracy of the cash count sheet to the actual amount turned in. This is a repeat finding.

**Recommendation**

Prenumbered receipts should be issued for all collections by the bookkeeper and teachers/advisors which include a specific description of the source of the funds. A carbon of the receipts or copy of the class roster used by teachers/advisors should be forwarded with the funds to the bookkeeper as documentation that all funds collected have been turned in.

***Revenue Potentials***

**Observation**

We found that revenue potential forms are on file, but with only the expenditures and income reported. The "recap" portion of the form that compares actual income to the potential, and provides for discrepancies, is not being completed.

**Recommendation**

The site should implement procedures in which all revenue potential forms are completed in full. These forms supply an element of internal control without which it is difficult to determine the success of a fundraiser and to track money as it is spent and received. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. In addition, the form allows the bookkeeper to compare the advisors log of the deposits made for the fundraiser to the financial records of the appropriate account to ensure that all entries were correctly posted. The revenue potential form also indicates the weak control areas in the fundraising procedures, including lost or stolen merchandise, problems with collecting all moneys due and so forth. Revenue earned in the student body fund is subject to greater risk of loss due to the nature of the fundraising events and decentralization of the cash collection procedures. The revenue potential form and reconciliation are vital internal control tools that are used to document revenues, expenditures, potential revenue and actual revenue for fundraisers.

***SILAS BARTSCH ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)***

***Timely Deposit***

**Observation**

During our audit of cash receipts in the prior year, we found that deposits are not made timely to the bank. This condition can result in large cash balances being maintained on site where there is a greater chance of theft or the funds being lost or misplaced. This is a repeat finding.

**Recommendation**

All money collected by teachers and advisors should be brought to the bookkeeper to be stored in the safe. Deposits to the bank should be made weekly to minimize the amount of cash held at the site. During weeks of high activity there may be a need to make more than one deposit. The District should establish guidelines for this procedure including the maximum cash on hand that should be maintained at the site.



Governing Board  
Kings Canyon Unified School District

**WASHINGTON ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)**

***Cash Receipts***

**Observation**

During our audit of cash receipts we determined that the main fundraising activity for the site was the Scholastic Book Fair. To test this activity, we pulled both the deposit for the book fair and the ending activity invoice from Scholastic. We found that the site had deposited \$2,053.81 for the book fair, but the invoice showed that \$2,426.12 of cash and checks should have been collected.

**Recommendation**

If the site chooses to run this fundraiser again they should work with Scholastic to ensure that the funds collected agree to the inventory records. This will help ensure that all funds collected will agree to the final Scholastic invoice.

We will review the status of the current year comments during our next audit engagement.

*Varrinck, Trine, Day + Co. LLP*

Fresno, California  
December 15, 2018

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## APPENDIX D

### PROPOSED FORMS OF OPINION OF BOND COUNSEL

*Upon the delivery of the Series A Refunding Bonds, Lozano Smith, LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series A Refunding Bonds in substantially the following form:*

August 7, 2019

Board of Trustees  
Kings Canyon Joint Unified School District  
1801 10th Street  
Reedley, California 93654

\$1,840,000  
Kings Canyon Joint Unified School District  
(Fresno and Tulare Counties, California)  
2019 General Obligation Refunding Bonds, Series A  
(Federally Tax-Exempt)

#### FINAL OPINION OF BOND COUNSEL

Members of the Board of Trustees:

We have acted as Bond Counsel to the Kings Canyon Joint Unified School District (the "District") in connection with the issuance by the District of its Kings Canyon Joint Unified School District (Fresno and Tulare Counties, California) 2019 General Obligation Refunding Bonds, Series A (Federally Tax-Exempt) in the aggregate principal amount of \$1,840,000 (the "Series A Refunding Bonds"), issued under the provisions of Articles 9 and 11 (commencing with Sections 53550 and 53580, respectively) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Bond Law") and under a Resolution adopted by the Board of Trustees of the District on July 9, 2019 (the "Resolution"). The Series A Refunding Bonds were sold to Stifel, Nicolaus & Company, Incorporated, as Underwriter (the "Underwriter") pursuant to a Bond Purchase Agreement, dated July 18, 2019 (the "Series A Bond Purchase Agreement"), between the District and the Underwriter.

In such connection, we have examined the Resolution, the Refunding Bond Law, the Tax Certificate, dated the date hereof and executed by the District (the "Tax Certificate"), the Series A Bond Purchase Agreement, the Continuing Disclosure Certificate, dated the date hereof and executed by the District (the "Continuing Disclosure Certificate"), certificates of the District and others, and such other law, documents, opinions and matters to the extent we deemed necessary to render the opinions or conclusions set forth herein.

The opinions and conclusions herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all

documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Series A Refunding Bonds, the Resolution, the Tax Certificate, the Continuing Disclosure Certificate and the Series A Bond Purchase Agreement, and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Series A Refunding Bonds, dated July 18, 2019.

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

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

2. The Series A Refunding Bonds have been duly authorized, issued and sold by the District and are valid and binding general obligations of the District, and the Boards of Supervisors of each of the counties of Fresno and Tulare are obligated and authorized under the laws of the State of California to levy and collect within their own Counties *ad valorem* taxes, without limit as to rate or amount (except with respect to certain personal property which is taxable at limited rates), upon the taxable property in the District for the payment when due of the principal of and interest on the Series A Refunding Bonds.

3. Interest on the Series A Refunding Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Series A Refunding Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution and the Tax Certificate and other instruments relating to the Series A Refunding Bonds to comply with each of such requirements under the Code. Failure to comply with certain of such requirements under the Code may cause the inclusion of interest on the Series A Refunding Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series A Refunding Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series A Refunding Bonds.

4. Interest on the Series A Refunding Bonds is exempt from personal income taxation imposed by the State of California.

Except as stated in the preceding paragraphs, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Series A Refunding Bonds.

Our opinions are based on existing law, which is subject to change. The opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any fact or circumstance that may thereafter come to our attention or to reflect any change in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or the State of California; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

Lozano Smith, LLP

*Upon the delivery of the Series B Refunding Bonds, Lozano Smith, LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series B Refunding Bonds in substantially the following form:*

August 7, 2019

Board of Trustees  
Kings Canyon Joint Unified School District  
1801 10th Street  
Reedley, California 93654

\$15,332,914.80  
Kings Canyon Joint Unified School District  
(Fresno and Tulare Counties, California)  
2019 General Obligation Refunding Bonds, Series B  
(Federally Taxable)

**FINAL OPINION OF BOND COUNSEL**

Members of the Board of Trustees:

We have acted as Bond Counsel to the Kings Canyon Joint Unified School District (the "District") in connection with the issuance by the District of its Kings Canyon Joint Unified School District (Fresno and Tulare Counties, California) 2019 General Obligation Refunding Bonds, Series B (Federally Taxable) in the aggregate initial denominational of \$15,332,914.80 (the "Series B Refunding Bonds"), issued under the provisions of Articles 9 and 11 (commencing with Sections 53550 and 53580, respectively) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Bond Law") and under a Resolution adopted by the Board of Trustees of the District on July 9, 2019 (the "Resolution"). The Series B Refunding Bonds were sold to Stifel, Nicolaus & Company, Incorporated, as Underwriter (the "Underwriter") pursuant to a Bond Purchase Agreement, dated July 18, 2019 (the "Series B Bond Purchase Agreement"), between the District and the Underwriter.

In such connection, we have examined the Resolution, the Refunding Bond Law, the Tax Certificate, dated the date hereof and executed by the District (the "Tax Certificate"), the Continuing Disclosure Certificate, dated the date hereof and executed by the District (the "Continuing Disclosure Certificate"), certificates of the District and others, and such other law, documents, opinions and matters to the extent we deemed necessary to render the opinions or conclusions set forth herein.

The opinions and conclusions herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions or conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. We have

further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Series B Refunding Bonds, the Resolution, the Tax Certificate, the Continuing Disclosure Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Except as set forth in paragraph 3 and 4, below, we express no opinion as to any tax consequences related to the Series B Refunding Bonds. We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Series B Refunding Bonds, dated July 18, 2019.

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

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

2. The Series B Refunding Bonds have been duly authorized, issued and sold by the District and are valid and binding general obligations of the District, and the Boards of Supervisors of the Counties of Fresno and Tulare are obligated and authorized under the laws of the State of California to levy and collect within their own Counties *ad valorem* taxes, without limit as to rate or amount (except with respect to certain personal property which is taxable at limited rates), upon the taxable property in the District, for the payment when due of the principal and accreted value of and interest on the Series B Refunding Bonds.

3. Interest on the Series B Refunding Bonds is exempt from personal income taxation imposed by the State of California.

Our opinions are based on existing law, which is subject to change. The opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any fact or circumstance that may thereafter come to our attention or to reflect any change in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or the State of California; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully Submitted,

Lozano Smith, LLP

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## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$1,840,000  
KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT  
(Fresno and Tulare Counties, California)  
2019 GENERAL OBLIGATION REFUNDING BONDS,  
SERIES A (Federally Tax-Exempt)

\$15,332,914.80  
KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT  
(Fresno and Tulare Counties, California)  
2019 GENERAL OBLIGATION REFUNDING BONDS,  
SERIES B (Federally Taxable)

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Kings Canyon Joint Unified School District (the "District") in connection with the issuance of the above-captioned bonds (the "Bonds"). The District covenants and agrees as follows:

1. **Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5). The Bonds are issued pursuant to separate Resolutions adopted by the Board of Trustees of the District on July 9, 2019 (together, the "District Resolution").

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

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

"Annual Report Date" means the date in each year 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).

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

"Dissemination Agent" means, initially, Keygent LLC, and any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent.

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

“*Listed Events*” means any of the events listed in Section 5 hereof.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the SEC as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the Official Statement, dated July 18, 2019 (including all exhibits or appendices thereto), relating to the offering and sale of Bonds.

“*Owner*” means the person in whose name any Bond shall be registered.

“*Participating Underwriter*” means the original Underwriter of the Bonds, being Stifel, Nicolaus & Company, Incorporated, required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934.

“*SEC*” means the United States Securities and Exchange Commission.

### **3. *Provision of Annual Reports.***

(a) The District shall provide, or shall cause the Dissemination Agent to provide, to the MSRB in an electronic format as prescribed by the MSRB, not later than each Annual Report Date, commencing no later than March 31, 2020 with the report for the 2018-19 Fiscal Year, an Annual Report that is consistent with the requirements of Section 4 hereof. 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 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in the same manner as for a Listed Event under Section 5(b). 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 is unable to file, or cause the Dissemination Agent to file, an Annual Report with the MSRB by the date required in subsection (a) of this Section, the District shall, in a timely manner, file or cause the Dissemination Agent to file with the MSRB through the EMMA System, a notice in substantially the form attached as *Exhibit A*.

(c) The Dissemination Agent shall determine each year prior to the Annual Report Date the electronic filing requirements of the MSRB for the Annual Reports. If the Dissemination Agent is other than the District or an official of the District, then the Dissemination Agent shall file a report with the District certifying that the Annual Report has been filed with the MSRB pursuant to this Disclosure Certificate, stating the date it was so filed and confirming it was filed with the MSRB through the EMMA System.

**4. *Content of Annual Reports.*** The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

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

(1) The District's most recent approved annual budget;

(2) The most recent assessed value of taxable property in the District;

(3) If Fresno County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the most recent property tax levies, collections and delinquencies of the District; and

(4) The most recent list of the top twenty property owners in the District, as measured by secured assessed valuation, the amount of their respective taxable value, and their percentage of total secured assessed value.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b), above, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in 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 have been submitted to the MSRB through the EMMA System, or the SEC. If the document incorporated by reference is a final official statement, it must be available to the public on the MSRB website. The District shall clearly identify each such other document so included by reference.

**5. *Reporting of Listed Events.***

(a) Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

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

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 -TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of de-default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in sections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), or (a)(15) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material." 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.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement,

or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

**6. Identifying Information for Filings with the MSRB.** All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**7. Termination of Reporting Obligation.** The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give, or cause the Dissemination Agent to give, notice of such termination in a filing with the MSRB.

**8. Dissemination Agent.**

(a) The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

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

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

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

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

- (a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the District, or type of business conducted;
- (b) This Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment does not materially impair the interests of Beneficial Owners, as determined either by parties unaffiliated with the District or another obligated person (such as Bond Counsel) or by the written approval of the Beneficial Owners; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

**10. *Additional Information.***

- (a) Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate.
- (b) If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or to include it in any future disclosure or notice of occurrence of a Listed Event.

**11. *Default.*** The District shall give notice to the MSRB through the EMMA System of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Fresno or in U.S. District Court in or nearest to the County of Fresno. A default under this Disclosure Certificate shall not be deemed an event of default under the District Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

**12. *Notices.*** Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the Issuer: Kings Canyon Joint Unified School District  
1801 10th Street  
Reedley, CA 93654  
Fax: (559) 637-1292

To the Participating Underwriter: Stifel Nicolaus & Company, Incorporated  
One Montgomery Street  
San Francisco, CA 94104

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

**13. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**14. Governing Law.** This Disclosure Certificate shall be governed by the laws of the State of California, applicable to contracts made and performed in California.

Dated as of August 7, 2019

**KINGS CANYON JOINT UNIFIED  
SCHOOL DISTRICT**

By: \_\_\_\_\_  
Chief Financial Officer

**Designation as Dissemination Agent Accepted:**

**KEYGENT LLC,**

By: \_\_\_\_\_  
Its Authorized Officer

*EXHIBIT A*

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

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**Name of Issuer:** KINGS CANYON JOINT UNIFIED SCHOOL DISTRICT (Fresno and Tulare Counties, California)

**Name of Issue:** \$17,172,914.80 aggregate principal amount of Kings Canyon Joint Unified School District 2019 General Obligation Refunding Bonds

**Date of Issuance:** August 7, 2019

**NOTICE IS HEREBY GIVEN** that the Kings Canyon Joint Unified School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated August 7, 2019, executed and delivered by the District. The District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

**[ISSUER OR DISSEMINATION AGENT]**

By: [Form Only – no signature required] \_\_\_\_\_  
Authorized Officer

cc: Kings Canyon Joint Unified School District  
Stifel, Nicolaus & Company, Incorporated



## APPENDIX F

### DTC AND THE BOOK-ENTRY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Refunding Bonds, payment of principal, interest and other payments on the Refunding Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in Refunding Bonds and other related transactions between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the District, the Underwriter nor the Paying Agent takes any responsibility for the information contained in this Section.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Refunding Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Refunding Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this APPENDIX. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct

Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *The information contained in this website is not incorporated herein by reference.*

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

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

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

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

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

8. Prepayment proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by

Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Paying Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Paying Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, If a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

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**APPENDIX G**

**FRESNO COUNTY INVESTMENT POLICY  
AND QUARTERLY INVESTMENT REPORT**

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**Oscar J. Garcia, CPA  
Auditor-Controller/Treasurer-Tax Collector**

**County of Fresno Treasury Investment Pool**

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# **INVESTMENT POLICY**

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**Established: 1984**

**Current Revision: December 4, 2018**

**(559) 600-3496  
Room 105  
Hall of Records  
2281 Tulare Street  
Fresno, California 93721**

COUNTY OF FRESNO  
AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR  
TREASURY INVESTMENT POOL

**INVESTMENT POLICY**

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COUNTY OF FRESNO  
AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR  
TREASURY INVESTMENT POOL

**INVESTMENT POLICY**

**1.0 Purpose**

The Auditor-Controller/Treasurer-Tax Collector's policy is to invest public funds in a manner that will provide a market average rate of return consistent with the objectives included in this Investment Policy while meeting the daily cash flow demands of the County Treasury, and conform to all applicable state laws governing the investment of public funds.

Investments differing from this policy shall be made only in circumstances where market timing or economic trends indicate such investments are beneficial. Such investments must comply with all applicable laws and may only be made with written approval by the Auditor-Controller/Treasurer-Tax Collector.

**2.0 Scope**

This Investment Policy applies to all financial assets deposited and retained in the County of Fresno Treasury Investment Pool.

**3.0 Objective**

The primary objectives, in priority order, of the County of Fresno's investment activities shall be the following:

3.1 Legality. Investments shall only be made in securities legally permissible by the California Government Code(GC), Sections 53635, 53635.2 et. al. In recognition of a rapidly changing and expanding marketplace, new concepts or securities shall be reviewed for compliance and possible consideration. Legality issues shall be resolved with County Counsel.

3.2 Safety. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. Investments should be made in securities of high quality to avoid credit risk and loss of principal.

3.3 Liquidity. The investment portfolio should remain sufficiently liquid to enable the Treasury Investment Pool to meet all operating requirements which might be reasonably anticipated or respond to opportunities for investments arising from changing market conditions.

3.4 Return on Investment. The investment portfolio shall be designed with the objective of attaining the highest interest revenue, taking into consideration the objectives of this Investment Policy and the cash flow characteristics of the portfolio.

3.5 Local Community Reinvestment. When it is in the best interest of the investment portfolio, and within the confines of other objectives enumerated in this Investment Policy, the Auditor-Controller/Treasurer-Tax Collector may give preference to local investment opportunities.

#### 4.0 **Delegation of Authority**

The authority of the Board of Supervisors to delegate management responsibility for the County of Fresno Treasury Investment Pool is derived from GC 53607. Investment authority, in accordance with this provision, has been delegated to the Auditor-Controller/Treasurer-Tax Collector. The original delegation is in the Ordinance Code of the County of Fresno, Section 2.20.080 and is subject to annual renewal by the Board of Supervisors. The Auditor-Controller/Treasurer-Tax Collector shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions (GC 53607).

No person may engage in an investment transaction for the Treasury Investment Pool except as provided under the terms of this policy and the procedures established by the Auditor-Controller/Treasurer-Tax Collector. The Auditor-Controller/Treasurer-Tax Collector shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate staff.

The County of Fresno Treasury Oversight Committee shall annually review and monitor the Investment Policy. The County of Fresno Treasury Oversight Committee shall also cause an annual audit to determine the Auditor-Controller/ Treasurer-Tax Collector's compliance with the Investment Policy. The cost of the audit shall be considered an administrative cost of investing. Audit Reports are available to participants of the Treasury Investment Pool upon request (GC 27133, 27134 and 27135).

5.0 **Ethics and Conflict of Interest**

The Auditor-Controller/Treasurer-Tax Collector, the County of Fresno Treasury Oversight Committee and staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers or other persons with whom the County Treasury conducts business by any member of the County of Fresno Treasury Oversight Committee shall require the completion of an annual Statement of Economic Interests by each member to be filed with the member's respective agency. This policy sets a \$470 per current filing limit on the amount of honoraria, gifts and gratuities that a committee member may receive from a single source in a calendar year.

6.0 **Prudence**

Investments shall be made with judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, and not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

6.1 The standard of prudence to be used by investment officials shall be the “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk of market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

7.0 **Borrowing for Purposes of Making Investments**

The Fresno County Auditor-Controller/Treasurer-Tax Collector is prohibited from the practice of borrowing for the sole purpose of making investments.

8.0 **Authorized Investments and Limits**

The following securities are authorized investments for the County of Fresno Treasury Investment Pool. Securities shall be valued at amortized cost when determining their percentage to the money in the County of Fresno Treasury Investment Pool. Additions or deviations from this list, in addition to being permissible under the Government Code, require approval by the Auditor-

Controller/ Treasurer-Tax Collector. Investments not expressly authorized by law are prohibited.

The Auditor-Controller/Treasurer-Tax Collector interprets the authorized investment limits to be based upon the portfolio allocation at the time a security is purchased. The portfolio allocation may temporarily fall outside of these limits due to maturities and fluctuations in the size of the pool after the purchase of a security. Additionally, the applicable credit ratings are interpreted to be based upon the rating at the time the security is purchased.

8.1 United States Treasury Bills, Notes, Certificates of Indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

8.2 Obligations issued by Federal Farm Credit Banks, Federal Home Loan Banks, the Federal Home Loan Mortgage Company, or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in obligations, participations, or other instruments of or issued by a federal agency or a United States Government-sponsored enterprise

8.3 Bills of Exchange or Time Drafts drawn on and accepted by a commercial bank, otherwise known as Bankers Acceptances, both domestic and foreign, which are eligible for purchase by the Federal Reserve System. Any investment in Bankers Acceptances shall be restricted to the top 150 world banks as determined by their total assets and limited to those institutions in this group whose short term debt rating is of prime quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical-rating service.

Purchases of Bankers Acceptances may not exceed 180 days maturity or 40 percent of the money in the Treasury Investment Pool.

8.4 Commercial Paper of prime quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., or Standard and Poor's (P-1; A-1). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars and having an "A" or higher rating for the issuer's other outstanding debentures by Standard and Poor's, or its equivalent or better ranking by a nationally recognized statistical-rating service and a maximum maturity limit of 270 days.

Additionally GC 53635 limits the assets held by the Treasury Investment Pool in any single issuer to 10 percent and the total Commercial Paper investments may not exceed 40 percent of the total assets in the Treasury Investment Pool.

8.5 Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, savings association, federal association, or state-licensed branch of a foreign bank. Any investment is to be restricted to the top 150 world banks as determined by their total assets and limited to those institutions in this group whose short term debt rating is of prime quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc. or Standard and Poor's (P-1; A-1). As an alternative to the credit guidelines above, banks, savings associations or federal associations having a four star rating or higher rating as provided for by Bauer Financial, Inc. or a comparable rating service, shall be considered eligible institutions for these investments.

Investments in Negotiable Certificates of Deposit (in combination with section 8.6.1) may not exceed 30 percent of the money in the Treasury Investment Pool. No more than 5 percent of the money shall be invested in any one institution.

8.6 Non-negotiable Time Certificates of Deposit issued by a nationally or state-chartered bank, savings association or federal association (GC 53601 (n)). Unless fully covered by FDIC insurance, including the interest earned, these investments require full collateralization with government securities totaling 110 percent or mortgages totaling 150 percent of the principal amount (GC 53652). Any investment is to be restricted to those institutions whose short term rating is of prime quality of the highest ranking as provided for by Moody's Investors Service, Inc. or Standard and Poor's (P-1; A-1). As an alternative to the credit guidelines above, banks, savings associations or federal associations having a four star rating or higher as provided for by Bauer Financial, Inc. or a comparable rating service, shall be considered eligible institutions for these investments. Any investment will require the approval and execution of a Contract for Deposit by the Auditor-Controller/Treasurer-Tax Collector.

Investments in Non-negotiable Time Certificates of Deposit may not exceed 50 percent of the money in the Treasury Investment Pool. No more than 15 percent of the money shall be invested in any one institution.

8.6.1 Investments in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit. Investments will be made in compliance with GC 53635.8. Investments shall be initially placed with a nationally or state-chartered commercial bank, savings bank, savings and loan association or a credit union in this state, which shall be known as the selected depository institution. Any investment will require the approval and execution of a Deposit Placement Agreement by the Auditor-

Controller/Treasurer-Tax Collector. Combined purchases under sections 8.5 and 8.6.1 shall not exceed 30 percent of the portfolio. Additionally, purchases under 8.6.1 shall not exceed 15 percent of the portfolio.

8.7 Investments in Repurchase Agreements representing United States Treasury Securities, United States Agency discount and coupon securities, domestic and foreign Banker's Acceptances, commercial paper, and domestic bank/savings associations or federal associations Negotiable Certificates of Deposit.

Investments shall be made only after the execution of a Repurchase and Custody Agreement (Tri-Party Agreement) between the County or the investment manager (if under contract), the dealer and the Custodian. Investments will consist of overnight Repurchase Agreements, which include weekend placements and maturities; however, securities with longer maturities may be used as collateral for these Agreements. (GC 53635.2)

Excluding circumstances of market-timing and known cash demands, investments in Repurchase Agreements shall be limited to not more than 15 percent of the money in the Treasury Investment Pool. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against these securities. Any exceptions to the maturity or investment amount provisions will require written approval by the Auditor-Controller/Treasurer-Tax Collector.

8.8 Medium-term Notes with a maximum remaining maturity of five years or less issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of "A" or higher, by Standard and Poor's Corporation, or its equivalent or better by a nationally recognized rating service

Investments in Medium-term Notes may not exceed 30 percent of the money in the Treasury Investment Pool.

8.9 Investment of funds in the Local Agency Investment Fund (LAIF) created by law, which the State Treasurer invests through the Pooled Money Investment Account. Money invested in LAIF is available for overnight liquidity; however, it is also subject to a limited number of transactions per month. Money shall be placed in LAIF as alternative liquid investments under the guidelines of this policy pertaining to yield. The County may invest up to the maximum amount permitted by LAIF, not to exceed 10 percent of the portfolio. The Auditor-Controller/ Treasurer-Tax Collector may invest any portion of debt proceeds in the LAIF.

8.10 Shares of beneficial interest issued by diversified management companies, otherwise known as Mutual Funds, investing in the securities and obligations as authorized by the GC 53601 et. seq.

To be eligible for investment, these companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by two of the largest nationally recognized rating services, or (2) have an investment adviser registered with the Securities and Exchange Commission with at least five years of experience investing in the securities authorized by the GC sections noted above and with assets under management in excess of \$500,000,000.

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment, these companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations, or (2) retain an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of \$500,000,000 (GC 53601).

Investment in Mutual Funds shall not include the payment of any commission that these companies may charge and may not exceed 20 percent of the surplus funds in the Treasury Investment Pool. Only 10 percent of the surplus funds may be invested in any one mutual fund (GC 53601, 53635.2).

8.11 Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond of a maximum of five years maturity. Securities eligible for investment shall be rated "AA" or its equivalent or better by a nationally recognized rating service.

Investments in these securities may not exceed 10 percent of the funds in the Treasury Investment Pool.

8.12 Bond proceeds may be invested in accordance with the Government Code provisions, or they may be invested in alternative vehicles if authorized by bond documents (GC 53635.2 and California Debt and Investment Advisory Commission (CDIAC) Local Agency Investment Guidelines).

8.13 External Investment Managers. The Auditor-Controller/Treasurer-Tax Collector may contract with external investment managers to provide investment management services. These managers may be hired to invest funds not needed for liquidity and to increase the rate of return of the pool by employing an active investment strategy. The external investment manager is



allowed to make specific investment decisions within the framework of this investment policy.

External investment managers are required to provide timely transaction documentation and investment reports to ensure that the manager's actions comply with the requirements of the law and this investment policy. External investment managers shall remit, at least quarterly, the interest earnings to the Pool to allow these earnings to be apportioned to the pool participants.

Selection of External Investment Managers is subject to section 13.0 of this investment policy. Additionally, after selection, the manager's performance shall be reviewed against the agreed upon benchmark.

8.14 Registered state warrants or treasury notes or bonds of the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

Investments in these securities may not exceed 10 percent of the surplus funds in the Treasury Investment Pool.

#### 9.0 **Selection of Investments**

Investments, with the exception of California registered state warrants in section 8.14, above, shall only be made following a minimum of three competitive comparisons with offerings documented and retained for each type of investment.

#### 10.0 **Diversification**

The Treasury Investment Pool shall be diversified by security type and institution.

#### 11.0 **Maximum Maturities**

To the extent possible, investments shall be made to match anticipated cash requirements. Unless matched to a specific cash flow, normal investments will be in securities such that the average weighted maturity of the Treasury Investment Pool shall not exceed 3.5 years. Proceeds of sales or funds set aside for the repayment of any notes issued for temporary borrowing purposes shall not be invested for a term that exceeds the term of the notes.

## 12.0 **Selling Securities Prior to Maturity**

Securities purchased shall normally be held until maturity. Occasionally, opportunities will exist to sell securities prior to maturity and purchase other securities (swap/trade). Securities that are no longer in compliance with this Investment Policy may be sold prior to maturity. Securities may also be sold in order to maintain the liquidity of the Treasury Investment Pool.

## 13.0 **Authorized Financial Dealers and Institutions**

The Auditor-Controller/Treasurer-Tax Collector shall maintain a list of financial institutions authorized to provide investment services. In addition, a list shall also be maintained of approved security broker/dealers selected by credit worthiness, who maintain an office in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15c3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following: audited financial statements, proof of Financial Industry Regulatory Authority membership, trading resolution, proof of state registration, completed broker-dealer questionnaire, certification of having read the County's Investment Policy, and if applicable, depository contracts. Broker-dealers are evaluated and selected based upon criteria that include: organization experience and credibility, individual broker-dealer qualifications, compliance, product inventory, and economic research.

An annual review of the financial conditions and registrations of selected brokers shall be conducted by the Auditor-Controller/Treasurer-Tax Collector. A current audited financial statement is required to be on file for each authorized financial institution and broker-dealer.

Investment managers are evaluated and selected based upon criteria that include: organization experience and credibility, staff experience, compliance, and performance.

The selection of any broker, brokerage firm, dealer or securities firm that has, within any consecutive 48 month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Auditor-Controller/ Treasurer-Tax Collector or member of the Board of Supervisors or any candidate for those offices is prohibited. The County will, to the best of its ability, monitor and comply with this requirement.

14.0           **Confirmation**

Receipts for confirmation of purchase of authorized securities should include the following information: trade date, par value, maturity, rate, price, yield, settlement date, description of securities purchased, agency's name, net amount due, and third party custodian information. Confirmation of all investment transactions should be received by the Auditor-Controller/Treasurer-Tax Collector within five business days of the transaction.

15.0           **Safekeeping and Custody**

Investments, excluding Non-negotiable Time Certificates of Deposit, Repurchase Agreements and investments that are under the management of contracted parties, shall be held in custody with the Service Bank or its correspondent or other institutions approved by the Auditor-Controller/Treasurer-Tax Collector. Investments in Repurchase Agreements shall be held in custody by the Custodian to the Tri-Party Agreement.

16.0           **Performance Standards**

The investment portfolio shall be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account investment risk constraints and cash flow needs.

16.1 Market yield benchmark. The investment strategy is passive. Given this strategy, the basis used by the Auditor-Controller/Treasurer-Tax Collector to determine whether market yields are being achieved shall be the one-year U.S. Treasury note rate.

17.0           **Administrative Cost of Investing**

The Auditor-Controller/Treasurer-Tax Collector may deduct actual administrative costs associated with investing, depositing, banking, auditing, reporting, or otherwise handling or managing of funds. The administrative costs shall be segregated and deducted from the interest earnings of the Treasury Pool each quarter prior to the distribution of interest earnings.

18.0           **Credit of Interest Earnings**

Interest shall be credited based on the average daily cash balance of money on deposit in the County Treasury for the calendar quarter and shall be paid quarterly.

19.0

### **Local Agency Deposit of Excess Funds**

The County Auditor-Controller/Treasurer-Tax Collector is authorized to accept deposits of excess funds from local agencies within Fresno County pursuant to Resolution 98-354 and in accordance with Government Code section 53684. Such deposits will be accepted, if at all, subject to the terms and conditions of a written agreement between the depositing agency and the Auditor-Controller/Treasurer-Tax Collector. In deciding whether to accept such deposits, the Auditor-Controller/ Treasurer-Tax Collector considers factors that may include, but are not limited to, the objectives of this policy, the potential effect of such deposits on the volatility of the investment portfolio, the human resources available to conduct investment activities, and the best interests of current depositors.

20.0

### **Withdrawal of Funds from the Treasury Pool**

The withdrawal of funds by any depositor/participant in the County of Fresno Treasury Investment Pool shall not adversely affect the interests of the other depositors/participants in the County of Fresno Treasury Investment Pool. All withdrawals that are not considered as funds being utilized for operations shall be presented to the Auditor-Controller/Treasurer-Tax Collector for review and approval. The Auditor-Controller/ Treasurer-Tax Collector shall perform an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the Treasury Investment Pool as is required by GC 27136 and 27133. Prior to the approving a withdrawal, the Auditor-Controller/ Treasurer-Tax Collector shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the Treasury Investment Pool. All requests for withdrawals shall be considered in order of receipt and shall in no way affect the ability of the Auditor-Controller/Treasurer-Tax Collector to meet the pool's expenditure requirements.

If the assessment of the effect of the proposed withdrawal does not negatively impact the stability and predictability of the investments and the interests of other depositors, the Auditor-Controller/Treasurer-Tax Collector may authorize a total or partial withdrawal of funds from the Treasury Pool. A total withdrawal of funds from the County of Fresno Treasury Investment Pool by a participant requires a 30 day written notice to the Auditor-Controller/Treasurer-Tax Collector. Withdrawals involving less than the participant's total funds (other than for operational needs) are subject to all of the following constraints:

- each withdrawal shall be limited to a maximum of \$5,000,000

- no more than two withdrawals of a non-operational purpose are allowed per 30 day period
- at least ten days must lapse before the second withdrawal in any 30 day period will be considered by the Auditor-Controller/Treasurer-Tax Collector
- each withdrawal shall be submitted to the Auditor-Controller/Treasurer-Tax Collector at least 2 business days prior to the date of withdrawal

The Auditor-Controller/Treasurer-Tax Collector shall be notified of normal operating expenditures or disbursements in excess of \$1,000,000 as early as possible, preferably three business days in advance of disbursement, in order to adjust the cash position to meet disbursement requirements.

21.0

### **Reporting**

The Auditor-Controller/Treasurer-Tax Collector shall provide the Board of Supervisors with a monthly inventory report and a monthly transaction report of the Treasury Investment Pool. The Auditor-Controller/ Treasurer-Tax Collector shall provide a quarterly investment report to the Board of Supervisors, the County Administrative Officer and the County of Fresno Treasury Oversight Committee. The quarterly report shall be submitted within 30 days following the end of the quarter covered by the report. Monthly inventory reports and quarterly investment reports are available to participants of the pool upon request (GC 53646).

22.0

### **Internal Control**

As part of the County of Fresno's annual independent audit, the investment program shall be reviewed for appropriate internal controls that provide assurance of compliance with policies and procedures.

23.0

### **Investment Policy Review**

This Investment Policy shall be reviewed on an annual basis by the Auditor-Controller/Treasurer-Tax Collector and rendered annually to the Board of Supervisors and the County of Fresno Treasury Oversight Committee, which consists of the following members:

- The County Auditor-Controller/Treasurer-Tax Collector
- A representative appointed by the County Board of Supervisors
- The County Superintendent of Schools or designee
- A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County

- A representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the County that are required or authorized to deposit funds in the County treasury

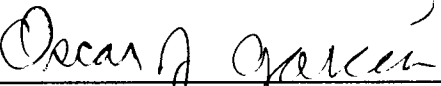
The Board of Supervisors shall accept and approve the investment policy and any changes thereto at a public meeting (GC 27133, 53646).

24.0 **Disaster/Business Continuity Plan**

The County of Fresno Treasurer's banking and investment functions are critical to the function of Treasury Investment Pool and therefore must have a continuity plan to guide operations in the event of a disaster or business interruption.

The objective of the Disaster/Business Continuity Plan is to protect and account for all funds on deposit with the county treasurer and to be able to continue banking and investment functions for all participants in the event of an occurrence; i.e. earthquake, fire, flood, or some other event, which disrupts normal operations. The Plan provides for the ability to perform banking and investment functions at an off-site location under less than optimal conditions.

Approved

  
\_\_\_\_\_  
Oscar J. Garcia, CPA  
Auditor-Controller/Treasurer-Tax Collector

12-4-18  
Date

APPENDIX A

<u>Permitted Investments/Deposits</u>	<u>Government Code Limits %</u>	<u>Investment Policy Limits %</u>	<u>Investment Policy Term Limit</u>	<u>Minimum Rating</u>
Securities of the U.S. Government	No Limit	No Limit	5 years	N/A
Securities issued by United States Government Sponsored Enterprises	No Limit	No Limit	5 years	N/A
Bankers Acceptances (1)	40%	40%	180 days	N/A
Commercial Paper	40%	40%	270 days	P-1, A-1
Negotiable Certificates of Deposit (2)	30%	30%	13 months	P-1, or A-1 or 4 Star
Non-negotiable Certificates of Deposit (2)	No Limit	50%	13 months	P-1 or A-1 or 4 Star
Account Registry Service Deposits (2)	30%	15%	13 months	N/A
Repurchase Agreements	No Limit	15%	Overnight/Weekend	N/A
Medium Term Notes	30%	30%	5 years	A
LAIF (3)	No Limit	10%	5 years	N/A
Mutual Funds (4)	20%	20%	5 years	AAA,Aaa
Mortgage-Backed Securities	20%	10%	5 years	AA
State of California Debt	No Limit	10%	5 years	N/A

APPENDIX A  
(Continued)

- (1) Investment policy limits any investment in bankers acceptances to the top 150 world banks as determined by their total assets and limited to those institutions in this group whose short term debt is of prime quality and of the highest ranking as provided for by Moody's or Standard and Poor's (P-1, A-1).
- (2) Banks, savings associations or federal associations having a "4 Star" or higher rating as provided by Bauer Financial, Inc. or a comparable rating service. For negotiable certificates of deposit, no more than 5 percent of the money shall be invested in any one institution. Negotiable certificates of deposit and account registry service deposits combined shall not exceed 30% of the portfolio. For non-negotiable certificates of deposit, no more than 15 percent of the money shall be invested in any one institution.
- (3) LAIF Board of Directors currently limits the investment to \$65,000,000, excluding bond and note proceeds. Government Code does not place a percentage limit on the amount of money that may be invested in LAIF.
- (4) Diversified management companies investing in the securities and obligations as authorized by California Government Code, Sections 53601, et seq., shall either (1) attain the highest ranking or the highest letter and numerical rating provided by two of the largest nationally recognized rating services, or (2) have an investment adviser registered with the SEC with at least five years of experience investing in the securities authorized by code sections noted in the policy and with assets under management in excess of \$500,000,000.

Diversified management companies issuing shares of beneficial interest that are money market funds registered with the Securities and Exchange Commission (SEC) under the Investment Act of 1940 shall either (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations, or (2) retain an investment adviser registered or exempt from registration with the SEC with not less than five years of experience managing money market mutual funds with assets under management in excess of \$500,000,000. Only 10 percent of the money may be invested in any one mutual fund.



## APPENDIX B

### RATING SUMMARY

<u>RATING SERVICE</u>	<u>RATING CATEGORY</u>	<u>RATING DEFINITION</u>
Moody's	Aaa	Best Quality
	Aa	High Quality
	A	Upper-medium grade
	Baa	Medium grade obligations
	Ba	Judged to have speculative elements
	B	Lack characteristics of desirable investment
	Caa	Investment in poor standing
	Ca	Speculative in a high degree
	C	Poor prospect of attaining investment standing
	Moody's Modifiers	1,2,and 3
Moody's Commercial Paper	Prime-1	Superior ability for repayment
	Prime-2	Strong ability for repayment
	Prime-3	Acceptable ability for repayment
	Not Prime	Do not fall in top 3 rating categories
Standard & Poors	AAA	Highest Rating
	AA	Strong capacity for repayment
	A	Strong capacity for repayment but less than AA category
	BBB	Adequate capacity for repayment
	BB	Speculative
	B	Greater vulnerability to default than BB category
	CCC	Identifiable vulnerability to default
	CC	Subordinated debt of issues ranked in CCC category
	C	Subordinated debt of issues ranked in CCC category
	Cl	Income bonds where no interest is paid
	D	Default
Standard & Poors – Modifiers	(+) or (-)	Rankings within rating category
Standard & Poors – Commercial	A-1	Highest degree of safety
	A-2	Timely repayment characteristics is satisfactory
	A-3	Adequate capacity for repayment
	B	Speculative
	C	Doubtful repayment
	D	Default

APPENDIX B

(Continued)

RATING SUMMARY

<u>RATING SERVICE</u>		<u>RATING CATEGORY</u>	<u>RATING DEFINITION</u>
Fitch		AAA	Highest credit quality
		AA	Very high credit quality
		A	High credit quality
		BBB	Good credit quality
		BB	Speculative
		B	High speculative
		CCC, CC, C	High default risk
		DDD, DD, D	Default
Fitch	Modifiers	“+” or “-”	Relative status within rating categories
Fitch	Commercial Paper	F1	Highest credit quality
		F2	Good credit quality
		F3	Fair credit quality
		B	Speculative
		C	High default risk
		D	Default
Bauer		5 Star	Superior
		4 Star	Excellent
		3 ½ Star	Good
		3 Star	Adequate
		2 Star	Problematic
		1 Star	Troubled
		Zero	Our lowest star rating

## APPENDIX C

### Glossary of Cash Management Terms

The following is a glossary of key investing terms, many of which appear in County of Fresno Treasury Investment Policy. This glossary has been adapted from the Government Finance Officers Association (GFOA) sample investment policy.

Accrued Interest - The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization - The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Average Life - The average length of time that an issue of serial bonds term bonds, or both, with a mandatory sinking fund feature is expected to be outstanding.

Bankers' Acceptance – A draft or bill of exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill.

Basis Point - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., 1/4 of 1 percent is equal to 25 basis points.

Bid - The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk - The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

APPENDIX C  
(Continued)

Certificate of Deposit (CD) – A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender at the end of the loan period.

Certificate of Deposit Account Registry System (CDARS) – A private CD placement service that allows local agencies to purchase more than \$100,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than \$100,000 each, so that FDIC coverage is maintained.

Collateralization - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan security, or both.

Commercial Paper - An unsecured short-term promissory note issued, with maturities ranging from 1 to 270 days.

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon Rate - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Quality - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk - The risk to an investor that an issuer will default in the payment of interest principal on a security, or both.

Current Yield (Current Return) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Discount - The amount by which the par value of a security exceeds the price paid for the security.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality rating.

Fair Value - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

APPENDIX C  
(Continued)

Federal Funds (Fed Funds) - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate - Interest rate charged by one institution lending federal funds to the other.

Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms in the United States.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Interest Rate - See "Coupon Rate."

Interest Rate Risk - The risk associated with declines or rises in interest rates which cause in investment in a fixed-income security to increase or decrease in value.

Inverted Yield Curve - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940- Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Liquidity - An asset that can be converted easily and quickly into cash without significant loss of value.

Local Agency Investment Fund – A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

Local Government Investment Pool (LGIP) - An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

## APPENDIX C

(Continued)

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

Medium-Term Note – Corporate or depository institution debt securities meeting certain minimum quality standards (as specified in California Government Code) with a remaining maturity of five years or less.

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mortgage Backed Securities – Mortgage-backed securities (MBS) are created when a purchaser of residential real estate mortgages creates a pool of mortgages and markets undivided interest or participations in the pool. MBS owners receive a prorate share of the interest and principal passed through from the pool of mortgages. Most MBS are issued guaranteed, or both, by federal agencies and instrumentalities.

Mortgage Pass-Through Obligations – Securities that are created when residential mortgages are pooled together and undivided interests or participations in the stream of revenues associated with the mortgages are sold.

Mutual Fund - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

APPENDIX C  
(Continued)

Negotiable Certificates of Deposit – Short-term debt instrument that usually pays interest and is issued by a bank, savings or federal association, or state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)  $[(\text{Total assets}) - (\text{Liabilities})]/(\text{Number of shares outstanding})$

Nominal Yield - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Non-negotiable Certificates of Deposit – CDs that carry a penalty if redeemed prior to maturity. Non-negotiable CDs issued by banks and savings and loans are insured by the Federal Deposit Insurance Corporation up to \$100,000, including principal and interest. Amounts deposited above this amount may be secured with other forms of collateral.

Offer - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Par - Face value or principal value of a bond, typically \$1,000 per bond.

Positive Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium - The amount by which the price paid for a security exceeds the security's par value.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

APPENDIX C  
(Continued)

Regular Way Delivery - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (Repo or RP) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act - The Securities and Exchange Commission regulates money market funds in the United States and this rule restricts quality, maturity and diversity of investments by money market funds in an attempt to provide a safe, liquid alternative to bank deposits, while providing a higher yield.

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Swap - Trading one asset for another.

Term Bond - Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

Treasury Bills - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.



## APPENDIX C

(Continued)

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule - SEC Rule 15c3-1 outlining capital requirements for broker-dealers.

Volatility - A degree of fluctuation in the price and valuation of securities.

Weighted Average Maturity (WAM) - The dollar-weighted average maturity of all the securities that comprise a portfolio.

When Issued (WI) - A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield-to-call (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield Curve - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-maturity - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.



## Quarterly Investment Report

As of March 31, 2019

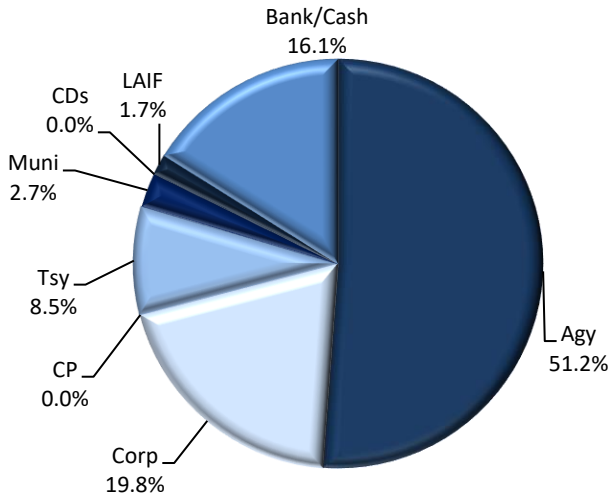
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Board of Supervisors: Buddy Mendes, Brian Pacheco, Nathan Magsig, Sal Quintero, Steve Brandau  
County Administrative Officer: Jean Rousseau

**SECTOR ALLOCATION**



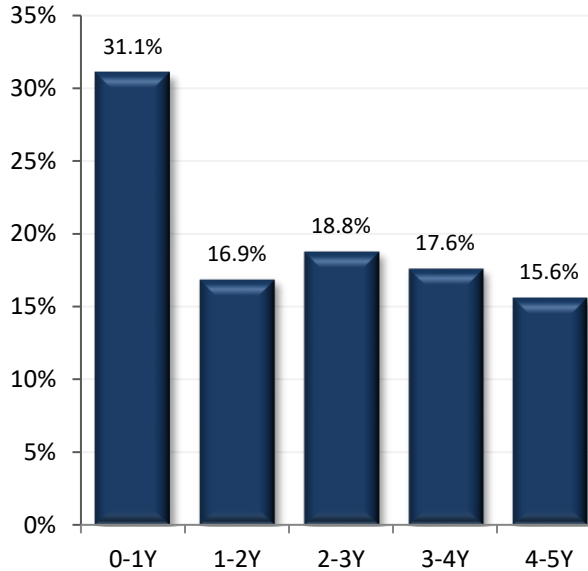
Per Book Value

**ACCOUNT SUMMARY**

	3/31/19	12/31/18
<b>Market Value</b>	\$3,849,252,349	\$3,770,988,770
<b>Book Value*</b>	\$3,857,429,169	\$3,808,681,373
<b>Unrealized G/L</b>	-\$8,176,821	-\$37,692,603
<b>Par Value</b>	\$3,859,822,014	\$3,810,724,704
<b>Net Asset Value</b>	\$99.788	\$99.010
<b>Book Yield</b>	2.15%	2.05%
<b>Years to Maturity</b>	2.06	1.98
<b>Effective Duration</b>	1.97	1.86

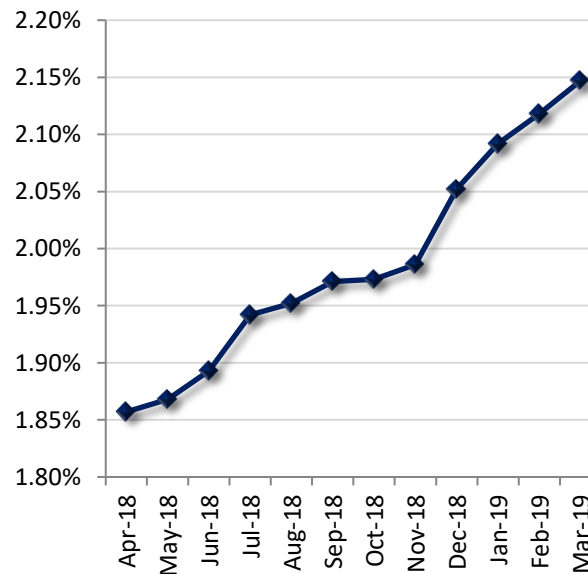
\*Book Value is Amortized

**MATURITY DISTRIBUTION**



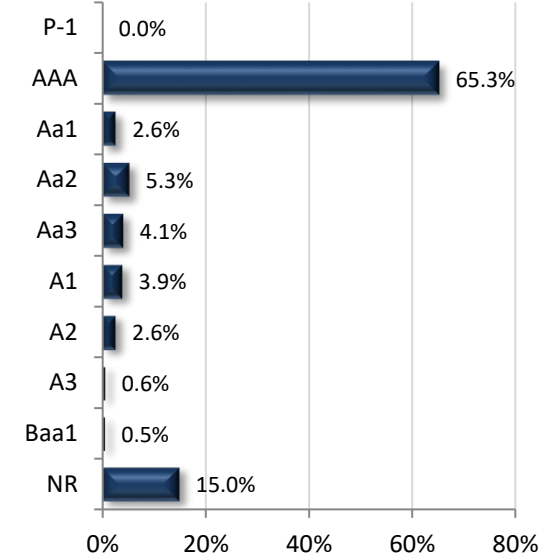
Per Book Value

**PORTFOLIO BOOK YIELD HISTORY**



NR: Not Rated

**CREDIT QUALITY (MOODY'S)**



**TOP ISSUERS**

Issuer	% Portfolio
FEDERAL HOME LOAN BANK	20.1%
FEDERAL NATIONAL MORTGAGE	16.7%
FEDERAL FARM CREDIT BANK	10.7%
BANK OF THE WEST MM	10.4%
US TREASURY NOTE	8.4%
FEDERAL HOME MORTGAGE CO	3.6%
FIDELITY 2642	2.9%
MICROSOFT	2.8%
US BANK NA	2.7%
STATE OF CALIFORNIA	2.7%
APPLE INC	2.6%
JP MORGAN	2.4%
CHEVRON CORP	2.3%
LAIF	1.7%
WELLS FARGO	1.7%

Per Book Value

Item / Sector	Parameters	In Compliance	
11.0 Weighted Average Maturity	Weighted Average Maturity (WAM) must be less than 3.5 years.	Yes	2.06 Yrs
8.1 U.S. Treasuries	No sector limit, no issuer limit, max maturity 5 years.	Yes	8.5%
8.2 U.S. Agencies	No sector limit, no issuer limit, max maturity 5 years.	Yes	51.2%
8.3 Banker Acceptances	40% limit, Issue is eligible for purchase by Federal Reserve. Issuer is among 150 largest banks based on total asset size; max maturity 180 days; rated A-1 or P-1.	Yes	0.0%
8.4 Commercial Paper	40% limit, corporation organized and operating in the US with total assets of \$500mm. 10% of issuer's CP / 10% in any one issuer; max maturity 270 days; minimum short-term rating of A-1 by S&P or P-1 by Moody's, minimum long-term rating of A by S&P or its equivalent or better ranking by a nationally recognized rating service.	Yes	0.0%
8.5 Negotiable CDs	30% limit (combined with 8.6.1), Issued by national or state chartered bank or savings assoc., or a state licensed branch of a foreign bank that is among 150 largest banks in total asset size; minimum short-term rating of P-1 or A-1 or issuer meets rating requirements; 5% in any one issuer, max maturity 13 months.	Yes	0.0%
8.6 Non-Negotiable CDs	50% limit, Issued by national or state chartered bank or savings association. FDIC insurance OR full collateralization of 110% government or 150% mortgages. Contract for Deposit in place. 15% in any one issuer; short-term rating is a minimum of A-1 by S&P or P-1 by Moody's, max maturity 13 months.	Yes	0.0%
8.6.1 Placement CDs	15% limit (30% combined with 8.5), Issued by national or state chartered bank or savings association or credit union that uses a placement entity. Deposit Placement Agreement in place.	Yes	0.0%
8.7 Repurchase Agreements	15% limit, Tri-party agreement in place. 102% collateralization of US treasuries or agencies, BAs, CP, Negotiable CD's; Overnight or weekend maturities.	Yes	0.0%
8.8 Medium-Term Notes	30% limit, organized and operating in the US or state licensed depository institution; max maturity 5 years; rated A or better by S&P, or its equivalent or better by a nationally recognized rating service.	Yes	19.8%
8.9 L.A.I.F	California State's deposit limit is \$65 million; Current investment policy limit is not to exceed 10% of the portfolio.	Yes	\$65 Mil

Item / Sector	Parameters	In Compliance	
8.10 Mutual Funds/ Money Markets Funds	20% limit, 10% per issuer; Registered with SEC, 5 years experience, \$500mm AUM or rated by AAA-m, Aaa-mf, AAA-m by not less than two nationally recognized rating agencies.	Yes	2.9%
8.11 ABS and MBS	10% limit combined. Security must be AA rated by one rating agency, with an A or better rating for the underlying, max maturity 5 years.	Yes	0.0%
8.12 Money Held from Pledged Assets	Invest according to statutory provision or according to entity providing issuance.	Yes	0.0%
8.13 External Managers	Invest per policy.	Yes	0.0%
8.14 State of California Debt	10% limit, Registered State warrants or CA treasury notes, including revenue producing entities controlled or operated by the State or by a department, board, agency, or authority of the State; 5 years max maturity.	Yes	2.7%
Cash & Bank Account	NA	NA	13.3%

**Compliance**

The Treasury Investment Pool is in compliance with the County of Fresno Treasury Investment Pool Investment Policy. The Treasury Investment Pool contains sufficient cash flow to meet the expected expenditures for the next six months.

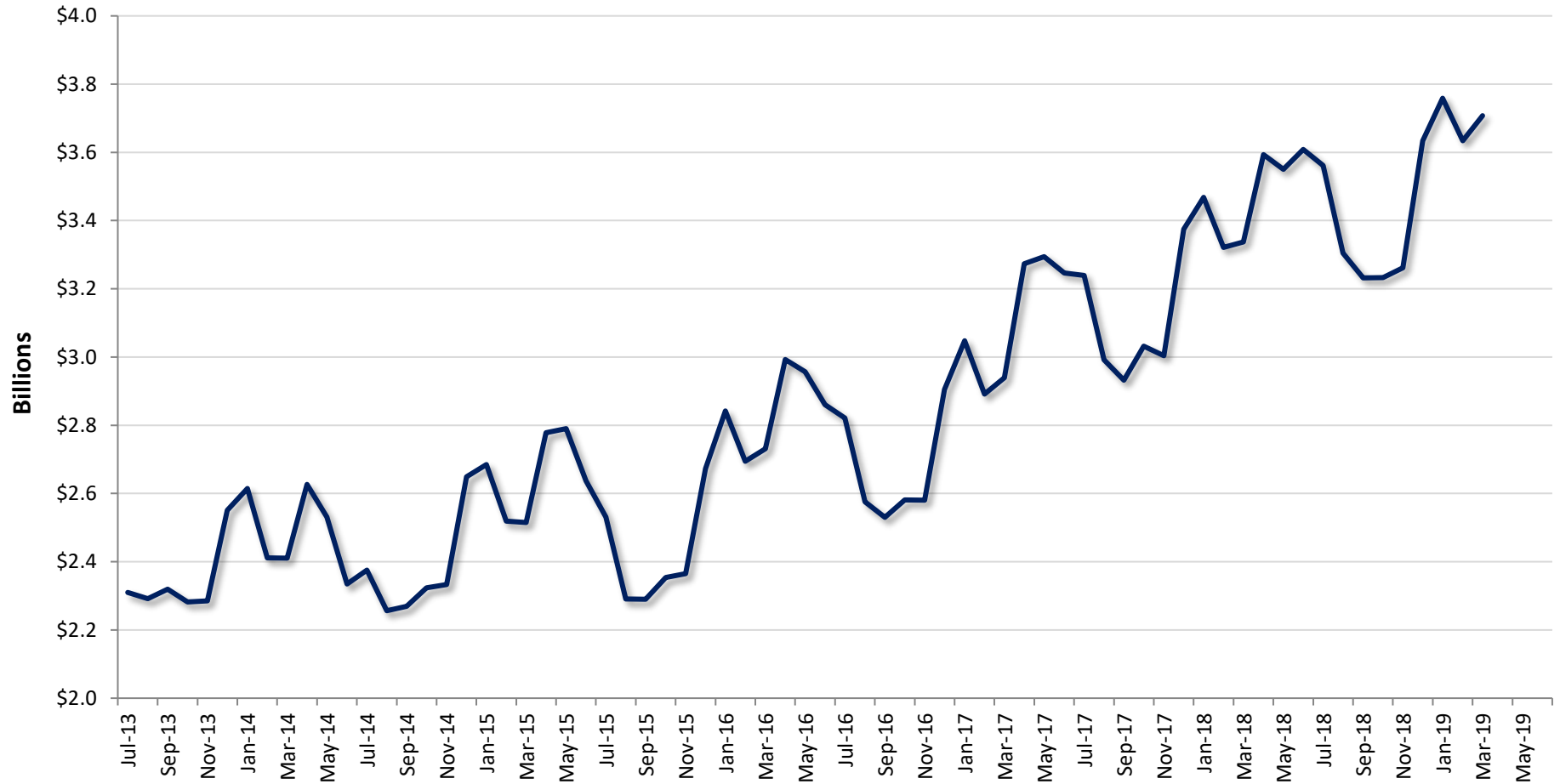
**Review and Monitoring**

FTN Financial Main Street Advisors, the County’s investment advisor, currently monitors the Treasury Department’s investment activities.

**Additional Information**

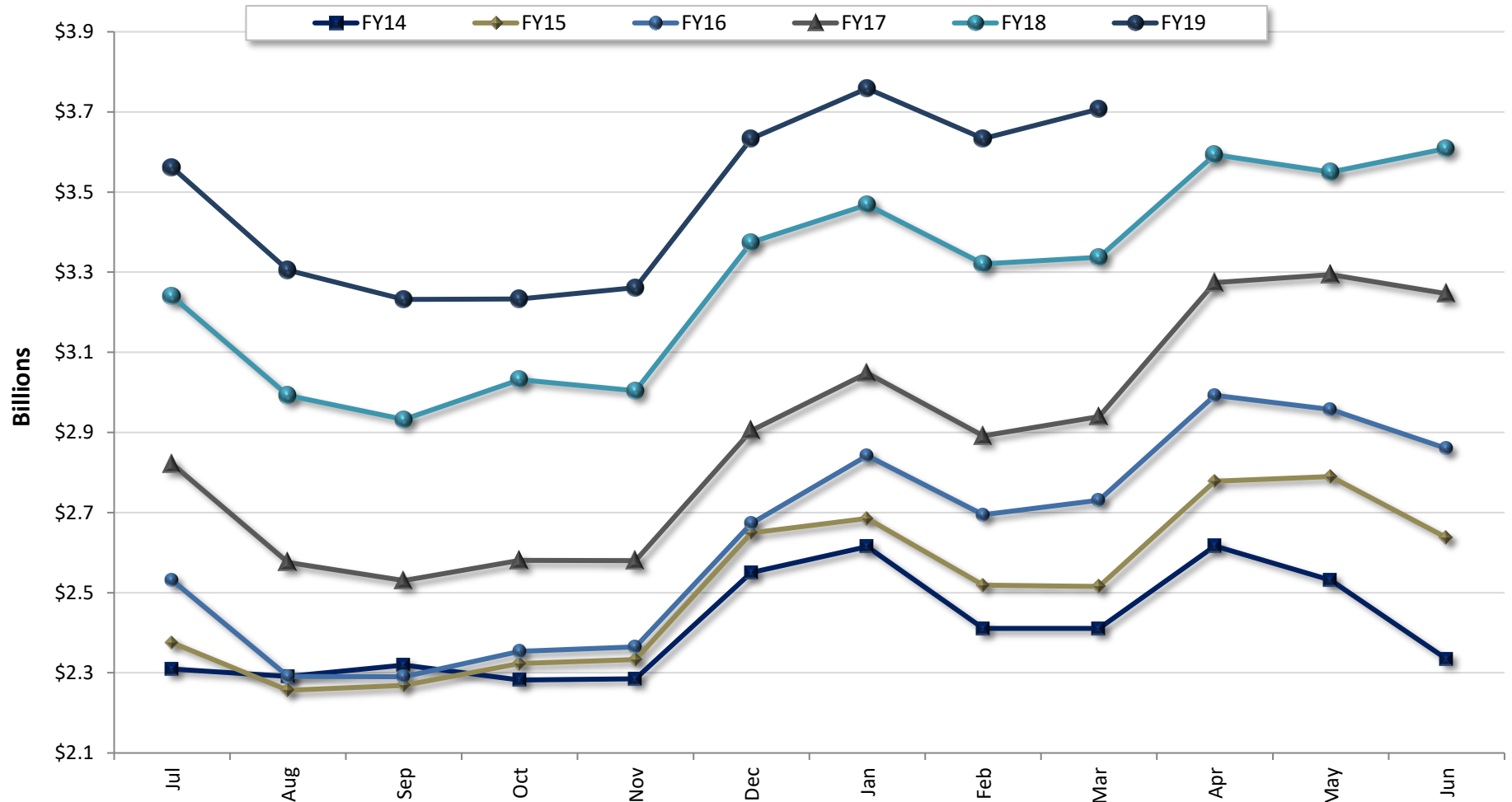
Securities are purchased with the expectation that they will be held to maturity, so unrealized gains or losses are not reflected in the yield calculations.

The market values of securities were taken from pricing services provided by Interactive Data Corporation.



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Fiscal Year 2014</b>	\$2.310	\$2.291	\$2.319	\$2.282	\$2.285	\$2.551	\$2.615	\$2.411	\$2.411	\$2.617	\$2.531	\$2.335
<b>Fiscal Year 2015</b>	\$2.375	\$2.256	\$2.269	\$2.323	\$2.333	\$2.649	\$2.685	\$2.519	\$2.515	\$2.778	\$2.790	\$2.637
<b>Fiscal Year 2016</b>	\$2.531	\$2.291	\$2.290	\$2.354	\$2.365	\$2.673	\$2.842	\$2.695	\$2.731	\$2.993	\$2.957	\$2.860
<b>Fiscal Year 2017</b>	\$2.822	\$2.576	\$2.530	\$2.581	\$2.580	\$2.905	\$3.048	\$2.891	\$2.940	\$3.274	\$3.294	\$3.247
<b>Fiscal Year 2018</b>	\$3.240	\$2.992	\$2.932	\$3.032	\$3.004	\$3.374	\$3.468	\$3.321	\$3.337	\$3.593	\$3.550	\$3.609
<b>Fiscal Year 2019</b>	\$3.562	\$3.305	\$3.232	\$3.233	\$3.262	\$3.634	\$3.759	\$3.634	\$3.707			

Figures in Billions, Average Daily Balance

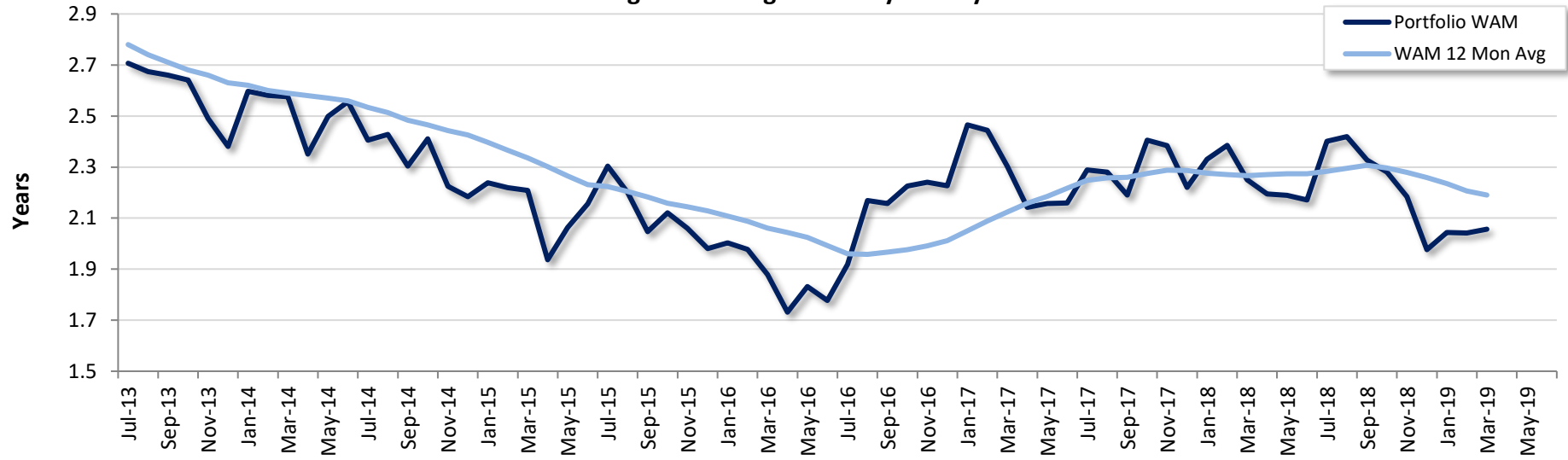


	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
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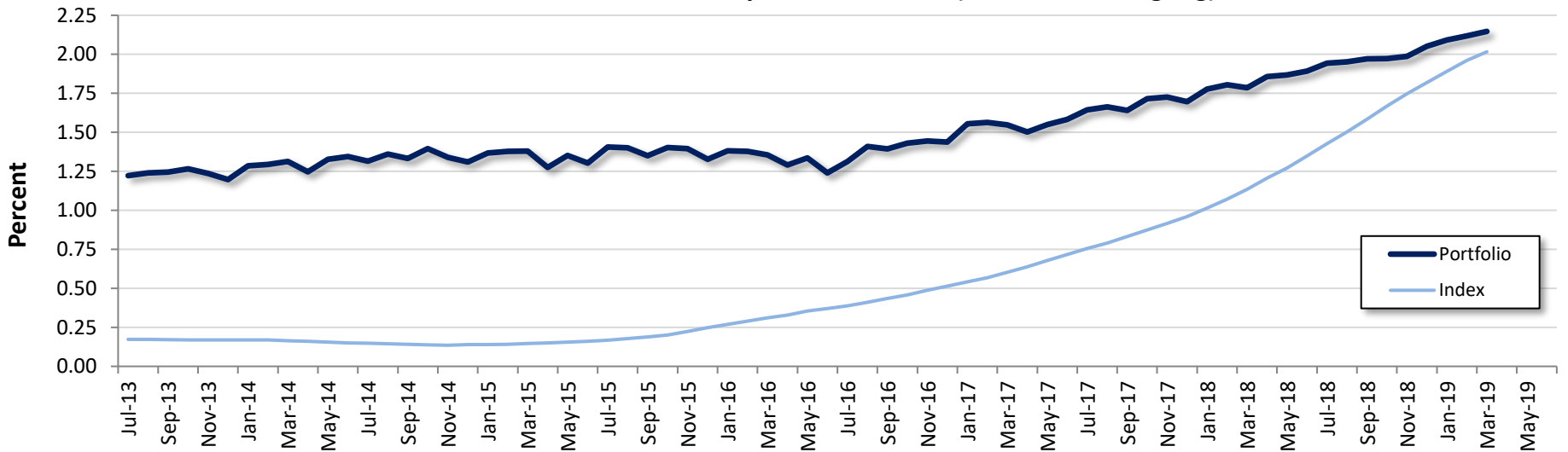
Figures in Billions, Average Daily Balance



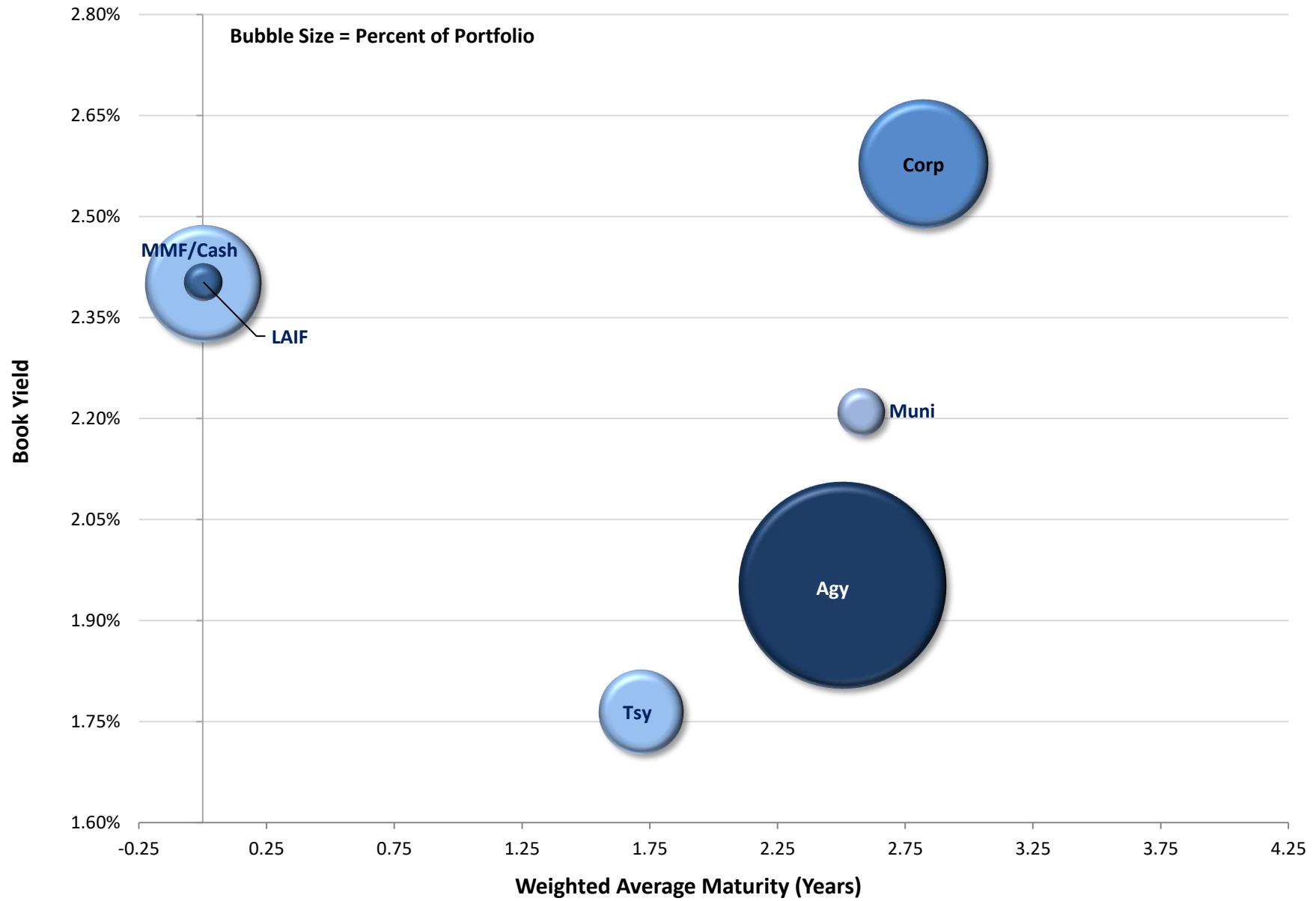
**Weighted Average Maturity History**



**Month-End Book Yield vs 1-Year Treasury Note Index Yield (24 month moving avg)**

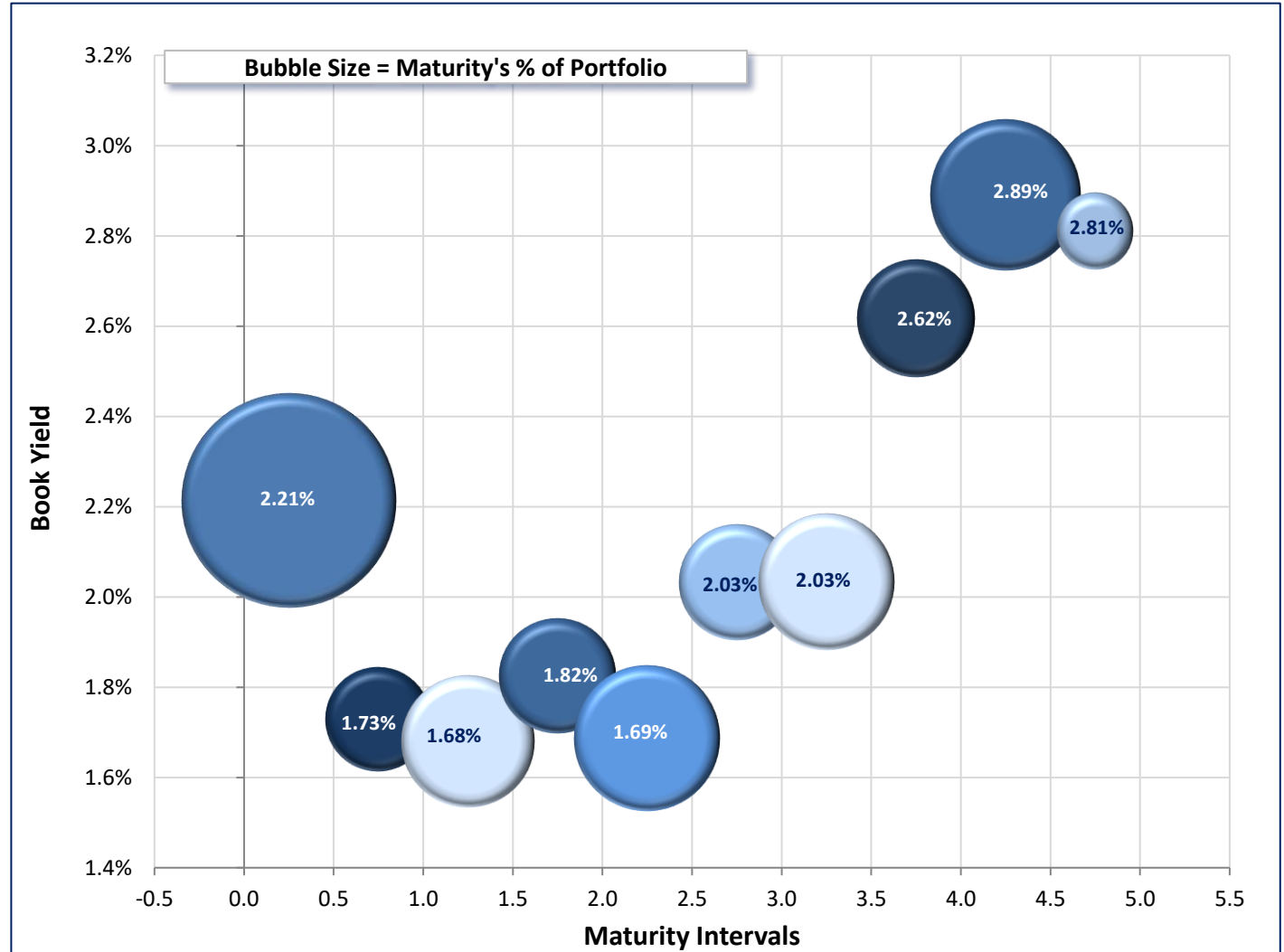


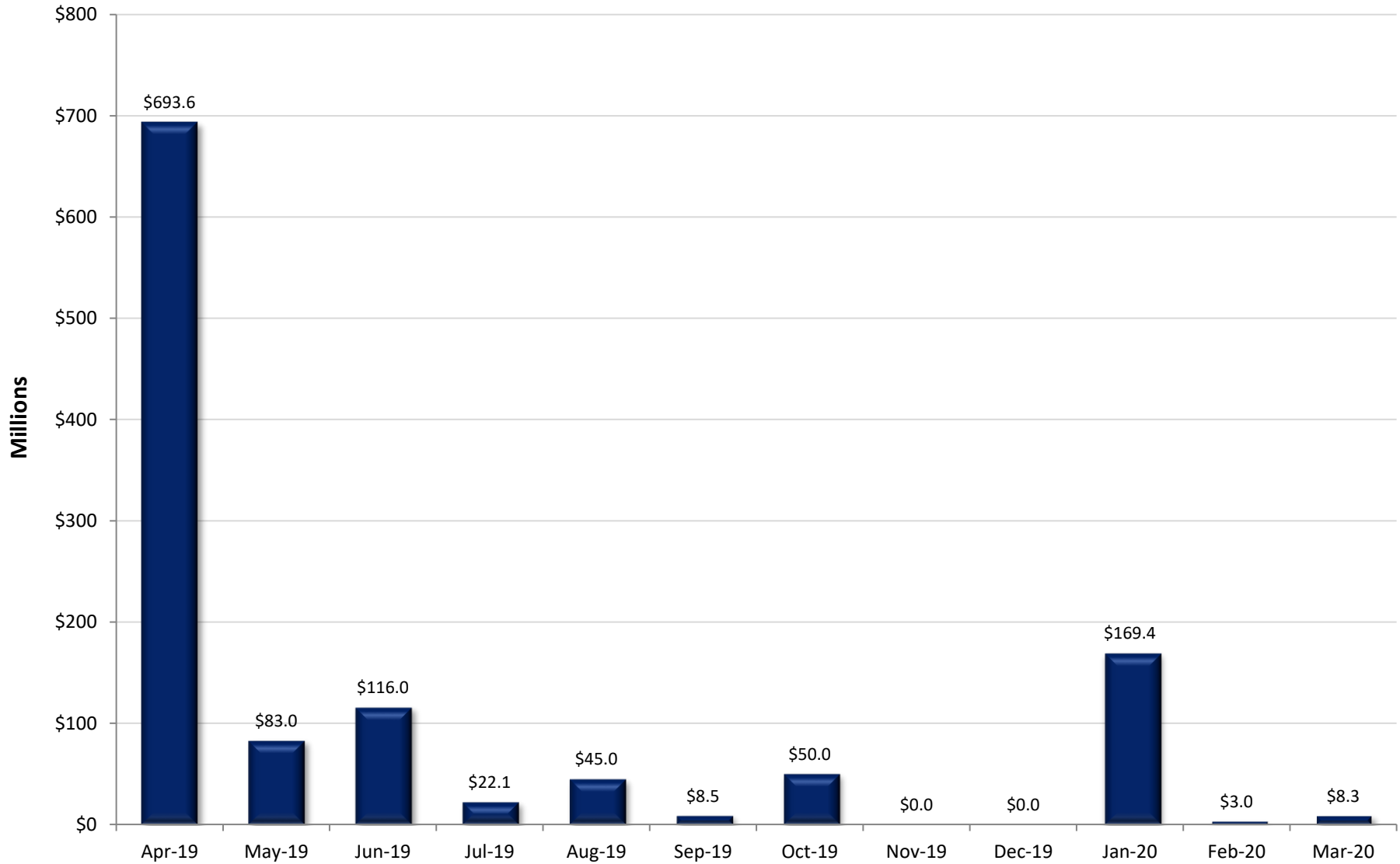
Index: 24 Month Moving Average of the ICE BofAML 1-Year US Treasury Note Index



Years	Book Yield	% of Portfolio*
0 to .5	2.21%	25.10%
.5 to 1.0	1.73%	5.98%
1.0 to 1.5	1.68%	9.56%
1.5 to 2.0	1.82%	7.30%
2.0 to 2.5	1.69%	11.52%
2.5 to 3.0	2.03%	7.27%
3.0 to 3.5	2.03%	10.06%
3.5 to 4.0	2.62%	7.56%
4.0 to 4.5	2.89%	12.45%
4.5 to 5.0+	2.81%	3.20%

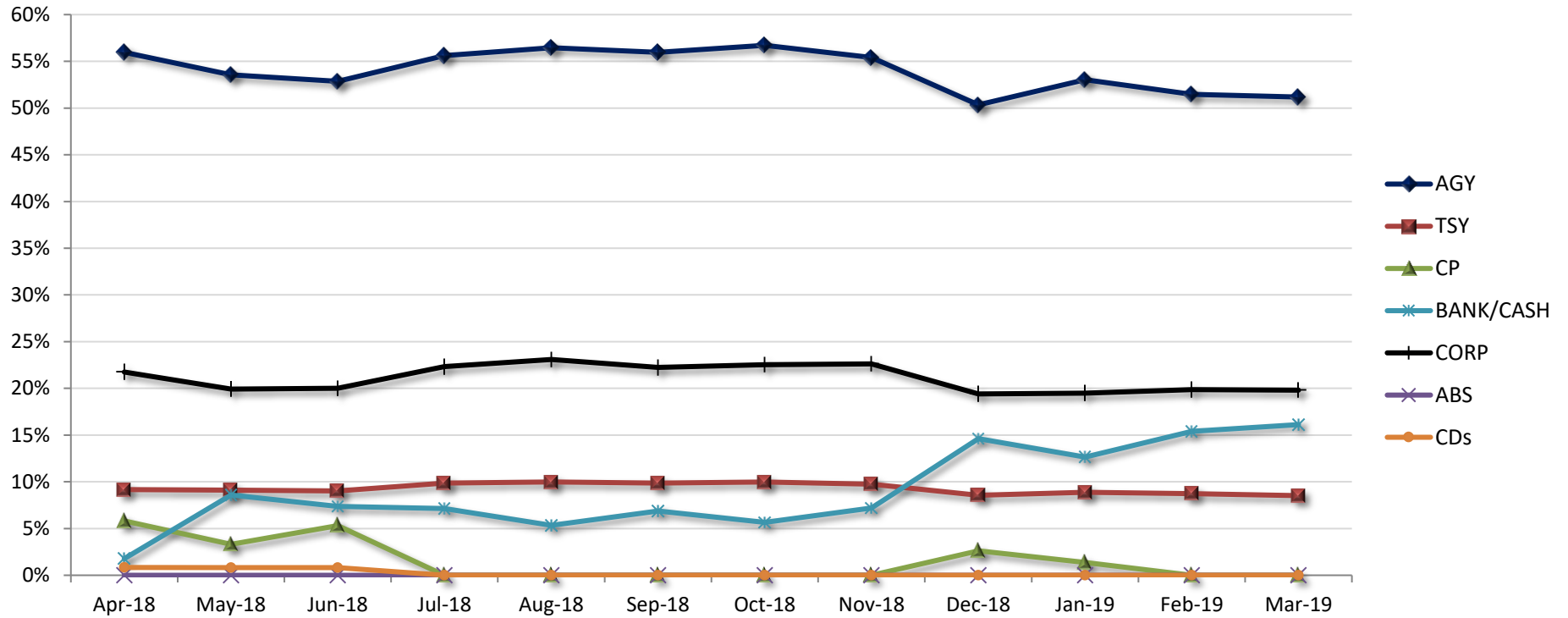
\*Based on Book Value



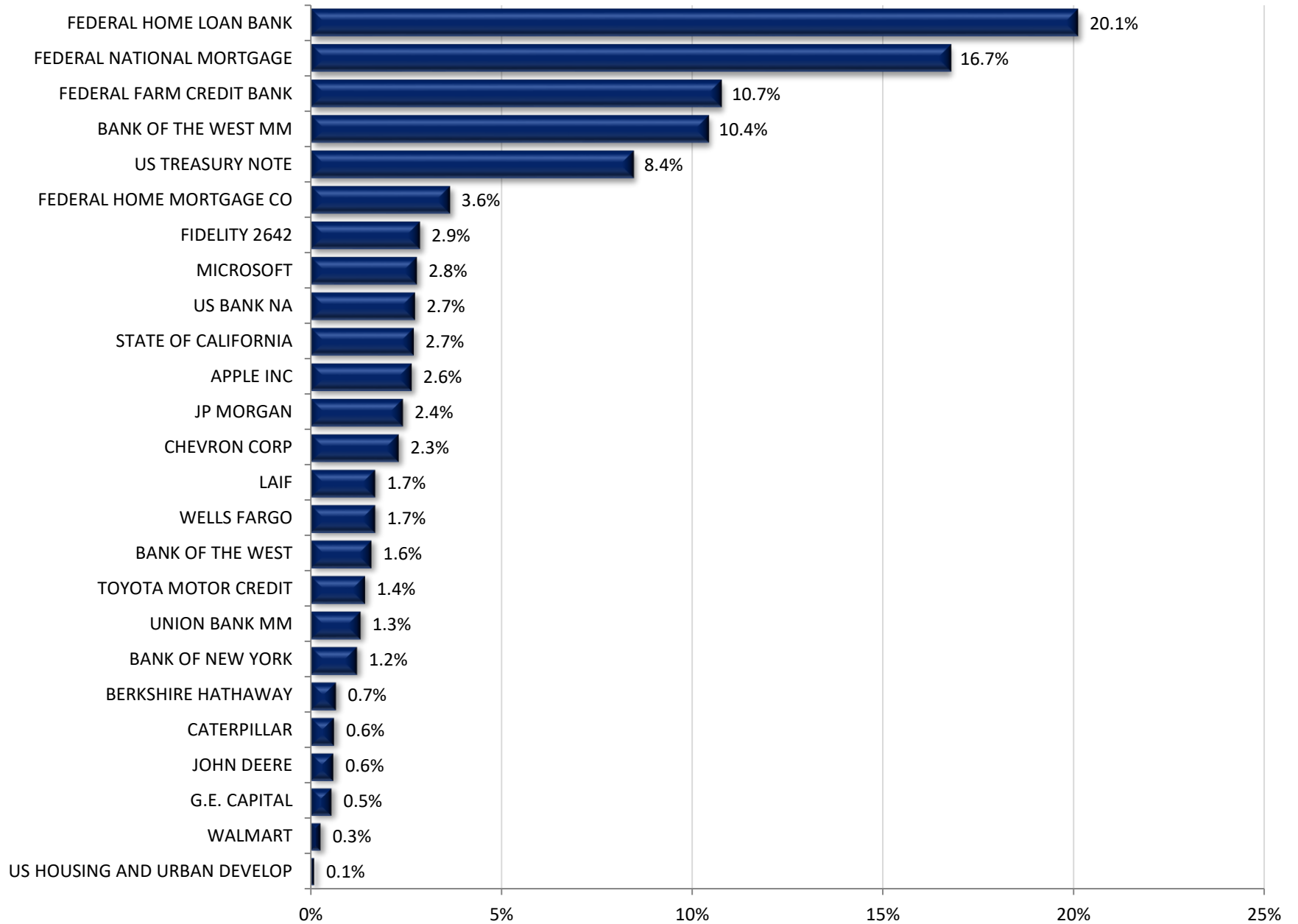


	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
<b>Maturities</b>	\$693.6	\$83.0	\$116.0	\$22.1	\$45.0	\$8.5	\$50.0	\$0.0	\$0.0	\$169.4	\$3.0	\$8.3

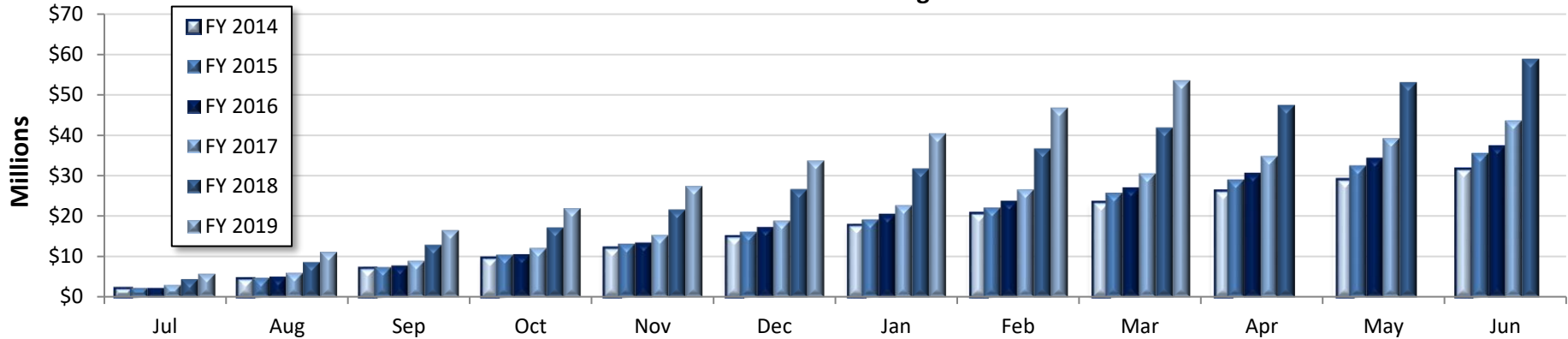
Par Value in Millions



Sector	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
<b>Agency</b>	56.0%	53.6%	52.8%	55.6%	56.4%	56.0%	56.7%	55.4%	50.3%	53.0%	51.5%	51.2%
<b>Treasury</b>	9.2%	9.1%	9.0%	9.9%	10.0%	9.9%	10.0%	9.7%	8.6%	8.9%	8.7%	8.5%
<b>Commercial Paper</b>	5.8%	3.3%	5.3%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	1.4%	0.0%	0.0%
<b>LAIF</b>	1.8%	1.8%	1.8%	2.0%	2.0%	2.0%	2.0%	1.9%	1.7%	1.8%	1.7%	1.7%
<b>Muni</b>	2.9%	2.9%	2.8%	3.1%	3.2%	3.1%	3.2%	3.1%	2.7%	2.8%	2.8%	2.7%
<b>Corporates</b>	21.7%	19.9%	20.0%	22.3%	23.1%	22.2%	22.5%	22.6%	19.4%	19.5%	19.9%	19.8%
<b>CDs</b>	0.8%	0.8%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>ABS</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Bank/Cash</b>	1.8%	8.6%	7.4%	7.2%	5.3%	6.9%	5.6%	7.2%	14.6%	12.6%	15.4%	16.1%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

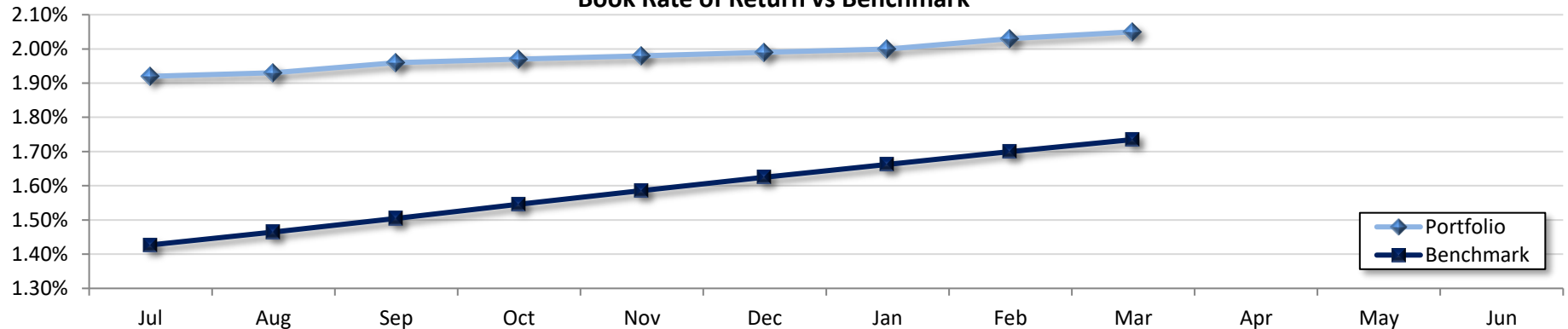


**Fiscal Year-to-Date Earnings**



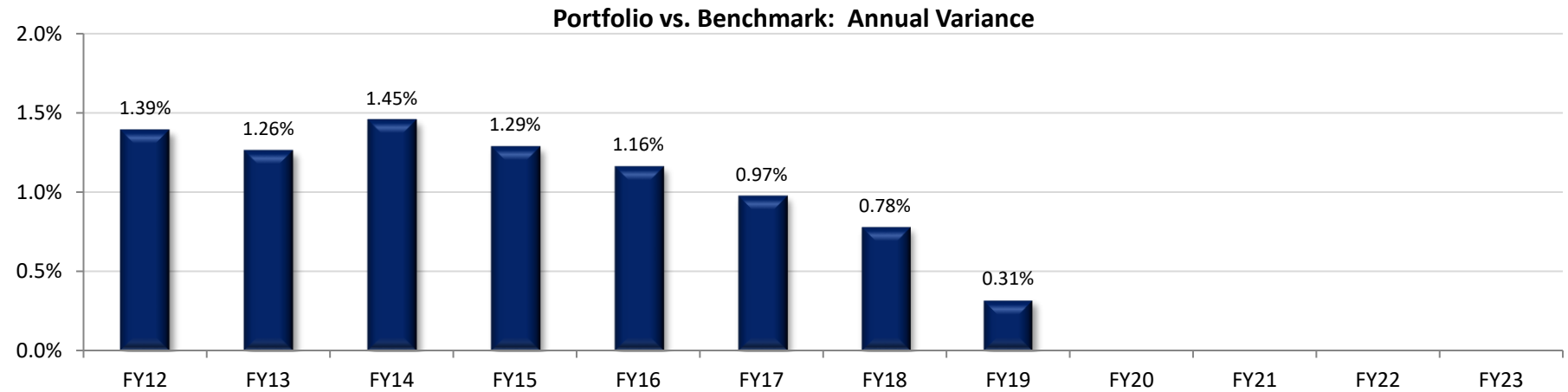
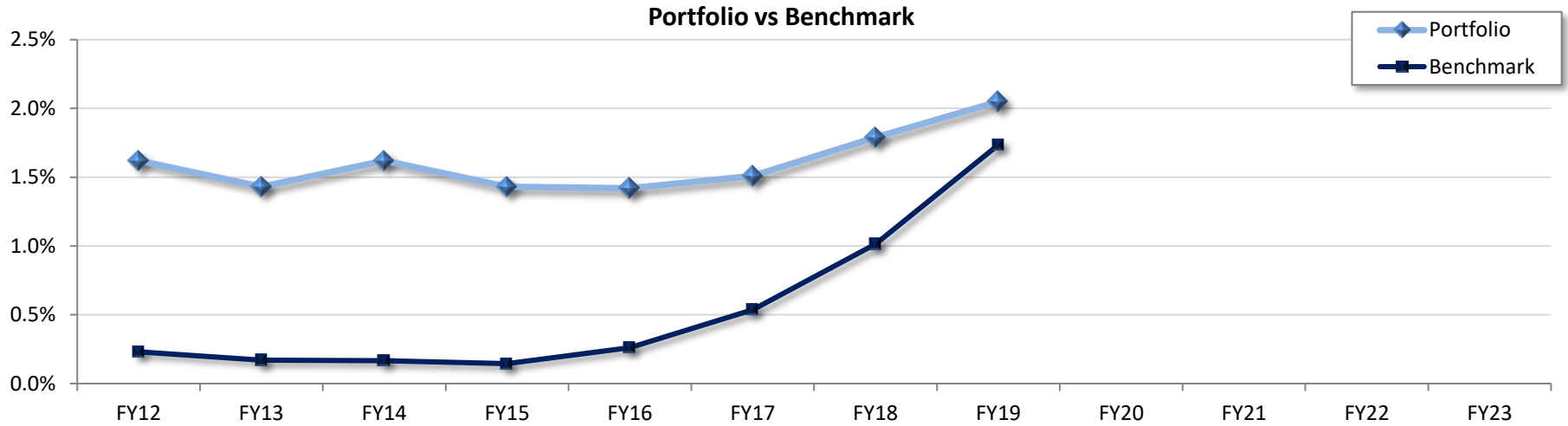
Fiscal YTD (\$Mil)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 2014	\$2.3	\$4.7	\$7.3	\$9.8	\$12.2	\$15.0	\$17.7	\$20.7	\$23.4	\$26.2	\$29.0	\$31.6
FY 2015	\$2.3	\$4.9	\$7.5	\$10.5	\$13.3	\$16.2	\$19.2	\$22.1	\$25.8	\$29.0	\$32.5	\$35.5
FY 2016	\$2.3	\$5.1	\$7.8	\$10.6	\$13.4	\$17.2	\$20.5	\$23.7	\$26.9	\$30.5	\$34.2	\$37.3
FY 2017	\$3.0	\$6.0	\$9.0	\$12.1	\$15.3	\$18.9	\$22.7	\$26.5	\$30.5	\$34.8	\$39.2	\$43.5
FY 2018	\$4.5	\$8.7	\$12.9	\$17.3	\$21.6	\$26.7	\$31.7	\$36.7	\$41.9	\$47.4	\$53.0	\$58.8
FY 2019	\$5.8	\$11.3	\$16.7	\$22.1	\$27.5	\$33.8	\$40.4	\$46.7	\$53.5			

**Book Rate of Return vs Benchmark**



Fiscal YTD	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Book Rate of Rtn	1.92%	1.93%	1.96%	1.97%	1.98%	1.99%	2.00%	2.03%	2.05%			
Benchmark*	1.43%	1.46%	1.50%	1.55%	1.59%	1.62%	1.66%	1.70%	1.74%			
Variance	0.49%	0.47%	0.46%	0.42%	0.39%	0.37%	0.34%	0.33%	0.31%			

\*Benchmark: ICE BofAML 1-Year US Treasury Note Index (24 Month Moving Average)--Average Builds Over the Fiscal Year Period

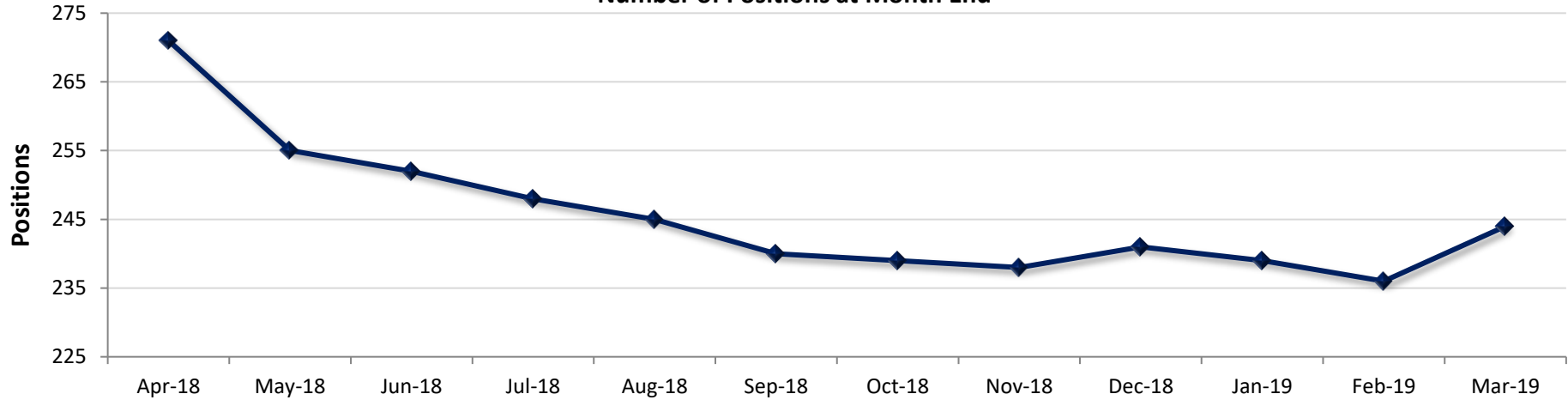


Fiscal YTD	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
<b>Portfolio</b>	1.62%	1.43%	1.62%	1.43%	1.42%	1.51%	1.79%	2.05%				
<b>Benchmark*</b>	0.23%	0.17%	0.17%	0.14%	0.26%	0.54%	1.01%	1.74%				
<b>Variance</b>	1.39%	1.26%	1.45%	1.29%	1.16%	0.97%	0.78%	0.31%				

\*Benchmark: ICE BofAML 1-Year US Treasury Note Index (24 Month Moving Average)--Average Builds Over the Fiscal Year Period

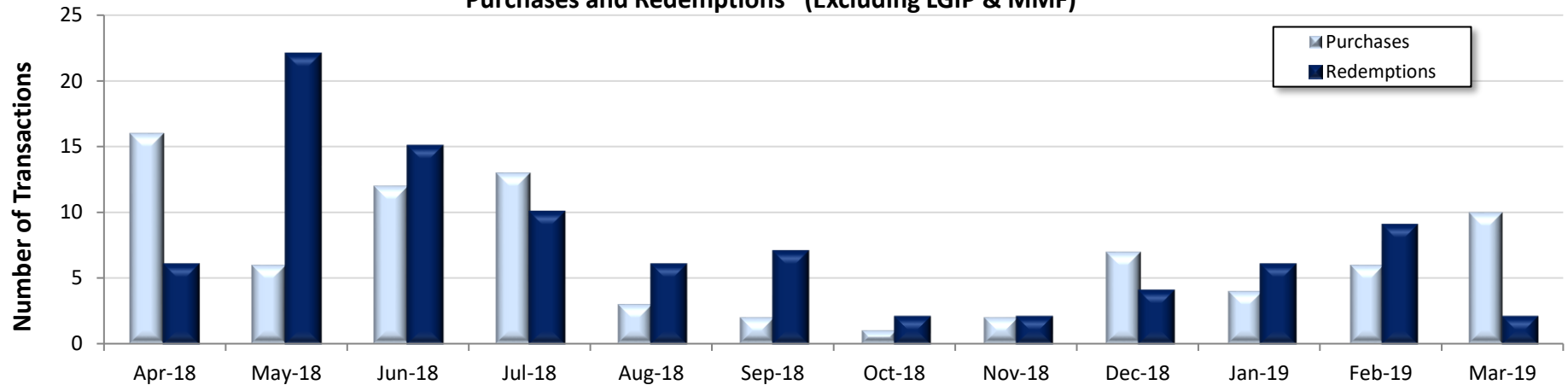


**Number of Positions at Month End**



	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
<b>Positions</b>	271	255	252	248	245	240	239	238	241	239	236	244

**Purchases and Redemptions\* (Excluding LGIP & MMF)**



\*Redemptions include maturities, calls, and sells

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
<b>Purchases</b>	16	6	12	13	3	2	1	2	7	4	6	10
<b>Redemptions</b>	6	22	15	10	6	7	2	2	4	6	9	2
<b>Total Transactions</b>	22	28	27	23	9	9	3	4	11	10	15	12

**Summary of Portfolio**

	March 2019	December 2018	September 2018	June 2018	March 2018
<b>Market Value</b>	\$3,849,252,349	\$3,770,988,770	\$3,263,439,272	\$3,602,167,778	\$3,445,620,926
<b>Amortize Cost Value</b>	\$3,857,429,169	\$3,808,681,373	\$3,325,605,518	\$3,657,258,602	\$3,492,422,560
<b>Unrealized Gain/Loss % on cost</b>	-0.21%	-0.99%	-1.87%	-1.51%	-1.34%
<b>Yield (weighted on cost value)</b>	2.15%	2.05%	1.97%	1.89%	1.79%
<b>Years to Maturity (weighted on cost value)</b>	2.06	1.98	2.33	2.17	2.25
<b>Avg Dollar-Weighted Quality Rating</b>	AA+	AA+	AA+	AA+	AA+

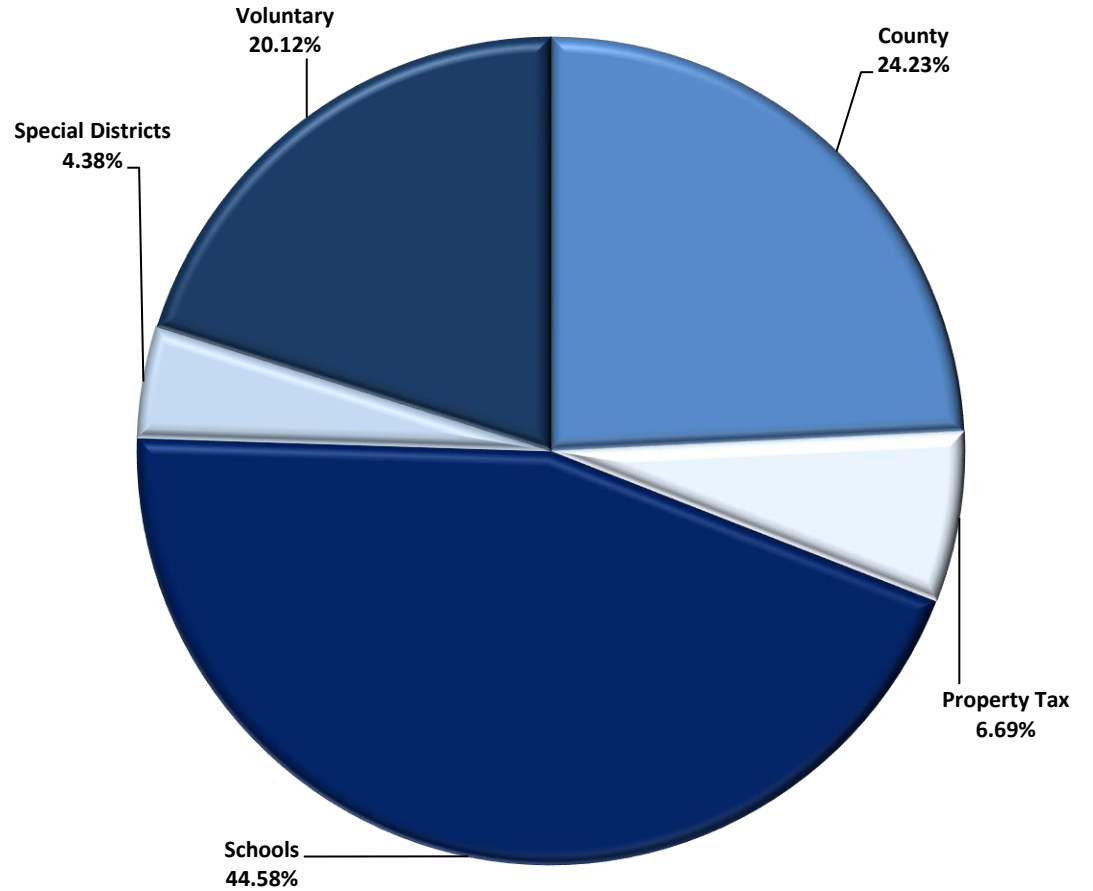
**Projection of Future Cash Flows (in millions)**

Month	Monthly Receipts (a)	Monthly Disburs. (a)	Difference	Actual Inv. Maturities	Balance
Beginning Balance (b)					686.9
4/19	715.0	563.3	151.7	6.7	845.3
5/19	408.0	491.7	-83.7	83.0	844.6
6/19	502.3	540.6	-38.3	116.0	922.3
7/19	316.7	641.6	-324.9	22.1	619.5
8/19	308.5	430.0	-121.5	45.0	543.0
9/19	443.9	398.3	45.6	8.5	597.1
<b>Totals</b>	<b>2,694.4</b>	<b>3,065.5</b>	<b>-371.1</b>	<b>281.3</b>	

(a) Monthly Receipt and Monthly Disbursement amounts are estimates based upon historical cash flows and may change as actual cash flow information becomes available.

(b) Beg. Balance is taken from Bank Accounts, Mutual Funds, and LAIF.

Entity	Portfolio \$	Portfolio %
County	951,000,010	24.23%
Property Tax	262,512,639	6.69%
Schools	1,749,576,007	44.58%
Special Districts	171,949,621	4.38%
Voluntary	789,559,794	20.12%
<b>Total</b>	<b>3,924,598,071</b>	<b>100.00%</b>





**County of Fresno  
Portfolio Management  
Portfolio Summary  
March 31, 2019**

Fresno County  
P.O. Box 1247  
Fresno, CA 93715  
(559)600-3496

<b>Investments</b>	<b>Par Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>% of Portfolio</b>	<b>Term</b>	<b>Days to Maturity</b>	<b>YTM 360 Equiv.</b>
Bank Accounts	61,076,681.71	61,076,681.71	61,076,681.71	1.58	1	1	1.509
Federal Agency Coupons	1,974,209,000.00	1,967,591,133.93	1,974,165,962.38	51.18	1,717	914	1.952
Medium Term Notes	766,705,000.00	765,087,781.01	763,778,997.95	19.80	1,667	1,030	2.578
Treasury Notes	328,500,000.00	326,005,845.00	328,701,000.41	8.52	1,459	627	1.764
Mutual Funds	110,000,000.00	110,000,000.00	110,000,000.00	2.85	1	1	2.338
Local Agency Investment Funds	65,000,000.00	65,000,000.00	65,000,000.00	1.69	1	1	2.403
Bank Money Market Accounts	450,831,332.19	450,831,332.19	450,831,332.19	11.69	1	1	2.536
Municipal Bonds	103,500,000.00	103,659,575.00	103,875,194.83	2.69	1,598	941	2.209
<b>Investments</b>	<b>3,859,822,013.90</b>	<b>3,849,252,348.84</b>	<b>3,857,429,169.47</b>	<b>100.00%</b>	<b>1,376</b>	<b>751</b>	<b>2.147</b>

<b>Total Earnings</b>	<b>March 31 Month Ending</b>	<b>Fiscal Year To Date</b>
Current Year	6,722,408.06	53,477,839.58
<b>Average Daily Balance</b>	<b>3,707,307,998.33</b>	<b>3,480,783,673.80</b>
<b>Effective Rate of Return</b>	<b>2.13%</b>	<b>2.05%</b>

Oscar J. Garcia, CPA, Treasurer/ Tax Collector

Reporting period 03/01/2019-03/31/2019

Run Date: 04/15/2019 - 11:05

Portfolio FSNO  
AC  
PM (PRF\_PM1) 7.3.0  
Report Ver. 7.3.6.1

**County of Fresno  
Portfolio Management  
Portfolio Details - Investments  
March 31, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	S&P Moody's	Maturity Date
<b>Bank Accounts</b>											
SYS03400B	03400B	BANK OF AMERICA			0.00	0.00	0.00	0.220	0.220		
SYS03400A	03400A	BANK OF THE WEST			61,076,681.71	61,076,681.71	61,076,681.71	1.530	1.530		
<b>Subtotal and Average</b>			<b>17,950,099.81</b>		<b>61,076,681.71</b>	<b>61,076,681.71</b>	<b>61,076,681.71</b>		<b>1.530</b>		
<b>Federal Agency Coupons</b>											
3133EDLR1	17248	FEDERAL FARM CREDIT BANK		05/27/2014	5,000,000.00	4,995,710.00	5,000,191.95	1.650	1.617	AA+ Aaa	05/15/2019
3133EEW55	17316	FEDERAL FARM CREDIT BANK		06/15/2015	10,000,000.00	9,930,500.00	9,990,034.88	1.800	1.887	AA+ Aaa	06/15/2020
3133EFYZ4	17359	FEDERAL FARM CREDIT BANK		02/29/2016	17,800,000.00	17,489,051.80	17,780,569.78	1.375	1.436	AA+ Aaa	02/10/2021
3133EFW52	17383	FEDERAL FARM CREDIT BANK		06/09/2016	2,060,000.00	2,053,869.44	2,060,500.34	1.150	1.051	AA+ Aaa	07/01/2019
3133EGYQ2	17410	FEDERAL FARM CREDIT BANK		10/27/2016	10,000,000.00	9,771,600.00	9,986,092.97	1.400	1.457	AA+ Aaa	10/14/2021
3133EGZJ7	17411	FEDERAL FARM CREDIT BANK		10/27/2016	10,000,000.00	9,763,060.00	9,979,767.59	1.375	1.457	AA+ Aaa	10/25/2021
3133EG5D3	17447	FEDERAL FARM CREDIT BANK		01/27/2017	50,000,000.00	49,607,400.00	50,000,000.00	2.030	2.030	AA+ Aaa	01/27/2022
3133EHJT1	17479	FEDERAL FARM CREDIT BANK		05/18/2017	5,000,000.00	4,952,840.00	4,996,431.17	2.000	2.024	AA+ Aaa	05/18/2022
3133EEY20	17495	FEDERAL FARM CREDIT BANK		09/21/2017	10,000,000.00	10,025,890.00	10,144,195.08	2.400	1.928	AA+ Aaa	06/17/2022
3133EHVS9	17499	FEDERAL FARM CREDIT BANK		09/28/2017	5,500,000.00	5,414,442.00	5,476,581.22	1.840	1.972	AA+ Aaa	08/23/2022
3133EJBP3	17535	FEDERAL FARM CREDIT BANK		02/07/2018	10,000,000.00	10,063,480.00	9,966,863.69	2.500	2.593	AA+ Aaa	02/02/2023
3133EJBP3	17536	FEDERAL FARM CREDIT BANK		02/28/2018	51,180,000.00	51,504,890.64	50,701,578.13	2.500	2.762	AA+ Aaa	02/02/2023
3133EH7F4	17557	FEDERAL FARM CREDIT BANK		04/19/2018	19,869,000.00	19,886,782.76	19,555,114.03	2.350	2.797	AA+ Aaa	01/17/2023
3133EJUS6	17584	FEDERAL FARM CREDIT BANK		07/17/2018	20,000,000.00	20,438,880.00	19,997,766.89	2.875	2.878	AA+ Aaa	07/17/2023
3133EJUS6	17589	FEDERAL FARM CREDIT BANK		07/25/2018	30,000,000.00	30,658,320.00	29,916,919.75	2.875	2.945	AA+ Aaa	07/17/2023
3133EJUS6	17593	FEDERAL FARM CREDIT BANK		09/19/2018	10,000,000.00	10,219,440.00	9,938,640.35	2.875	3.029	AA+ Aaa	07/17/2023
3133EJK57	17606	FEDERAL FARM CREDIT BANK		12/20/2018	17,000,000.00	17,516,596.00	17,208,638.13	3.080	2.775	AA+ Aaa	07/24/2023
3133EJUS6	17607	FEDERAL FARM CREDIT BANK		12/20/2018	2,910,000.00	2,973,857.04	2,921,789.36	2.875	2.774	AA+ Aaa	07/17/2023
3133EJ4G1	17610	FEDERAL FARM CREDIT BANK		12/28/2018	65,000,000.00	66,155,310.00	64,955,101.78	2.770	2.787	AA+ Aaa	07/28/2023
3133EJUS6	17615	FEDERAL FARM CREDIT BANK		01/18/2019	20,000,000.00	20,438,880.00	20,159,157.44	2.875	2.679	AA+ Aaa	07/17/2023
3133EJ5W5	17618	FEDERAL FARM CREDIT BANK		02/26/2019	2,945,000.00	2,984,309.86	2,960,614.19	2.650	2.583	AA+ Aaa	10/23/2023
3133EKBW5	17620	FEDERAL FARM CREDIT BANK		02/28/2019	20,000,000.00	20,242,500.00	20,019,551.75	2.610	2.590	AA+ Aaa	02/27/2024
3133EKBW5	17622	FEDERAL FARM CREDIT BANK		03/01/2019	20,000,000.00	20,242,500.00	19,990,067.26	2.610	2.627	AA+ Aaa	02/27/2024
313379EE5	17250	FEDERAL HOME LOAN BANK		06/18/2014	5,000,000.00	4,992,100.00	4,997,752.28	1.625	1.858	AA+ Aaa	06/14/2019
3130A2FH4	17256	FEDERAL HOME LOAN BANK		09/02/2014	20,000,000.00	19,973,540.00	20,000,339.14	1.750	1.741	AA+ Aaa	06/14/2019
313379EE5	17259	FEDERAL HOME LOAN BANK		09/10/2014	10,000,000.00	9,984,200.00	9,995,685.59	1.625	1.848	AA+ Aaa	06/14/2019
3130A2FH4	17260	FEDERAL HOME LOAN BANK		09/10/2014	10,000,000.00	9,986,770.00	9,998,121.34	1.750	1.847	AA+ Aaa	06/14/2019
3133X72S2	17272	FEDERAL HOME LOAN BANK		12/09/2014	10,000,000.00	10,035,480.00	10,043,007.52	5.375	1.706	AA+ Aaa	05/15/2019
3133X72S2	17279	FEDERAL HOME LOAN BANK		12/19/2014	20,500,000.00	20,572,734.00	20,588,998.85	5.375	1.675	AA+ Aaa	05/15/2019
313383HU8	17315	FEDERAL HOME LOAN BANK		06/12/2015	20,000,000.00	19,837,700.00	19,999,770.13	1.750	1.751	AA+ Aaa	06/12/2020
313383HU8	17317	FEDERAL HOME LOAN BANK		06/26/2015	12,615,000.00	12,512,629.28	12,604,064.98	1.750	1.826	AA+ Aaa	06/12/2020

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<b>Federal Agency Coupons</b>											
3130A7CV5	17363	FEDERAL HOME LOAN BANK		03/03/2016	5,000,000.00	4,912,335.00	4,986,370.87	1.375	1.526	AA+ Aaa	02/18/2021
313376XN0	17364	FEDERAL HOME LOAN BANK		03/03/2016	820,000.00	815,941.82	827,949.89	2.100	1.554	AA+ Aaa	02/08/2021
3130A7CV5	17371	FEDERAL HOME LOAN BANK		04/21/2016	10,000,000.00	9,824,670.00	9,994,894.24	1.375	1.403	AA+ Aaa	02/18/2021
313381CA1	17372	FEDERAL HOME LOAN BANK		04/21/2016	5,000,000.00	4,923,440.00	5,000,482.16	1.375	1.369	AA+ Aaa	12/11/2020
3130A7CV5	17376	FEDERAL HOME LOAN BANK		05/20/2016	5,000,000.00	4,912,335.00	4,991,656.41	1.375	1.467	AA+ Aaa	02/18/2021
3130A7CV5	17379	FEDERAL HOME LOAN BANK		05/25/2016	10,000,000.00	9,824,670.00	9,978,986.37	1.375	1.491	AA+ Aaa	02/18/2021
3130A1W95	17386	FEDERAL HOME LOAN BANK		07/15/2016	30,000,000.00	29,943,210.00	30,636,544.96	2.250	1.250	AA+ Aaa	06/11/2021
3130A7CV5	17388	FEDERAL HOME LOAN BANK		08/08/2016	10,000,000.00	9,824,670.00	10,036,699.21	1.375	1.174	AA+ Aaa	02/18/2021
3130A8QS5	17389	FEDERAL HOME LOAN BANK		08/08/2016	15,000,000.00	14,604,930.00	14,960,518.24	1.125	1.244	AA+ Aaa	07/14/2021
313379RB7	17392	FEDERAL HOME LOAN BANK		08/17/2016	10,000,000.00	9,896,250.00	10,120,388.89	1.875	1.307	AA+ Aaa	06/11/2021
3130A8QS5	17399	FEDERAL HOME LOAN BANK		08/29/2016	3,955,000.00	3,850,833.21	3,938,085.31	1.125	1.319	AA+ Aaa	07/14/2021
3130A8QS5	17400	FEDERAL HOME LOAN BANK		09/13/2016	15,000,000.00	14,604,930.00	14,931,772.78	1.125	1.331	AA+ Aaa	07/14/2021
3130A8QS5	17403	FEDERAL HOME LOAN BANK		09/28/2016	10,000,000.00	9,736,620.00	9,974,532.39	1.125	1.240	AA+ Aaa	07/14/2021
3133752P1	17405	FEDERAL HOME LOAN BANK		10/05/2016	5,700,000.00	5,850,736.50	5,976,348.62	3.500	1.342	AA+ Aaa	07/29/2021
3130A8QS5	17408	FEDERAL HOME LOAN BANK		10/13/2016	10,000,000.00	9,736,620.00	9,934,915.18	1.125	1.420	AA+ Aaa	07/14/2021
3130A8QS5	17414	FEDERAL HOME LOAN BANK		11/14/2016	10,000,000.00	9,736,620.00	9,910,944.54	1.125	1.530	AA+ Aaa	07/14/2021
3130A1W95	17420	FEDERAL HOME LOAN BANK		11/29/2016	18,470,000.00	18,435,036.29	18,629,055.90	2.250	1.839	AA+ Aaa	06/11/2021
3130A7CV5	17457	FEDERAL HOME LOAN BANK		03/20/2017	20,000,000.00	19,649,340.00	19,823,364.55	1.375	1.864	AA+ Aaa	02/18/2021
3130AAX45	17460	FEDERAL HOME LOAN BANK		03/28/2017	15,000,000.00	14,862,975.00	15,028,219.86	1.875	1.768	AA+ Aaa	01/28/2021
3130A8QS5	17464	FEDERAL HOME LOAN BANK		04/06/2017	20,000,000.00	19,473,240.00	19,701,136.17	1.125	1.807	AA+ Aaa	07/14/2021
3130AB3M6	17465	FEDERAL HOME LOAN BANK		04/10/2017	5,000,000.00	4,953,915.00	5,002,395.07	1.875	1.853	AA+ Aaa	06/30/2021
313379RB7	17466	FEDERAL HOME LOAN BANK		04/11/2017	15,000,000.00	14,844,375.00	15,009,085.00	1.875	1.846	AA+ Aaa	06/11/2021
313379Q69	17485	FEDERAL HOME LOAN BANK		06/28/2017	5,000,000.00	4,974,330.00	5,035,301.77	2.125	1.892	AA+ Aaa	06/10/2022
313379Q69	17486	FEDERAL HOME LOAN BANK		06/28/2017	5,000,000.00	4,974,330.00	5,035,334.01	2.125	1.892	AA+ Aaa	06/10/2022
313379Q69	17487	FEDERAL HOME LOAN BANK		06/28/2017	3,820,000.00	3,800,388.12	3,847,450.85	2.125	1.888	AA+ Aaa	06/10/2022
313379Q69	17488	FEDERAL HOME LOAN BANK		07/07/2017	13,470,000.00	13,400,845.02	13,519,669.66	2.125	2.003	AA+ Aaa	06/10/2022
3130AC5A8	17494	FEDERAL HOME LOAN BANK		09/19/2017	10,000,000.00	9,857,490.00	9,985,055.29	1.850	1.896	AA+ Aaa	08/15/2022
3130AC5A8	17496	FEDERAL HOME LOAN BANK		09/27/2017	9,280,000.00	9,147,750.72	9,257,416.89	1.850	1.926	AA+ Aaa	08/15/2022
313379Q69	17498	FEDERAL HOME LOAN BANK		09/27/2017	20,000,000.00	19,897,320.00	20,148,901.71	2.125	1.880	AA+ Aaa	06/10/2022
3130ACKC7	17500	FEDERAL HOME LOAN BANK		10/18/2017	50,000,000.00	49,460,750.00	50,000,000.00	1.950	1.950	AA+ Aaa	07/18/2022
3130ACM27	17502	FEDERAL HOME LOAN BANK		10/12/2017	15,000,000.00	14,839,155.00	14,989,435.93	1.950	1.973	AA+ Aaa	07/11/2022
3130ACM27	17509	FEDERAL HOME LOAN BANK		10/19/2017	4,455,000.00	4,407,229.04	4,447,432.78	1.950	2.005	AA+ Aaa	07/11/2022
3130ACUV4	17512	FEDERAL HOME LOAN BANK		11/30/2017	50,000,000.00	49,647,000.00	50,000,000.00	2.070	2.070	AA+ Aaa	07/29/2022
3130ACUZ5	17513	FEDERAL HOME LOAN BANK		11/24/2017	23,000,000.00	22,839,483.00	22,984,879.35	2.060	2.082	AA+ Aaa	05/24/2022
3130ACY3	17515	FEDERAL HOME LOAN BANK		12/05/2017	20,000,000.00	19,878,120.00	19,987,009.95	2.100	2.121	AA+ Aaa	07/27/2022
313379Q69	17516	FEDERAL HOME LOAN BANK		12/01/2017	2,000,000.00	1,989,732.00	1,999,511.90	2.125	2.133	AA+ Aaa	06/10/2022

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<b>Federal Agency Coupons</b>											
3130ACUV4	17517	FEDERAL HOME LOAN BANK		12/06/2017	8,890,000.00	8,827,236.60	8,863,594.07	2.070	2.165	AA+ Aaa	07/29/2022
313379Q69	17527	FEDERAL HOME LOAN BANK		12/20/2017	1,900,000.00	1,890,245.40	1,894,098.85	2.125	2.228	AA+ Aaa	06/10/2022
3130A5P45	17528	FEDERAL HOME LOAN BANK		12/20/2017	1,925,000.00	1,929,824.05	1,933,562.93	2.375	2.228	AA+ Aaa	06/10/2022
3130ACXH2	17567	FEDERAL HOME LOAN BANK		12/04/2017	25,000,000.00	24,795,150.00	24,940,818.72	2.020	2.099	AA+ Aaa	05/25/2022
3130AEEW6	17572	FEDERAL HOME LOAN BANK		06/07/2018	21,150,000.00	21,538,948.50	21,042,033.63	2.760	2.893	AA+ Aaa	05/30/2023
3130AEAP5	17576	FEDERAL HOME LOAN BANK		05/30/2018	50,000,000.00	51,146,600.00	49,978,805.81	2.875	2.886	AA+ Aaa	05/30/2023
3130AFBD8	17608	FEDERAL HOME LOAN BANK		12/20/2018	12,500,000.00	12,923,700.00	12,676,914.21	3.125	2.774	AA+ Aaa	07/25/2023
3130A0F70	17613	FEDERAL HOME LOAN BANK		01/18/2019	10,000,000.00	10,454,830.00	10,318,538.86	3.375	2.730	AA+ Aaa	12/08/2023
3130AFQL4	17614	FEDERAL HOME LOAN BANK		01/18/2019	10,000,000.00	10,147,890.00	9,977,275.40	2.640	2.699	AA+ Aaa	10/27/2023
3130AFQL4	17619	FEDERAL HOME LOAN BANK		02/26/2019	4,905,000.00	4,977,540.05	4,931,754.88	2.640	2.583	AA+ Aaa	10/27/2023
3130AFRW9	17621	FEDERAL HOME LOAN BANK		02/28/2019	20,000,000.00	20,360,180.00	20,104,252.19	2.700	2.574	AA+ Aaa	08/28/2023
3130AFRW9	17623	FEDERAL HOME LOAN BANK		03/01/2019	20,000,000.00	20,360,180.00	20,082,525.05	2.700	2.606	AA+ Aaa	08/28/2023
3137EADK2	17275	FEDERAL HOME MORTGAGE CO		12/11/2014	15,000,000.00	14,939,700.00	14,981,101.08	1.250	1.644	AA+ Aaa	08/01/2019
3137EADK2	17276	FEDERAL HOME MORTGAGE CO		12/11/2014	20,000,000.00	19,919,600.00	19,975,051.50	1.250	1.640	AA+ Aaa	08/01/2019
3137EADM8	17280	FEDERAL HOME MORTGAGE CO		12/19/2014	20,000,000.00	19,878,600.00	19,951,950.44	1.250	1.750	AA+ Aaa	10/02/2019
3137EADM8	17281	FEDERAL HOME MORTGAGE CO		12/19/2014	20,000,000.00	19,878,600.00	19,952,139.52	1.250	1.748	AA+ Aaa	10/02/2019
3137EADM8	17282	FEDERAL HOME MORTGAGE CO		12/19/2014	10,000,000.00	9,939,300.00	9,976,069.76	1.250	1.748	AA+ Aaa	10/02/2019
3137EADR7	17303	FEDERAL HOME MORTGAGE CO		05/06/2015	10,000,000.00	9,886,690.00	9,973,340.95	1.375	1.632	AA+ Aaa	05/01/2020
3137EADR7	17309	FEDERAL HOME MORTGAGE CO		05/08/2015	10,000,000.00	9,886,690.00	9,971,819.07	1.375	1.647	AA+ Aaa	05/01/2020
3134G44G0	17328	FEDERAL HOME MORTGAGE CO		10/29/2015	5,000,000.00	4,949,340.00	4,998,677.45	1.500	1.524	AA+ Aaa	05/22/2020
3137EAEB1	17391	FEDERAL HOME MORTGAGE CO		08/11/2016	10,000,000.00	9,952,340.00	9,998,223.82	0.875	0.935	AA+ Aaa	07/19/2019
3137EAEC9	17393	FEDERAL HOME MORTGAGE CO		08/17/2016	10,000,000.00	9,728,250.00	9,954,961.00	1.125	1.322	AA+ Aaa	08/12/2021
3134G9M79	17463	FEDERAL HOME MORTGAGE CO		04/06/2017	4,410,000.00	4,366,482.12	4,409,290.54	1.875	1.882	AA+ Aaa	07/26/2021
3134G9N86	17476	FEDERAL HOME MORTGAGE CO		05/11/2017	6,170,000.00	6,109,058.91	6,166,597.55	1.875	1.900	AA+ Aaa	07/27/2021
3135G0ZE6	17251	FEDERAL NATIONAL MORTGAGE		06/18/2014	5,000,000.00	4,992,020.00	4,998,895.23	1.750	1.856	AA+ Aaa	06/20/2019
3135G0ZE6	17269	FEDERAL NATIONAL MORTGAGE		10/01/2014	30,000,000.00	29,952,120.00	29,993,904.12	1.750	1.847	AA+ Aaa	06/20/2019
3135G0ZE6	17277	FEDERAL NATIONAL MORTGAGE		12/11/2014	10,000,000.00	9,984,040.00	10,003,161.94	1.750	1.600	AA+ Aaa	06/20/2019
3135G0ZE6	17278	FEDERAL NATIONAL MORTGAGE		12/19/2014	26,000,000.00	25,958,504.00	26,004,927.83	1.750	1.660	AA+ Aaa	06/20/2019
3135G0A78	17299	FEDERAL NATIONAL MORTGAGE		03/04/2015	20,000,000.00	19,871,040.00	19,988,116.11	1.625	1.702	AA+ Aaa	01/21/2020
3135G0A78	17307	FEDERAL NATIONAL MORTGAGE		05/08/2015	10,000,000.00	9,935,520.00	10,000,205.55	1.625	1.622	AA+ Aaa	01/21/2020
3135G0A78	17308	FEDERAL NATIONAL MORTGAGE		05/08/2015	10,000,000.00	9,935,520.00	10,000,371.71	1.625	1.620	AA+ Aaa	01/21/2020
3135G0A78	17312	FEDERAL NATIONAL MORTGAGE		06/03/2015	15,000,000.00	14,903,280.00	14,998,823.83	1.625	1.635	AA+ Aaa	01/21/2020
3135G0D75	17327	FEDERAL NATIONAL MORTGAGE		10/29/2015	20,000,000.00	19,784,760.00	19,991,723.01	1.500	1.535	AA+ Aaa	06/22/2020
3135G0A78	17329	FEDERAL NATIONAL MORTGAGE		10/29/2015	10,000,000.00	9,935,520.00	10,014,233.25	1.625	1.442	AA+ Aaa	01/21/2020
3135G0RM7	17330	FEDERAL NATIONAL MORTGAGE		10/30/2015	10,060,000.00	9,946,935.66	10,068,204.60	1.630	1.576	AA+ Aaa	10/30/2020
3135G0D75	17331	FEDERAL NATIONAL MORTGAGE		10/30/2015	5,950,000.00	5,885,966.10	5,945,150.71	1.500	1.569	AA+ Aaa	06/22/2020

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<b>Federal Agency Coupons</b>											
3135G0A78	17332	FEDERAL NATIONAL MORTGAGE		11/04/2015	10,000,000.00	9,935,520.00	10,007,837.84	1.625	1.524	AA+ Aaa	01/21/2020
3135G0D75	17333	FEDERAL NATIONAL MORTGAGE		11/04/2015	5,000,000.00	4,946,190.00	4,992,583.90	1.500	1.626	AA+ Aaa	06/22/2020
3135G0D75	17334	FEDERAL NATIONAL MORTGAGE		11/04/2015	5,000,000.00	4,946,190.00	4,992,531.03	1.500	1.627	AA+ Aaa	06/22/2020
3135G0A78	17335	FEDERAL NATIONAL MORTGAGE		11/06/2015	10,000,000.00	9,935,520.00	10,002,779.41	1.625	1.589	AA+ Aaa	01/21/2020
3135G0D75	17336	FEDERAL NATIONAL MORTGAGE		11/06/2015	5,000,000.00	4,946,190.00	4,989,504.41	1.500	1.679	AA+ Aaa	06/22/2020
3135G0D75	17338	FEDERAL NATIONAL MORTGAGE		12/17/2015	30,000,000.00	29,677,140.00	29,903,628.61	1.500	1.774	AA+ Aaa	06/22/2020
3135G0D75	17339	FEDERAL NATIONAL MORTGAGE		12/17/2015	20,000,000.00	19,784,760.00	19,931,301.70	1.500	1.793	AA+ Aaa	06/22/2020
3135G0D75	17340	FEDERAL NATIONAL MORTGAGE		12/22/2015	10,000,000.00	9,892,380.00	9,976,273.11	1.500	1.702	AA+ Aaa	06/22/2020
3135G0A78	17341	FEDERAL NATIONAL MORTGAGE		12/22/2015	20,000,000.00	19,871,040.00	20,001,689.86	1.625	1.614	AA+ Aaa	01/21/2020
3135G0A78	17342	FEDERAL NATIONAL MORTGAGE		12/23/2015	10,000,000.00	9,935,520.00	10,000,533.38	1.625	1.618	AA+ Aaa	01/21/2020
3135G0D75	17343	FEDERAL NATIONAL MORTGAGE		12/23/2015	10,000,000.00	9,892,380.00	9,974,395.31	1.500	1.718	AA+ Aaa	06/22/2020
3135G0A78	17344	FEDERAL NATIONAL MORTGAGE		12/23/2015	20,000,000.00	19,871,040.00	20,000,758.58	1.625	1.620	AA+ Aaa	01/21/2020
3135G0H55	17374	FEDERAL NATIONAL MORTGAGE		05/20/2016	10,000,000.00	9,926,650.00	10,076,934.19	1.875	1.417	AA+ Aaa	12/28/2020
3135G0K69	17380	FEDERAL NATIONAL MORTGAGE		05/25/2016	10,000,000.00	9,784,130.00	9,945,047.36	1.250	1.523	AA+ Aaa	05/06/2021
3135G0N82	17396	FEDERAL NATIONAL MORTGAGE		08/29/2016	10,000,000.00	9,755,440.00	9,989,994.18	1.250	1.294	AA+ Aaa	08/17/2021
3135G0N82	17397	FEDERAL NATIONAL MORTGAGE		08/29/2016	10,000,000.00	9,755,440.00	9,979,940.49	1.250	1.337	AA+ Aaa	08/17/2021
3135G0N82	17398	FEDERAL NATIONAL MORTGAGE		08/29/2016	10,000,000.00	9,755,440.00	9,975,296.64	1.250	1.358	AA+ Aaa	08/17/2021
3135G0K69	17402	FEDERAL NATIONAL MORTGAGE		09/28/2016	25,000,000.00	24,460,325.00	25,007,590.87	1.250	1.235	AA+ Aaa	05/06/2021
3135G0Q89	17406	FEDERAL NATIONAL MORTGAGE		10/07/2016	20,000,000.00	19,558,060.00	19,983,490.67	1.375	1.409	AA+ Aaa	10/07/2021
3135G0Q89	17407	FEDERAL NATIONAL MORTGAGE		10/13/2016	10,000,000.00	9,779,030.00	9,970,204.01	1.375	1.498	AA+ Aaa	10/07/2021
3135G0Q89	17409	FEDERAL NATIONAL MORTGAGE		10/27/2016	5,000,000.00	4,889,515.00	4,990,685.51	1.375	1.452	AA+ Aaa	10/07/2021
3135G0K69	17412	FEDERAL NATIONAL MORTGAGE		11/02/2016	10,000,000.00	9,784,130.00	9,973,649.38	1.250	1.380	AA+ Aaa	05/06/2021
3135G0K69	17413	FEDERAL NATIONAL MORTGAGE		11/14/2016	8,000,000.00	7,827,304.00	7,955,374.44	1.250	1.526	AA+ Aaa	05/06/2021
3135G0K69	17421	FEDERAL NATIONAL MORTGAGE		12/02/2016	25,000,000.00	24,460,325.00	24,669,159.97	1.250	1.911	AA+ Aaa	05/06/2021
3135G0S38	17440	FEDERAL NATIONAL MORTGAGE		01/09/2017	20,000,000.00	19,844,860.00	19,974,928.62	2.000	2.048	AA+ Aaa	01/05/2022
3135G0S38	17441	FEDERAL NATIONAL MORTGAGE		01/09/2017	10,000,000.00	9,922,430.00	9,986,946.28	2.000	2.050	AA+ Aaa	01/05/2022
3135G0S38	17459	FEDERAL NATIONAL MORTGAGE		03/28/2017	10,000,000.00	9,922,430.00	10,003,878.74	2.000	1.985	AA+ Aaa	01/05/2022
3136G2CS4	17461	FEDERAL NATIONAL MORTGAGE		03/28/2017	5,000,000.00	4,954,735.00	5,001,976.56	2.000	1.985	AA+ Aaa	01/27/2022
3135G0S38	17480	FEDERAL NATIONAL MORTGAGE		06/02/2017	5,000,000.00	4,961,215.00	5,022,128.11	2.000	1.832	AA+ Aaa	01/05/2022
3135G0S38	17481	FEDERAL NATIONAL MORTGAGE		06/12/2017	5,000,000.00	4,961,215.00	5,022,006.06	2.000	1.833	AA+ Aaa	01/05/2022
3135G0T78	17501	FEDERAL NATIONAL MORTGAGE		10/10/2017	20,000,000.00	19,811,400.00	19,984,620.75	2.000	2.023	AA+ Aaa	10/05/2022
3135G0T78	17503	FEDERAL NATIONAL MORTGAGE		10/12/2017	15,000,000.00	14,858,550.00	14,986,993.42	2.000	2.026	AA+ Aaa	10/05/2022
3135G0T78	17531	FEDERAL NATIONAL MORTGAGE		01/11/2018	5,000,000.00	4,952,850.00	4,937,371.17	2.000	2.379	AA+ Aaa	10/05/2022
3135G0T94	17533	FEDERAL NATIONAL MORTGAGE		01/23/2018	50,000,000.00	50,134,650.00	49,772,825.17	2.375	2.503	AA+ Aaa	01/19/2023
3135G0U43	17631	FEDERAL NATIONAL MORTGAGE		03/27/2019	20,000,000.00	20,468,060.00	20,554,333.22	2.875	2.245	AA+ Aaa	09/12/2023
<b>Subtotal and Average</b>			<b>1,956,938,333.48</b>		<b>1,974,209,000.00</b>	<b>1,967,591,133.93</b>	<b>1,974,165,962.38</b>		<b>1.979</b>		



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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	S&P Moody's	Maturity Date
<b>Medium Term Notes</b>											
037833BD1	17348	APPLE INC		12/28/2015	10,000,000.00	9,952,110.00	9,999,042.73	2.000	2.009	AA+	Aa1 05/06/2020
037833CC2	17425	APPLE INC		12/13/2016	5,000,000.00	4,895,765.00	4,925,184.38	1.550	2.226	AA+	Aa1 08/04/2021
037833BS8	17443	APPLE INC		01/19/2017	10,000,000.00	9,964,030.00	10,000,000.00	2.250	2.250	AA+	Aa1 02/23/2021
037833CM0	17448	APPLE INC		02/21/2017	15,000,000.00	14,981,655.00	14,978,784.56	2.500	2.553	AA+	Aa1 02/09/2022
037833AY6	17470	APPLE INC		04/18/2017	10,000,000.00	9,900,390.00	9,987,785.57	2.150	2.195	AA+	Aa1 02/09/2022
037833CQ1	17475	APPLE INC		05/11/2017	20,000,000.00	19,869,840.00	19,970,133.33	2.300	2.351	AA+	Aa1 05/11/2022
037833BU3	17540	APPLE INC		03/01/2018	10,000,000.00	10,091,450.00	9,923,328.13	2.850	3.064	AA+	Aa1 02/23/2023
037833DE7	17541	APPLE INC		03/01/2018	2,500,000.00	2,481,325.00	2,442,286.03	2.400	3.060	AA+	Aa1 01/13/2023
037833AK6	17563	APPLE INC		05/03/2018	5,000,000.00	4,951,740.00	4,835,463.11	2.400	3.279	AA+	Aa1 05/03/2023
037833AK6	17564	APPLE INC		05/03/2018	5,000,000.00	4,951,740.00	4,835,299.56	2.400	3.280	AA+	Aa1 05/03/2023
037833AK6	17581	APPLE INC		06/22/2018	10,000,000.00	9,903,480.00	9,682,229.58	2.400	3.246	AA+	Aa1 05/03/2023
084670BL1	17264	BERKSHIRE HATHAWAY		10/01/2014	10,000,000.00	9,978,890.00	9,997,374.90	2.100	2.175	AA	Aa2 08/14/2019
084670BF4	17520	BERKSHIRE HATHAWAY		12/14/2017	15,000,000.00	15,405,150.00	15,420,183.21	3.400	2.355	AA	Aa2 01/31/2022
06406HCU1	17261	BANK OF NEW YORK		09/16/2014	2,500,000.00	2,498,340.00	2,499,946.93	2.200	2.218	A	A1 05/15/2019
06406HCU1	17262	BANK OF NEW YORK		09/16/2014	5,000,000.00	4,996,680.00	4,999,968.55	2.200	2.205	A	A1 05/15/2019
06406HCW7	17266	BANK OF NEW YORK		10/01/2014	8,501,000.00	8,488,265.50	8,497,026.50	2.300	2.412	A	A1 09/11/2019
06406HCZ0	17297	BANK OF NEW YORK		03/04/2015	3,000,000.00	2,986,677.00	3,001,629.44	2.150	2.086	A	A1 02/24/2020
06406HDD8	17347	BANK OF NEW YORK		12/28/2015	5,000,000.00	4,999,440.00	5,011,515.88	2.600	2.422	A	A1 08/17/2020
06406HBP3	17350	BANK OF NEW YORK		12/28/2015	5,000,000.00	5,073,515.00	5,086,892.89	4.600	2.281	A	A1 01/15/2020
06406RAA5	17469	BANK OF NEW YORK		04/18/2017	10,000,000.00	9,994,260.00	10,047,276.70	2.600	2.423	A	A1 02/07/2022
06406FAB9	17490	BANK OF NEW YORK		07/18/2017	7,500,000.00	7,402,792.50	7,463,970.11	2.050	2.291	A	A1 05/03/2021
14912L6J5	17360	CATERPILLAR		03/04/2016	8,278,000.00	8,229,639.92	8,271,766.13	2.000	2.085	A	A3 03/05/2020
14912L6U0	17401	CATERPILLAR		09/16/2016	15,294,000.00	14,991,607.03	15,213,521.12	1.700	1.935	A	A3 08/09/2021
166764AY6	17346	CHEVRON CORP		12/28/2015	10,000,000.00	9,980,420.00	9,992,037.86	2.419	2.471	AA	Aa2 11/17/2020
166764BH2	17378	CHEVRON CORP		05/25/2016	20,000,000.00	19,971,320.00	19,997,495.80	1.561	1.664	AA	Aa2 05/16/2019
166764BH2	17381	CHEVRON CORP		05/27/2016	10,000,000.00	9,985,660.00	9,998,749.77	1.561	1.664	AA	Aa2 05/16/2019
166764BG4	17471	CHEVRON CORP		04/25/2017	20,000,000.00	19,856,520.00	19,995,078.03	2.100	2.112	AA	Aa2 05/16/2021
166764BK5	17571	CHEVRON CORP		06/08/2018	10,000,000.00	10,013,910.00	9,717,975.28	2.566	3.313	AA	Aa2 05/16/2023
166764BK5	17579	CHEVRON CORP		06/22/2018	5,000,000.00	5,006,955.00	4,868,180.99	2.566	3.262	AA	Aa2 05/16/2023
166764BK5	17585	CHEVRON CORP		07/25/2018	6,288,000.00	6,296,746.61	6,116,890.12	2.566	3.284	AA	Aa2 05/16/2023
166764BK5	17626	CHEVRON CORP		03/04/2019	7,966,000.00	7,977,080.71	7,933,046.08	2.566	2.872	AA	Aa2 05/16/2023
36962G7M0	17296	G.E. CAPITAL		03/04/2015	10,350,000.00	10,283,366.70	10,367,115.40	2.200	1.974	BBB+	Baa1 01/09/2020
36962G5J9	17511	G.E. CAPITAL		11/16/2017	10,000,000.00	10,363,620.00	10,533,630.05	4.650	2.438	BBB+	Baa1 10/17/2021
24422ERY7	17349	JOHN DEERE		12/28/2015	9,000,000.00	8,928,954.00	8,960,984.60	1.700	2.278	A	A2 01/15/2020
24422ETF6	17362	JOHN DEERE		03/04/2016	5,000,000.00	4,994,750.00	5,033,411.45	2.550	2.150	A	A2 01/08/2021
24422ERH4	17427	JOHN DEERE		12/13/2016	8,707,000.00	8,808,715.17	8,857,712.37	3.150	2.423	A	A2 10/15/2021

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	S&P Moody's	Maturity Date
<b>Medium Term Notes</b>											
46625HHL7	17252	JP MORGAN		07/23/2014	6,740,000.00	6,753,075.60	6,755,506.36	6.300	2.303	A-	A2 04/23/2019
46625HKA7	17295	JP MORGAN		03/04/2015	10,000,000.00	9,963,520.00	9,992,662.65	2.250	2.346	A-	A2 01/23/2020
46625HNX4	17361	JP MORGAN		03/04/2016	6,181,000.00	6,164,558.54	6,182,970.24	2.550	2.528	A-	A2 10/29/2020
46625HJH4	17559	JP MORGAN		04/26/2018	10,000,000.00	10,137,490.00	9,876,428.44	3.200	3.554	A-	A2 01/25/2023
46632FPH2	17590	JP MORGAN		08/14/2018	30,000,000.00	29,352,000.00	30,000,000.00	3.450	3.450	A+	Aa2 07/14/2023
46632FPT6	17627	JP MORGAN		03/06/2019	30,000,000.00	29,970,000.00	30,000,000.00	3.050	3.050	A+	Aa2 01/26/2024
594918BP8	17394	MICROSOFT		08/22/2016	15,000,000.00	14,641,695.00	14,995,233.85	1.550	1.564	AAA	Aaa 08/08/2021
594918BP8	17424	MICROSOFT		12/13/2016	5,000,000.00	4,880,565.00	4,929,205.97	1.550	2.186	AAA	Aaa 08/08/2021
594918BW3	17449	MICROSOFT		02/21/2017	6,725,000.00	6,715,376.53	6,721,748.45	2.400	2.418	AAA	Aaa 02/06/2022
594918BA1	17450	MICROSOFT		02/21/2017	6,450,000.00	6,452,283.30	6,442,544.33	2.375	2.418	AAA	Aaa 02/12/2022
594918BW3	17525	MICROSOFT		12/21/2017	17,375,000.00	17,350,136.38	17,375,000.00	2.400	2.400	AAA	Aaa 02/06/2022
594918AT1	17580	MICROSOFT		06/22/2018	10,000,000.00	9,952,130.00	9,703,966.04	2.375	3.162	AAA	Aaa 05/01/2023
594918BQ6	17616	MICROSOFT		02/07/2019	2,880,000.00	2,812,864.32	2,794,445.86	2.000	2.730	AAA	Aaa 08/08/2023
594918BQ6	17617	MICROSOFT		02/11/2019	20,000,000.00	19,533,780.00	19,436,228.57	2.000	2.696	AAA	Aaa 08/08/2023
594918BQ6	17624	MICROSOFT		03/04/2019	10,000,000.00	9,766,890.00	9,715,003.91	2.000	2.735	AAA	Aaa 08/08/2023
594918BQ6	17625	MICROSOFT		03/04/2019	5,000,000.00	4,883,445.00	4,857,678.91	2.000	2.734	AAA	Aaa 08/08/2023
594918BX1	17629	MICROSOFT		03/07/2019	10,000,000.00	10,110,110.00	10,024,756.94	2.875	2.875	AAA	Aaa 02/06/2024
89236TBP9	17265	TOYOTA MOTOR CREDIT		10/01/2014	10,000,000.00	9,985,910.00	9,997,936.83	2.125	2.198	AA-	Aa3 07/18/2019
89233P7F7	17538	TOYOTA MOTOR CREDIT		03/01/2018	5,000,000.00	4,989,730.00	4,925,258.89	2.625	3.054	AA-	Aa3 01/10/2023
89236TEL5	17539	TOYOTA MOTOR CREDIT		03/01/2018	5,000,000.00	5,009,190.00	4,938,279.31	2.700	3.054	AA-	Aa3 01/11/2023
89236TEL5	17542	TOYOTA MOTOR CREDIT		04/02/2018	20,000,000.00	20,036,760.00	19,697,303.08	2.700	3.134	AA-	Aa3 01/11/2023
89236TFS9	17612	TOYOTA MOTOR CREDIT		01/09/2019	12,250,000.00	12,582,232.25	12,186,134.44	3.350	3.472	AA-	Aa3 01/08/2024
89236TDK8	17628	TOYOTA MOTOR CREDIT		03/07/2019	3,000,000.00	2,941,122.00	2,923,324.73	2.250	3.063	AA-	Aa3 10/18/2023
91159HHL7	17395	US BANK NA		08/22/2016	5,000,000.00	4,980,030.00	5,058,665.83	2.350	1.681	A+	A1 01/29/2021
91159HHL7	17426	US BANK NA		12/13/2016	4,634,000.00	4,615,491.80	4,643,787.72	2.350	2.228	A+	A1 01/29/2021
91159HHL7	17431	US BANK NA		12/22/2016	5,000,000.00	4,980,030.00	4,994,522.61	2.350	2.413	A+	A1 01/29/2021
91159HHL7	17432	US BANK NA		12/22/2016	7,522,000.00	7,491,957.13	7,514,426.67	2.350	2.408	A+	A1 01/29/2021
91159HHL7	17458	US BANK NA		03/22/2017	10,000,000.00	9,960,060.00	10,004,222.21	2.350	2.325	A+	A1 01/29/2021
91159HHL7	17482	US BANK NA		06/27/2017	4,803,000.00	4,783,816.82	4,827,532.04	2.350	2.058	A+	A1 01/29/2021
91159HHP8	17483	US BANK NA		06/27/2017	20,000,000.00	20,021,960.00	20,189,560.78	2.625	2.268	A+	A1 01/24/2022
91159JAA4	17529	US BANK NA		12/21/2017	10,004,000.00	10,044,756.30	10,108,181.80	2.950	2.606	A-	A1 07/15/2022
90331HNL3	17534	US BANK NA		01/24/2018	10,000,000.00	10,023,490.00	9,985,891.05	2.850	2.890	AA-	A1 01/23/2023
90331HNL3	17537	US BANK NA		03/01/2018	5,000,000.00	5,011,745.00	4,950,181.29	2.850	3.134	AA-	A1 01/23/2023
90331HNL3	17556	US BANK NA		04/20/2018	10,000,000.00	10,023,490.00	9,889,479.11	2.850	3.164	AA-	A1 01/23/2023
90331HNV1	17586	US BANK NA		07/25/2018	10,000,000.00	10,244,840.00	9,988,950.31	3.400	3.428	AA-	A1 07/24/2023
90331HNV1	17587	US BANK NA		07/25/2018	1,500,000.00	1,536,726.00	1,497,403.75	3.400	3.444	AA-	A1 07/24/2023

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	S&P Moody's	Maturity Date
<b>Medium Term Notes</b>											
90331HNV1	17588	US BANK NA		07/25/2018	1,250,000.00	1,280,605.00	1,248,273.49	3.400	3.435	AA-	A1 07/24/2023
931142EK5	17604	WALMART		11/13/2018	10,000,000.00	10,296,300.00	9,956,349.97	3.400	3.512	AA	Aa2 06/26/2023
949746SA0	17445	WELLS FARGO		01/25/2017	10,000,000.00	9,841,990.00	9,843,559.84	2.100	2.823	A-	A2 07/26/2021
949746SA0	17467	WELLS FARGO		04/17/2017	5,000,000.00	4,920,995.00	4,959,633.53	2.100	2.469	A-	A2 07/26/2021
949746SA0	17477	WELLS FARGO		05/15/2017	13,232,000.00	13,022,921.17	13,123,194.60	2.100	2.475	A-	A2 07/26/2021
949746SA0	17491	WELLS FARGO		07/18/2017	12,275,000.00	12,081,042.73	12,187,722.46	2.100	2.424	A-	A2 07/26/2021
95000U2B8	17508	WELLS FARGO		10/20/2017	5,000,000.00	4,963,210.00	4,998,399.94	2.625	2.635	A-	A2 07/22/2022
94988J5R4	17591	WELLS FARGO		08/14/2018	10,000,000.00	10,260,330.00	9,985,755.61	3.550	3.586	A+	Aa2 08/14/2023
94988J5R4	17602	WELLS FARGO		11/13/2018	10,000,000.00	10,260,330.00	9,888,768.40	3.550	3.830	A+	Aa2 08/14/2023
<b>Subtotal and Average</b>			<b>758,113,006.02</b>		<b>766,705,000.00</b>	<b>765,087,781.01</b>	<b>763,778,997.95</b>		<b>2.613</b>		
<b>Treasury Notes</b>											
911759MW5	17630	US HOUSING AND URBAN DEVELOP		03/28/2019	3,500,000.00	3,500,000.00	3,500,000.00	2.618	2.618	AA+	Aaa 08/01/2023
912828ND8	17345	US TREASURY NOTE		12/23/2015	40,000,000.00	40,479,680.00	40,804,273.75	3.500	1.637	AA+	Aaa 05/15/2020
912828XE5	17416	US TREASURY NOTE		11/15/2016	15,000,000.00	14,844,135.00	15,015,829.83	1.500	1.407	AA+	Aaa 05/31/2020
912828XE5	17428	US TREASURY NOTE		12/13/2016	40,000,000.00	39,584,360.00	39,961,062.25	1.500	1.586	AA+	Aaa 05/31/2020
912828N48	17429	US TREASURY NOTE		12/16/2016	40,000,000.00	39,606,240.00	39,886,178.86	1.750	1.919	AA+	Aaa 12/31/2020
912828XM7	17433	US TREASURY NOTE		12/22/2016	40,000,000.00	39,598,440.00	39,938,755.22	1.625	1.744	AA+	Aaa 07/31/2020
912828WN6	17434	US TREASURY NOTE		12/28/2016	40,000,000.00	39,764,080.00	40,003,826.43	2.000	1.995	AA+	Aaa 05/31/2021
912828XM7	17435	US TREASURY NOTE		12/28/2016	40,000,000.00	39,598,440.00	39,928,027.27	1.625	1.765	AA+	Aaa 07/31/2020
912828L65	17436	US TREASURY NOTE		12/28/2016	30,000,000.00	29,564,070.00	29,807,156.52	1.375	1.820	AA+	Aaa 09/30/2020
912828XR6	17497	US TREASURY NOTE		09/27/2017	20,000,000.00	19,703,900.00	19,944,976.57	1.750	1.841	AA+	Aaa 05/31/2022
912828L24	17510	US TREASURY NOTE		10/23/2017	20,000,000.00	19,762,500.00	19,910,913.71	1.875	2.012	AA+	Aaa 08/31/2022
<b>Subtotal and Average</b>			<b>325,667,462.70</b>		<b>328,500,000.00</b>	<b>326,005,845.00</b>	<b>328,701,000.41</b>		<b>1.789</b>		
<b>Mutual Funds</b>											
09248U718	9267	BLACKROCK PROVIDENT TFUND		07/01/2018	0.00	0.00	0.00	1.720	1.720	AAA	Aaa
SYS16450	16450	BLACKROCK LIQUIDITY FED FUND		07/01/2018	0.00	0.00	0.00	1.730	1.730	AAA	Aaa
SYS02642	02642	FIDELITY 2642			110,000,000.00	110,000,000.00	110,000,000.00	2.370	2.370	AAA	Aaa
SYS05831	05831	FIDELITY 057		07/01/2018	0.00	0.00	0.00	0.070	0.070	AAA	Aaa
SYS15497	15497	FIDELITY 2644		07/01/2018	0.00	0.00	0.00	2.410	2.410	AAA	Aaa
<b>Subtotal and Average</b>			<b>94,193,548.39</b>		<b>110,000,000.00</b>	<b>110,000,000.00</b>	<b>110,000,000.00</b>		<b>2.370</b>		
<b>Local Agency Investment Funds</b>											
SYS05291	05291	LAIF			65,000,000.00	65,000,000.00	65,000,000.00	2.436	2.436		

**County of Fresno  
Portfolio Management  
Portfolio Details - Investments  
March 31, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	S&P Moody's	Maturity Date
<b>Subtotal and Average</b>			<b>65,000,000.00</b>		<b>65,000,000.00</b>	<b>65,000,000.00</b>	<b>65,000,000.00</b>		<b>2.436</b>		
<b>Bank Money Market Accounts</b>											
SYS16800	16800	BANK OF THE WEST MM			400,698,082.19	400,698,082.19	400,698,082.19	2.600	2.600		
SYS16500	16500	UNION BANK MM		09/24/2018	50,133,250.00	50,133,250.00	50,133,250.00	2.340	2.340		
<b>Subtotal and Average</b>			<b>385,564,322.47</b>		<b>450,831,332.19</b>	<b>450,831,332.19</b>	<b>450,831,332.19</b>		<b>2.571</b>		
<b>Municipal Bonds</b>											
13063CKL3	17249	STATE OF CALIFORNIA		06/12/2014	10,000,000.00	9,998,200.00	10,000,910.74	2.250	2.134	AA-	Aa3 05/01/2019
13063DAD0	17472	STATE OF CALIFORNIA		04/27/2017	5,000,000.00	5,001,250.00	5,000,000.00	2.367	2.367	AA-	Aa3 04/01/2022
13063DAD0	17473	STATE OF CALIFORNIA		04/27/2017	10,500,000.00	10,502,625.00	10,534,902.14	2.367	2.249	AA-	Aa3 04/01/2022
13063DAD0	17474	STATE OF CALIFORNIA		05/03/2017	8,000,000.00	8,002,000.00	8,018,228.05	2.367	2.286	AA-	Aa3 04/01/2022
13063DDF2	17504	STATE OF CALIFORNIA		10/26/2017	10,000,000.00	10,041,000.00	10,098,883.38	2.500	2.200	AA-	Aa3 10/01/2022
13063DDF2	17505	STATE OF CALIFORNIA		10/26/2017	10,000,000.00	10,041,000.00	10,098,883.38	2.500	2.200	AA-	Aa3 10/01/2022
13063DDE5	17518	STATE OF CALIFORNIA		12/11/2017	25,000,000.00	24,971,000.00	25,090,089.11	2.300	2.051	AA-	Aa3 10/01/2020
13063DDF2	17519	STATE OF CALIFORNIA		12/14/2017	20,000,000.00	20,082,000.00	20,045,526.35	2.500	2.430	AA-	Aa3 10/01/2022
13063DDF2	17532	STATE OF CALIFORNIA		01/16/2018	5,000,000.00	5,020,500.00	4,987,771.68	2.500	2.574	AA-	Aa3 10/01/2022
<b>Subtotal and Average</b>			<b>103,881,225.47</b>		<b>103,500,000.00</b>	<b>103,659,575.00</b>	<b>103,875,194.83</b>		<b>2.240</b>		
<b>Total and Average</b>			<b>3,707,307,998.33</b>		<b>3,859,822,013.90</b>	<b>3,849,252,348.84</b>	<b>3,857,429,169.47</b>		<b>2.177</b>		

**County of Fresno  
Portfolio Management  
Portfolio Details - Cash  
March 31, 2019**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	S&P Moody's
Average Balance			0.00							
Total Cash and Investments			3,707,307,998.33		3,859,822,013.90	3,849,252,348.84	3,857,429,169.47		2.177	

**County of Fresno**  
**Inventory by Maturity Report**  
**March 31, 2019**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM		Days to Maturity
												360	365	
SYS02642	02642	TREAS	LA1	FIDELITY 2642	07/01/2018	110,000,000.00	2.370		110,000,000.00	1	110,000,000.00	2.338	2.370	1
SYS03400A	03400A	TREAS	PA1	BANK OF THE WEST	07/01/2018	61,076,681.71	1.530		61,076,681.71	1	61,076,681.71	1.509	1.530	1
SYS03400B	03400B	TREAS	PA1	BANK OF AMERICA	07/01/2018	0.00	0.220		0.00	1	0.00	0.217	0.220	1
SYS05291	05291	TREAS	LA5	LAIF	07/01/2018	65,000,000.00	2.436		65,000,000.00	1	65,000,000.00	2.403	2.436	1
SYS05831	05831	TREAS	LA1	FIDELITY 057	07/01/2018	0.00	0.070		0.00	1	0.00	0.069	0.070	1
SYS15497	15497	TREAS	LA1	FIDELITY 2644	07/01/2018	0.00	2.410		0.00	1	0.00	2.377	2.410	1
SYS16450	16450	TREAS	LA1	BLACKROCK LIQUIDITY	07/01/2018	0.00	1.730		0.00	1	0.00	1.706	1.730	1
SYS16500	16500	TREAS	LA3	UNION BANK MM	09/24/2018	50,133,250.00	2.340		50,133,250.00	1	50,133,250.00	2.308	2.340	1
SYS16800	16800	TREAS	LA3	BANK OF THE WEST MM	07/01/2018	400,698,082.19	2.600		400,698,082.19	1	400,698,082.19	2.564	2.600	1
09248U718	9267	TREAS	LA1	BLACKROCK PROVIDENT	07/01/2018	0.00	1.720		0.00	1	0.00	1.696	1.720	1
46625HHL7	17252	TREAS	MTN	JP MORGAN	07/23/2014	6,755,506.36	6.300	04/23/2019	6,740,000.00	1,735	6,740,000.00	2.271	2.303	22
13063CKL3	17249	TREAS	MUN	STATE OF CALIFORNIA	06/12/2014	10,000,910.74	2.250	05/01/2019	10,000,000.00	1,784	10,000,000.00	2.105	2.134	30
3133EDLR1	17248	TREAS	FAC	FEDERAL FARM CREDIT	05/27/2014	5,000,191.95	1.650	05/15/2019	5,000,000.00	1,814	5,000,000.00	1.595	1.617	44
06406HCU1	17261	TREAS	MTN	BANK OF NEW YORK	09/16/2014	2,499,946.93	2.200	05/15/2019	2,500,000.00	1,702	2,500,000.00	2.188	2.218	44
06406HCU1	17262	TREAS	MTN	BANK OF NEW YORK	09/16/2014	4,999,968.55	2.200	05/15/2019	5,000,000.00	1,702	5,000,000.00	2.175	2.205	44
3133X72S2	17272	TREAS	FAC	FEDERAL HOME LOAN	12/09/2014	10,043,007.52	5.375	05/15/2019	10,000,000.00	1,618	10,000,000.00	1.683	1.706	44
3133X72S2	17279	TREAS	FAC	FEDERAL HOME LOAN	12/19/2014	20,588,998.85	5.375	05/15/2019	20,500,000.00	1,608	20,500,000.00	1.652	1.675	44
166764BH2	17378	TREAS	MTN	CHEVRON CORP	05/25/2016	19,997,495.80	1.561	05/16/2019	20,000,000.00	1,086	20,000,000.00	1.641	1.664	45
166764BH2	17381	TREAS	MTN	CHEVRON CORP	05/27/2016	9,998,749.77	1.561	05/16/2019	10,000,000.00	1,084	10,000,000.00	1.641	1.664	45
313379EE5	17250	TREAS	FAC	FEDERAL HOME LOAN	06/18/2014	4,997,752.28	1.625	06/14/2019	5,000,000.00	1,822	5,000,000.00	1.833	1.858	74
3130A2FH4	17256	TREAS	FAC	FEDERAL HOME LOAN	09/02/2014	20,000,339.14	1.750	06/14/2019	20,000,000.00	1,746	20,000,000.00	1.717	1.741	74
313379EE5	17259	TREAS	FAC	FEDERAL HOME LOAN	09/10/2014	9,995,685.59	1.625	06/14/2019	10,000,000.00	1,738	10,000,000.00	1.823	1.848	74
3130A2FH4	17260	TREAS	FAC	FEDERAL HOME LOAN	09/10/2014	9,998,121.34	1.750	06/14/2019	10,000,000.00	1,738	10,000,000.00	1.822	1.847	74
3135G0ZE6	17251	TREAS	FAC	FEDERAL NATIONAL	06/18/2014	4,998,895.23	1.750	06/20/2019	5,000,000.00	1,828	5,000,000.00	1.830	1.856	80
3135G0ZE6	17269	TREAS	FAC	FEDERAL NATIONAL	10/01/2014	29,993,904.12	1.750	06/20/2019	30,000,000.00	1,723	30,000,000.00	1.822	1.847	80
3135G0ZE6	17277	TREAS	FAC	FEDERAL NATIONAL	12/11/2014	10,003,161.94	1.750	06/20/2019	10,000,000.00	1,652	10,000,000.00	1.578	1.600	80
3135G0ZE6	17278	TREAS	FAC	FEDERAL NATIONAL	12/19/2014	26,004,927.83	1.750	06/20/2019	26,000,000.00	1,644	26,000,000.00	1.637	1.660	80
3133EFW52	17383	TREAS	FAC	FEDERAL FARM CREDIT	06/09/2016	2,060,500.34	1.150	07/01/2019	2,060,000.00	1,117	2,060,000.00	1.037	1.051	91
89236TBP9	17265	TREAS	MTN	TOYOTA MOTOR CREDIT	10/01/2014	9,997,936.83	2.125	07/18/2019	10,000,000.00	1,751	10,000,000.00	2.168	2.198	108
3137EAE1	17391	TREAS	FAC	FEDERAL HOME	08/11/2016	9,998,223.82	0.875	07/19/2019	10,000,000.00	1,072	10,000,000.00	0.922	0.935	109
3137EADK2	17275	TREAS	FAC	FEDERAL HOME	12/11/2014	14,981,101.08	1.250	08/01/2019	15,000,000.00	1,694	15,000,000.00	1.621	1.644	122
3137EADK2	17276	TREAS	FAC	FEDERAL HOME	12/11/2014	19,975,051.50	1.250	08/01/2019	20,000,000.00	1,694	20,000,000.00	1.618	1.640	122
084670BL1	17264	TREAS	MTN	BERKSHIRE HATHAWAY	10/01/2014	9,997,374.90	2.100	08/14/2019	10,000,000.00	1,778	10,000,000.00	2.145	2.175	135
06406HCW7	17266	TREAS	MTN	BANK OF NEW YORK	10/01/2014	8,497,026.50	2.300	09/11/2019	8,501,000.00	1,806	8,501,000.00	2.379	2.412	163
3137EADM8	17280	TREAS	FAC	FEDERAL HOME	12/19/2014	19,951,950.44	1.250	10/02/2019	20,000,000.00	1,748	20,000,000.00	1.726	1.750	184

**County of Fresno  
Inventory by Maturity Report**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM		Days to Maturity
												360	365	
3137EADM8	17281	TREAS	FAC	FEDERAL HOME	12/19/2014	19,952,139.52	1.250	10/02/2019	20,000,000.00	1,748	20,000,000.00	1.724	1.748	184
3137EADM8	17282	TREAS	FAC	FEDERAL HOME	12/19/2014	9,976,069.76	1.250	10/02/2019	10,000,000.00	1,748	10,000,000.00	1.724	1.748	184
36962G7M0	17296	TREAS	MTN	G.E. CAPITAL	03/04/2015	10,367,115.40	2.200	01/09/2020	10,350,000.00	1,772	10,350,000.00	1.947	1.974	283
24422ERY7	17349	TREAS	MTN	JOHN DEERE	12/28/2015	8,960,984.60	1.700	01/15/2020	9,000,000.00	1,479	9,000,000.00	2.247	2.278	289
06406HBP3	17350	TREAS	MTN	BANK OF NEW YORK	12/28/2015	5,086,892.89	4.600	01/15/2020	5,000,000.00	1,479	5,000,000.00	2.250	2.281	289
3135G0A78	17299	TREAS	FAC	FEDERAL NATIONAL	03/04/2015	19,988,116.11	1.625	01/21/2020	20,000,000.00	1,784	20,000,000.00	1.679	1.702	295
3135G0A78	17307	TREAS	FAC	FEDERAL NATIONAL	05/08/2015	10,000,205.55	1.625	01/21/2020	10,000,000.00	1,719	10,000,000.00	1.600	1.622	295
3135G0A78	17308	TREAS	FAC	FEDERAL NATIONAL	05/08/2015	10,000,371.71	1.625	01/21/2020	10,000,000.00	1,719	10,000,000.00	1.598	1.620	295
3135G0A78	17312	TREAS	FAC	FEDERAL NATIONAL	06/03/2015	14,998,823.83	1.625	01/21/2020	15,000,000.00	1,693	15,000,000.00	1.613	1.635	295
3135G0A78	17329	TREAS	FAC	FEDERAL NATIONAL	10/29/2015	10,014,233.25	1.625	01/21/2020	10,000,000.00	1,545	10,000,000.00	1.422	1.442	295
3135G0A78	17332	TREAS	FAC	FEDERAL NATIONAL	11/04/2015	10,007,837.84	1.625	01/21/2020	10,000,000.00	1,539	10,000,000.00	1.503	1.524	295
3135G0A78	17335	TREAS	FAC	FEDERAL NATIONAL	11/06/2015	10,002,779.41	1.625	01/21/2020	10,000,000.00	1,537	10,000,000.00	1.567	1.589	295
3135G0A78	17341	TREAS	FAC	FEDERAL NATIONAL	12/22/2015	20,001,689.86	1.625	01/21/2020	20,000,000.00	1,491	20,000,000.00	1.592	1.614	295
3135G0A78	17342	TREAS	FAC	FEDERAL NATIONAL	12/23/2015	10,000,533.38	1.625	01/21/2020	10,000,000.00	1,490	10,000,000.00	1.596	1.618	295
3135G0A78	17344	TREAS	FAC	FEDERAL NATIONAL	12/23/2015	20,000,758.58	1.625	01/21/2020	20,000,000.00	1,490	20,000,000.00	1.598	1.620	295
46625HKA7	17295	TREAS	MTN	JP MORGAN	03/04/2015	9,992,662.65	2.250	01/23/2020	10,000,000.00	1,786	10,000,000.00	2.314	2.346	297
06406HCZ0	17297	TREAS	MTN	BANK OF NEW YORK	03/04/2015	3,001,629.44	2.150	02/24/2020	3,000,000.00	1,818	3,000,000.00	2.057	2.086	329
14912L6J5	17360	TREAS	MTN	CATERPILLAR	03/04/2016	8,271,766.13	2.000	03/05/2020	8,278,000.00	1,462	8,278,000.00	2.056	2.085	339
3137EADR7	17303	TREAS	FAC	FEDERAL HOME	05/06/2015	9,973,340.95	1.375	05/01/2020	10,000,000.00	1,822	10,000,000.00	1.610	1.632	396
3137EADR7	17309	TREAS	FAC	FEDERAL HOME	05/08/2015	9,971,819.07	1.375	05/01/2020	10,000,000.00	1,820	10,000,000.00	1.624	1.647	396
037833BD1	17348	TREAS	MTN	APPLE INC	12/28/2015	9,999,042.73	2.000	05/06/2020	10,000,000.00	1,591	10,000,000.00	1.981	2.009	401
912828ND8	17345	TREAS	TRC	US TREASURY NOTE	12/23/2015	40,804,273.75	3.500	05/15/2020	40,000,000.00	1,605	40,000,000.00	1.614	1.637	410
3134G44G0	17328	TREAS	FAC	FEDERAL HOME	10/29/2015	4,998,677.45	1.500	05/22/2020	5,000,000.00	1,667	5,000,000.00	1.503	1.524	417
912828XE5	17416	TREAS	TRC	US TREASURY NOTE	11/15/2016	15,015,829.83	1.500	05/31/2020	15,000,000.00	1,293	15,000,000.00	1.388	1.407	426
912828XE5	17428	TREAS	TRC	US TREASURY NOTE	12/13/2016	39,961,062.25	1.500	05/31/2020	40,000,000.00	1,265	40,000,000.00	1.564	1.586	426
313383HU8	17315	TREAS	FAC	FEDERAL HOME LOAN	06/12/2015	19,999,770.13	1.750	06/12/2020	20,000,000.00	1,827	20,000,000.00	1.727	1.751	438
313383HU8	17317	TREAS	FAC	FEDERAL HOME LOAN	06/26/2015	12,604,064.98	1.750	06/12/2020	12,615,000.00	1,813	12,615,000.00	1.801	1.826	438
3133EEW55	17316	TREAS	FAC	FEDERAL FARM CREDIT	06/15/2015	9,990,034.88	1.800	06/15/2020	10,000,000.00	1,827	10,000,000.00	1.861	1.887	441
3135G0D75	17327	TREAS	FAC	FEDERAL NATIONAL	10/29/2015	19,991,723.01	1.500	06/22/2020	20,000,000.00	1,698	20,000,000.00	1.514	1.535	448
3135G0D75	17331	TREAS	FAC	FEDERAL NATIONAL	10/30/2015	5,945,150.71	1.500	06/22/2020	5,950,000.00	1,697	5,950,000.00	1.548	1.569	448
3135G0D75	17333	TREAS	FAC	FEDERAL NATIONAL	11/04/2015	4,992,583.90	1.500	06/22/2020	5,000,000.00	1,692	5,000,000.00	1.604	1.626	448
3135G0D75	17334	TREAS	FAC	FEDERAL NATIONAL	11/04/2015	4,992,531.03	1.500	06/22/2020	5,000,000.00	1,692	5,000,000.00	1.605	1.627	448
3135G0D75	17336	TREAS	FAC	FEDERAL NATIONAL	11/06/2015	4,989,504.41	1.500	06/22/2020	5,000,000.00	1,690	5,000,000.00	1.656	1.679	448
3135G0D75	17338	TREAS	FAC	FEDERAL NATIONAL	12/17/2015	29,903,628.61	1.500	06/22/2020	30,000,000.00	1,649	30,000,000.00	1.750	1.774	448
3135G0D75	17339	TREAS	FAC	FEDERAL NATIONAL	12/17/2015	19,931,301.70	1.500	06/22/2020	20,000,000.00	1,649	20,000,000.00	1.769	1.793	448
3135G0D75	17340	TREAS	FAC	FEDERAL NATIONAL	12/22/2015	9,976,273.11	1.500	06/22/2020	10,000,000.00	1,644	10,000,000.00	1.679	1.702	448
3135G0D75	17343	TREAS	FAC	FEDERAL NATIONAL	12/23/2015	9,974,395.31	1.500	06/22/2020	10,000,000.00	1,643	10,000,000.00	1.695	1.718	448
912828XM7	17433	TREAS	TRC	US TREASURY NOTE	12/22/2016	39,938,755.22	1.625	07/31/2020	40,000,000.00	1,317	40,000,000.00	1.720	1.744	487
912828XM7	17435	TREAS	TRC	US TREASURY NOTE	12/28/2016	39,928,027.27	1.625	07/31/2020	40,000,000.00	1,311	40,000,000.00	1.740	1.765	487
06406HDD8	17347	TREAS	MTN	BANK OF NEW YORK	12/28/2015	5,011,515.88	2.600	08/17/2020	5,000,000.00	1,694	5,000,000.00	2.389	2.422	504

**County of Fresno  
Inventory by Maturity Report**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM		Days to Maturity
												360	365	
912828L65	17436	TREAS	TRC	US TREASURY NOTE	12/28/2016	29,807,156.52	1.375	09/30/2020	30,000,000.00	1,372	30,000,000.00	1.795	1.820	548
13063DDE5	17518	TREAS	MUN	STATE OF CALIFORNIA	12/11/2017	25,090,089.11	2.300	10/01/2020	25,000,000.00	1,025	25,000,000.00	2.023	2.051	549
46625HXX4	17361	TREAS	MTN	JP MORGAN	03/04/2016	6,182,970.24	2.550	10/29/2020	6,181,000.00	1,700	6,181,000.00	2.493	2.528	577
3135G0RM7	17330	TREAS	FAC	FEDERAL NATIONAL	10/30/2015	10,068,204.60	1.630	10/30/2020	10,060,000.00	1,827	10,060,000.00	1.555	1.576	578
166764AY6	17346	TREAS	MTN	CHEVRON CORP	12/28/2015	9,992,037.86	2.419	11/17/2020	10,000,000.00	1,786	10,000,000.00	2.437	2.471	596
313381CA1	17372	TREAS	FAC	FEDERAL HOME LOAN	04/21/2016	5,000,482.16	1.375	12/11/2020	5,000,000.00	1,695	5,000,000.00	1.350	1.369	620
3135G0H55	17374	TREAS	FAC	FEDERAL NATIONAL	05/20/2016	10,076,934.19	1.875	12/28/2020	10,000,000.00	1,683	10,000,000.00	1.398	1.417	637
912828N48	17429	TREAS	TRC	US TREASURY NOTE	12/16/2016	39,886,178.86	1.750	12/31/2020	40,000,000.00	1,476	40,000,000.00	1.893	1.919	640
24422ETF6	17362	TREAS	MTN	JOHN DEERE	03/04/2016	5,033,411.45	2.550	01/08/2021	5,000,000.00	1,771	5,000,000.00	2.121	2.150	648
3130AAX45	17460	TREAS	FAC	FEDERAL HOME LOAN	03/28/2017	15,028,219.86	1.875	01/28/2021	15,000,000.00	1,402	15,000,000.00	1.744	1.768	668
91159HHL7	17395	TREAS	MTN	US BANK NA	08/22/2016	5,058,665.83	2.350	01/29/2021	5,000,000.00	1,621	5,000,000.00	1.658	1.681	669
91159HHL7	17426	TREAS	MTN	US BANK NA	12/13/2016	4,643,787.72	2.350	01/29/2021	4,634,000.00	1,508	4,634,000.00	2.198	2.228	669
91159HHL7	17431	TREAS	MTN	US BANK NA	12/22/2016	4,994,522.61	2.350	01/29/2021	5,000,000.00	1,499	5,000,000.00	2.380	2.413	669
91159HHL7	17432	TREAS	MTN	US BANK NA	12/22/2016	7,514,426.67	2.350	01/29/2021	7,522,000.00	1,499	7,522,000.00	2.375	2.408	669
91159HHL7	17458	TREAS	MTN	US BANK NA	03/22/2017	10,004,222.21	2.350	01/29/2021	10,000,000.00	1,409	10,000,000.00	2.293	2.325	669
91159HHL7	17482	TREAS	MTN	US BANK NA	06/27/2017	4,827,532.04	2.350	01/29/2021	4,803,000.00	1,312	4,803,000.00	2.030	2.058	669
313376XN0	17364	TREAS	FAC	FEDERAL HOME LOAN	03/03/2016	827,949.89	2.100	02/08/2021	820,000.00	1,803	820,000.00	1.533	1.554	679
3133EFYZ4	17359	TREAS	FAC	FEDERAL FARM CREDIT	02/29/2016	17,780,569.78	1.375	02/10/2021	17,800,000.00	1,808	17,800,000.00	1.416	1.436	681
3130A7CV5	17363	TREAS	FAC	FEDERAL HOME LOAN	03/03/2016	4,986,370.87	1.375	02/18/2021	5,000,000.00	1,813	5,000,000.00	1.505	1.526	689
3130A7CV5	17371	TREAS	FAC	FEDERAL HOME LOAN	04/21/2016	9,994,894.24	1.375	02/18/2021	10,000,000.00	1,764	10,000,000.00	1.384	1.403	689
3130A7CV5	17376	TREAS	FAC	FEDERAL HOME LOAN	05/20/2016	4,991,656.41	1.375	02/18/2021	5,000,000.00	1,735	5,000,000.00	1.447	1.467	689
3130A7CV5	17379	TREAS	FAC	FEDERAL HOME LOAN	05/25/2016	9,978,986.37	1.375	02/18/2021	10,000,000.00	1,730	10,000,000.00	1.471	1.491	689
3130A7CV5	17388	TREAS	FAC	FEDERAL HOME LOAN	08/08/2016	10,036,699.21	1.375	02/18/2021	10,000,000.00	1,655	10,000,000.00	1.158	1.174	689
3130A7CV5	17457	TREAS	FAC	FEDERAL HOME LOAN	03/20/2017	19,823,364.55	1.375	02/18/2021	20,000,000.00	1,431	20,000,000.00	1.838	1.864	689
037833BS8	17443	TREAS	MTN	APPLE INC	01/19/2017	10,000,000.00	2.250	02/23/2021	10,000,000.00	1,496	10,000,000.00	2.219	2.250	694
06406FAB9	17490	TREAS	MTN	BANK OF NEW YORK	07/18/2017	7,463,970.11	2.050	05/03/2021	7,500,000.00	1,385	7,500,000.00	2.260	2.291	763
3135G0K69	17380	TREAS	FAC	FEDERAL NATIONAL	05/25/2016	9,945,047.36	1.250	05/06/2021	10,000,000.00	1,807	10,000,000.00	1.502	1.523	766
3135G0K69	17402	TREAS	FAC	FEDERAL NATIONAL	09/28/2016	25,007,590.87	1.250	05/06/2021	25,000,000.00	1,681	25,000,000.00	1.218	1.235	766
3135G0K69	17412	TREAS	FAC	FEDERAL NATIONAL	11/02/2016	9,973,649.38	1.250	05/06/2021	10,000,000.00	1,646	10,000,000.00	1.361	1.380	766
3135G0K69	17413	TREAS	FAC	FEDERAL NATIONAL	11/14/2016	7,955,374.44	1.250	05/06/2021	8,000,000.00	1,634	8,000,000.00	1.505	1.526	766
3135G0K69	17421	TREAS	FAC	FEDERAL NATIONAL	12/02/2016	24,669,159.97	1.250	05/06/2021	25,000,000.00	1,616	25,000,000.00	1.885	1.911	766
166764BG4	17471	TREAS	MTN	CHEVRON CORP	04/25/2017	19,995,078.03	2.100	05/16/2021	20,000,000.00	1,482	20,000,000.00	2.083	2.112	776
912828WN6	17434	TREAS	TRC	US TREASURY NOTE	12/28/2016	40,003,826.43	2.000	05/31/2021	40,000,000.00	1,615	40,000,000.00	1.968	1.995	791
3130A1W95	17386	TREAS	FAC	FEDERAL HOME LOAN	07/15/2016	30,636,544.96	2.250	06/11/2021	30,000,000.00	1,792	30,000,000.00	1.233	1.250	802
313379RB7	17392	TREAS	FAC	FEDERAL HOME LOAN	08/17/2016	10,120,388.89	1.875	06/11/2021	10,000,000.00	1,759	10,000,000.00	1.289	1.307	802
3130A1W95	17420	TREAS	FAC	FEDERAL HOME LOAN	11/29/2016	18,629,055.90	2.250	06/11/2021	18,470,000.00	1,655	18,470,000.00	1.814	1.839	802
313379RB7	17466	TREAS	FAC	FEDERAL HOME LOAN	04/11/2017	15,009,085.00	1.875	06/11/2021	15,000,000.00	1,522	15,000,000.00	1.821	1.846	802
3130AB3M6	17465	TREAS	FAC	FEDERAL HOME LOAN	04/10/2017	5,002,395.07	1.875	06/30/2021	5,000,000.00	1,542	5,000,000.00	1.828	1.853	821
3130A8QS5	17389	TREAS	FAC	FEDERAL HOME LOAN	08/08/2016	14,960,518.24	1.125	07/14/2021	15,000,000.00	1,801	15,000,000.00	1.227	1.244	835
3130A8QS5	17399	TREAS	FAC	FEDERAL HOME LOAN	08/29/2016	3,938,085.31	1.125	07/14/2021	3,955,000.00	1,780	3,955,000.00	1.301	1.319	835



**County of Fresno  
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CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM		Days to Maturity
												360	365	
3130A8QS5	17400	TREAS	FAC	FEDERAL HOME LOAN	09/13/2016	14,931,772.78	1.125	07/14/2021	15,000,000.00	1,765	15,000,000.00	1.313	1.331	835
3130A8QS5	17403	TREAS	FAC	FEDERAL HOME LOAN	09/28/2016	9,974,532.39	1.125	07/14/2021	10,000,000.00	1,750	10,000,000.00	1.223	1.240	835
3130A8QS5	17408	TREAS	FAC	FEDERAL HOME LOAN	10/13/2016	9,934,915.18	1.125	07/14/2021	10,000,000.00	1,735	10,000,000.00	1.401	1.420	835
3130A8QS5	17414	TREAS	FAC	FEDERAL HOME LOAN	11/14/2016	9,910,944.54	1.125	07/14/2021	10,000,000.00	1,703	10,000,000.00	1.509	1.530	835
3130A8QS5	17464	TREAS	FAC	FEDERAL HOME LOAN	04/06/2017	19,701,136.17	1.125	07/14/2021	20,000,000.00	1,560	20,000,000.00	1.782	1.807	835
949746SA0	17445	TREAS	MTN	WELLS FARGO	01/25/2017	9,843,559.84	2.100	07/26/2021	10,000,000.00	1,643	10,000,000.00	2.784	2.823	847
3134G9M79	17463	TREAS	FAC	FEDERAL HOME	04/06/2017	4,409,290.54	1.875	07/26/2021	4,410,000.00	1,572	4,410,000.00	1.856	1.882	847
949746SA0	17467	TREAS	MTN	WELLS FARGO	04/17/2017	4,959,633.53	2.100	07/26/2021	5,000,000.00	1,561	5,000,000.00	2.435	2.469	847
949746SA0	17477	TREAS	MTN	WELLS FARGO	05/15/2017	13,123,194.60	2.100	07/26/2021	13,232,000.00	1,533	13,232,000.00	2.441	2.475	847
949746SA0	17491	TREAS	MTN	WELLS FARGO	07/18/2017	12,187,722.46	2.100	07/26/2021	12,275,000.00	1,469	12,275,000.00	2.390	2.424	847
3134G9N86	17476	TREAS	FAC	FEDERAL HOME	05/11/2017	6,166,597.55	1.875	07/27/2021	6,170,000.00	1,538	6,170,000.00	1.874	1.900	848
3133752P1	17405	TREAS	FAC	FEDERAL HOME LOAN	10/05/2016	5,976,348.62	3.500	07/29/2021	5,700,000.00	1,758	5,700,000.00	1.324	1.342	850
037833CC2	17425	TREAS	MTN	APPLE INC	12/13/2016	4,925,184.38	1.550	08/04/2021	5,000,000.00	1,695	5,000,000.00	2.195	2.226	856
594918BP8	17394	TREAS	MTN	MICROSOFT	08/22/2016	14,995,233.85	1.550	08/08/2021	15,000,000.00	1,812	15,000,000.00	1.543	1.564	860
594918BP8	17424	TREAS	MTN	MICROSOFT	12/13/2016	4,929,205.97	1.550	08/08/2021	5,000,000.00	1,699	5,000,000.00	2.156	2.186	860
14912L6U0	17401	TREAS	MTN	CATERPILLAR	09/16/2016	15,213,521.12	1.700	08/09/2021	15,294,000.00	1,788	15,294,000.00	1.909	1.935	861
3137EAEC9	17393	TREAS	FAC	FEDERAL HOME	08/17/2016	9,954,961.00	1.125	08/12/2021	10,000,000.00	1,821	10,000,000.00	1.304	1.322	864
3135G0N82	17396	TREAS	FAC	FEDERAL NATIONAL	08/29/2016	9,989,994.18	1.250	08/17/2021	10,000,000.00	1,814	10,000,000.00	1.276	1.294	869
3135G0N82	17397	TREAS	FAC	FEDERAL NATIONAL	08/29/2016	9,979,940.49	1.250	08/17/2021	10,000,000.00	1,814	10,000,000.00	1.319	1.337	869
3135G0N82	17398	TREAS	FAC	FEDERAL NATIONAL	08/29/2016	9,975,296.64	1.250	08/17/2021	10,000,000.00	1,814	10,000,000.00	1.339	1.358	869
3135G0Q89	17406	TREAS	FAC	FEDERAL NATIONAL	10/07/2016	19,983,490.67	1.375	10/07/2021	20,000,000.00	1,826	20,000,000.00	1.390	1.409	920
3135G0Q89	17407	TREAS	FAC	FEDERAL NATIONAL	10/13/2016	9,970,204.01	1.375	10/07/2021	10,000,000.00	1,820	10,000,000.00	1.478	1.498	920
3135G0Q89	17409	TREAS	FAC	FEDERAL NATIONAL	10/27/2016	4,990,685.51	1.375	10/07/2021	5,000,000.00	1,806	5,000,000.00	1.432	1.452	920
3133EGYQ2	17410	TREAS	FAC	FEDERAL FARM CREDIT	10/27/2016	9,986,092.97	1.400	10/14/2021	10,000,000.00	1,813	10,000,000.00	1.437	1.457	927
24422ERH4	17427	TREAS	MTN	JOHN DEERE	12/13/2016	8,857,712.37	3.150	10/15/2021	8,707,000.00	1,767	8,707,000.00	2.390	2.423	928
36962G5J9	17511	TREAS	MTN	G.E. CAPITAL	11/16/2017	10,533,630.05	4.650	10/17/2021	10,000,000.00	1,431	10,000,000.00	2.404	2.438	930
3133EGZJ7	17411	TREAS	FAC	FEDERAL FARM CREDIT	10/27/2016	9,979,767.59	1.375	10/25/2021	10,000,000.00	1,824	10,000,000.00	1.437	1.457	938
3135G0S38	17440	TREAS	FAC	FEDERAL NATIONAL	01/09/2017	19,974,928.62	2.000	01/05/2022	20,000,000.00	1,822	20,000,000.00	2.020	2.048	1,010
3135G0S38	17441	TREAS	FAC	FEDERAL NATIONAL	01/09/2017	9,986,946.28	2.000	01/05/2022	10,000,000.00	1,822	10,000,000.00	2.022	2.050	1,010
3135G0S38	17459	TREAS	FAC	FEDERAL NATIONAL	03/28/2017	10,003,878.74	2.000	01/05/2022	10,000,000.00	1,744	10,000,000.00	1.958	1.985	1,010
3135G0S38	17480	TREAS	FAC	FEDERAL NATIONAL	06/02/2017	5,022,128.11	2.000	01/05/2022	5,000,000.00	1,678	5,000,000.00	1.807	1.832	1,010
3135G0S38	17481	TREAS	FAC	FEDERAL NATIONAL	06/12/2017	5,022,006.06	2.000	01/05/2022	5,000,000.00	1,668	5,000,000.00	1.808	1.833	1,010
91159HHP8	17483	TREAS	MTN	US BANK NA	06/27/2017	20,189,560.78	2.625	01/24/2022	20,000,000.00	1,672	20,000,000.00	2.237	2.268	1,029
3133EG5D3	17447	TREAS	FAC	FEDERAL FARM CREDIT	01/27/2017	50,000,000.00	2.030	01/27/2022	50,000,000.00	1,826	50,000,000.00	2.002	2.030	1,032
3136G2CS4	17461	TREAS	FAC	FEDERAL NATIONAL	03/28/2017	5,001,976.56	2.000	01/27/2022	5,000,000.00	1,766	5,000,000.00	1.958	1.985	1,032
084670BF4	17520	TREAS	MTN	BERKSHIRE HATHAWAY	12/14/2017	15,420,183.21	3.400	01/31/2022	15,000,000.00	1,509	15,000,000.00	2.323	2.355	1,036
594918BW3	17449	TREAS	MTN	MICROSOFT	02/21/2017	6,721,748.45	2.400	02/06/2022	6,725,000.00	1,811	6,725,000.00	2.385	2.418	1,042
594918BW3	17525	TREAS	MTN	MICROSOFT	12/21/2017	17,375,000.00	2.400	02/06/2022	17,375,000.00	1,508	17,375,000.00	2.367	2.400	1,042
06406RAA5	17469	TREAS	MTN	BANK OF NEW YORK	04/18/2017	10,047,276.70	2.600	02/07/2022	10,000,000.00	1,756	10,000,000.00	2.390	2.423	1,043
037833CM0	17448	TREAS	MTN	APPLE INC	02/21/2017	14,978,784.56	2.500	02/09/2022	15,000,000.00	1,814	15,000,000.00	2.518	2.553	1,045

**County of Fresno  
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CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM		Days to Maturity
												360	365	
037833AY6	17470	TREAS	MTN	APPLE INC	04/18/2017	9,987,785.57	2.150	02/09/2022	10,000,000.00	1,758	10,000,000.00	2.165	2.195	1,045
594918BA1	17450	TREAS	MTN	MICROSOFT	02/21/2017	6,442,544.33	2.375	02/12/2022	6,450,000.00	1,817	6,450,000.00	2.385	2.418	1,048
13063DAD0	17472	TREAS	MUN	STATE OF CALIFORNIA	04/27/2017	5,000,000.00	2.367	04/01/2022	5,000,000.00	1,800	5,000,000.00	2.335	2.367	1,096
13063DAD0	17473	TREAS	MUN	STATE OF CALIFORNIA	04/27/2017	10,534,902.14	2.367	04/01/2022	10,500,000.00	1,800	10,500,000.00	2.219	2.249	1,096
13063DAD0	17474	TREAS	MUN	STATE OF CALIFORNIA	05/03/2017	8,018,228.05	2.367	04/01/2022	8,000,000.00	1,794	8,000,000.00	2.255	2.286	1,096
037833CQ1	17475	TREAS	MTN	APPLE INC	05/11/2017	19,970,133.33	2.300	05/11/2022	20,000,000.00	1,826	20,000,000.00	2.319	2.351	1,136
3133EHJT1	17479	TREAS	FAC	FEDERAL FARM CREDIT	05/18/2017	4,996,431.17	2.000	05/18/2022	5,000,000.00	1,826	5,000,000.00	1.996	2.024	1,143
3130ACUZ5	17513	TREAS	FAC	FEDERAL HOME LOAN	11/24/2017	22,984,879.35	2.060	05/24/2022	23,000,000.00	1,642	23,000,000.00	2.053	2.082	1,149
3130ACXH2	17567	TREAS	FAC	FEDERAL HOME LOAN	12/04/2017	24,940,818.72	2.020	05/25/2022	25,000,000.00	1,633	25,000,000.00	2.070	2.099	1,150
912828XR6	17497	TREAS	TRC	US TREASURY NOTE	09/27/2017	19,944,976.57	1.750	05/31/2022	20,000,000.00	1,707	20,000,000.00	1.816	1.841	1,156
313379Q69	17485	TREAS	FAC	FEDERAL HOME LOAN	06/28/2017	5,035,301.77	2.125	06/10/2022	5,000,000.00	1,808	5,000,000.00	1.866	1.892	1,166
313379Q69	17486	TREAS	FAC	FEDERAL HOME LOAN	06/28/2017	5,035,334.01	2.125	06/10/2022	5,000,000.00	1,808	5,000,000.00	1.866	1.892	1,166
313379Q69	17487	TREAS	FAC	FEDERAL HOME LOAN	06/28/2017	3,847,450.85	2.125	06/10/2022	3,820,000.00	1,808	3,820,000.00	1.862	1.888	1,166
313379Q69	17488	TREAS	FAC	FEDERAL HOME LOAN	07/07/2017	13,519,669.66	2.125	06/10/2022	13,470,000.00	1,799	13,470,000.00	1.976	2.003	1,166
313379Q69	17498	TREAS	FAC	FEDERAL HOME LOAN	09/27/2017	20,148,901.71	2.125	06/10/2022	20,000,000.00	1,717	20,000,000.00	1.854	1.880	1,166
313379Q69	17516	TREAS	FAC	FEDERAL HOME LOAN	12/01/2017	1,999,511.90	2.125	06/10/2022	2,000,000.00	1,652	2,000,000.00	2.104	2.133	1,166
313379Q69	17527	TREAS	FAC	FEDERAL HOME LOAN	12/20/2017	1,894,098.85	2.125	06/10/2022	1,900,000.00	1,633	1,900,000.00	2.197	2.228	1,166
3130A5P45	17528	TREAS	FAC	FEDERAL HOME LOAN	12/20/2017	1,933,562.93	2.375	06/10/2022	1,925,000.00	1,633	1,925,000.00	2.197	2.228	1,166
3133EY20	17495	TREAS	FAC	FEDERAL FARM CREDIT	09/21/2017	10,144,195.08	2.400	06/17/2022	10,000,000.00	1,730	10,000,000.00	1.901	1.928	1,173
3130ACM27	17502	TREAS	FAC	FEDERAL HOME LOAN	10/12/2017	14,989,435.93	1.950	07/11/2022	15,000,000.00	1,733	15,000,000.00	1.946	1.973	1,197
3130ACM27	17509	TREAS	FAC	FEDERAL HOME LOAN	10/19/2017	4,447,432.78	1.950	07/11/2022	4,455,000.00	1,726	4,455,000.00	1.977	2.005	1,197
91159JAA4	17529	TREAS	MTN	US BANK NA	12/21/2017	10,108,181.80	2.950	07/15/2022	10,004,000.00	1,667	10,004,000.00	2.570	2.606	1,201
3130ACKC7	17500	TREAS	FAC	FEDERAL HOME LOAN	10/18/2017	50,000,000.00	1.950	07/18/2022	50,000,000.00	1,734	50,000,000.00	1.924	1.950	1,204
95000U2B8	17508	TREAS	MTN	WELLS FARGO	10/20/2017	4,998,399.94	2.625	07/22/2022	5,000,000.00	1,736	5,000,000.00	2.599	2.635	1,208
3130ACYP3	17515	TREAS	FAC	FEDERAL HOME LOAN	12/05/2017	19,987,009.95	2.100	07/27/2022	20,000,000.00	1,695	20,000,000.00	2.092	2.121	1,213
3130ACUV4	17512	TREAS	FAC	FEDERAL HOME LOAN	11/30/2017	50,000,000.00	2.070	07/29/2022	50,000,000.00	1,702	50,000,000.00	2.042	2.070	1,215
3130ACUV4	17517	TREAS	FAC	FEDERAL HOME LOAN	12/06/2017	8,863,594.07	2.070	07/29/2022	8,890,000.00	1,696	8,890,000.00	2.135	2.165	1,215
3130AC5A8	17494	TREAS	FAC	FEDERAL HOME LOAN	09/19/2017	9,985,055.29	1.850	08/15/2022	10,000,000.00	1,791	10,000,000.00	1.870	1.896	1,232
3130AC5A8	17496	TREAS	FAC	FEDERAL HOME LOAN	09/27/2017	9,257,416.89	1.850	08/15/2022	9,280,000.00	1,783	9,280,000.00	1.899	1.926	1,232
3133EHVS9	17499	TREAS	FAC	FEDERAL FARM CREDIT	09/28/2017	5,476,581.22	1.840	08/23/2022	5,500,000.00	1,790	5,500,000.00	1.945	1.972	1,240
912828L24	17510	TREAS	TRC	US TREASURY NOTE	10/23/2017	19,910,913.71	1.875	08/31/2022	20,000,000.00	1,773	20,000,000.00	1.985	2.012	1,248
13063DDF2	17504	TREAS	MUN	STATE OF CALIFORNIA	10/26/2017	10,098,883.38	2.500	10/01/2022	10,000,000.00	1,801	10,000,000.00	2.170	2.200	1,279
13063DDF2	17505	TREAS	MUN	STATE OF CALIFORNIA	10/26/2017	10,098,883.38	2.500	10/01/2022	10,000,000.00	1,801	10,000,000.00	2.170	2.200	1,279
13063DDF2	17519	TREAS	MUN	STATE OF CALIFORNIA	12/14/2017	20,045,526.35	2.500	10/01/2022	20,000,000.00	1,752	20,000,000.00	2.397	2.430	1,279
13063DDF2	17532	TREAS	MUN	STATE OF CALIFORNIA	01/16/2018	4,987,771.68	2.500	10/01/2022	5,000,000.00	1,719	5,000,000.00	2.539	2.574	1,279
3135G0T78	17501	TREAS	FAC	FEDERAL NATIONAL	10/10/2017	19,984,620.75	2.000	10/05/2022	20,000,000.00	1,821	20,000,000.00	1.995	2.023	1,283
3135G0T78	17503	TREAS	FAC	FEDERAL NATIONAL	10/12/2017	14,986,993.42	2.000	10/05/2022	15,000,000.00	1,819	15,000,000.00	1.998	2.026	1,283
3135G0T78	17531	TREAS	FAC	FEDERAL NATIONAL	01/11/2018	4,937,371.17	2.000	10/05/2022	5,000,000.00	1,728	5,000,000.00	2.346	2.379	1,283
89233P7F7	17538	TREAS	MTN	TOYOTA MOTOR CREDIT	03/01/2018	4,925,258.89	2.625	01/10/2023	5,000,000.00	1,776	5,000,000.00	3.012	3.054	1,380
89236TEL5	17539	TREAS	MTN	TOYOTA MOTOR CREDIT	03/01/2018	4,938,279.31	2.700	01/11/2023	5,000,000.00	1,777	5,000,000.00	3.012	3.054	1,381

**County of Fresno  
Inventory by Maturity Report**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM		Days to Maturity
												360	365	
89236TEL5	17542	TREAS	MTN	TOYOTA MOTOR CREDIT	04/02/2018	19,697,303.08	2.700	01/11/2023	20,000,000.00	1,745	20,000,000.00	3.091	3.134	1,381
037833DE7	17541	TREAS	MTN	APPLE INC	03/01/2018	2,442,286.03	2.400	01/13/2023	2,500,000.00	1,779	2,500,000.00	3.018	3.060	1,383
3133EH7F4	17557	TREAS	FAC	FEDERAL FARM CREDIT	04/19/2018	19,555,114.03	2.350	01/17/2023	19,869,000.00	1,734	19,869,000.00	2.759	2.797	1,387
3135G0T94	17533	TREAS	FAC	FEDERAL NATIONAL	01/23/2018	49,772,825.17	2.375	01/19/2023	50,000,000.00	1,822	50,000,000.00	2.469	2.503	1,389
90331HNL3	17534	TREAS	MTN	US BANK NA	01/24/2018	9,985,891.05	2.850	01/23/2023	10,000,000.00	1,825	10,000,000.00	2.850	2.890	1,393
90331HNL3	17537	TREAS	MTN	US BANK NA	03/01/2018	4,950,181.29	2.850	01/23/2023	5,000,000.00	1,789	5,000,000.00	3.091	3.134	1,393
90331HNL3	17556	TREAS	MTN	US BANK NA	04/20/2018	9,889,479.11	2.850	01/23/2023	10,000,000.00	1,739	10,000,000.00	3.121	3.164	1,393
46625HJH4	17559	TREAS	MTN	JP MORGAN	04/26/2018	9,876,428.44	3.200	01/25/2023	10,000,000.00	1,735	10,000,000.00	3.505	3.554	1,395
3133EJBP3	17535	TREAS	FAC	FEDERAL FARM CREDIT	02/07/2018	9,966,863.69	2.500	02/02/2023	10,000,000.00	1,821	10,000,000.00	2.557	2.593	1,403
3133EJBP3	17536	TREAS	FAC	FEDERAL FARM CREDIT	02/28/2018	50,701,578.13	2.500	02/02/2023	51,180,000.00	1,800	51,180,000.00	2.724	2.762	1,403
037833BU3	17540	TREAS	MTN	APPLE INC	03/01/2018	9,923,328.13	2.850	02/23/2023	10,000,000.00	1,820	10,000,000.00	3.022	3.064	1,424
594918AT1	17580	TREAS	MTN	MICROSOFT	06/22/2018	9,703,966.04	2.375	05/01/2023	10,000,000.00	1,774	10,000,000.00	3.119	3.162	1,491
037833AK6	17563	TREAS	MTN	APPLE INC	05/03/2018	4,835,463.11	2.400	05/03/2023	5,000,000.00	1,826	5,000,000.00	3.234	3.279	1,493
037833AK6	17564	TREAS	MTN	APPLE INC	05/03/2018	4,835,299.56	2.400	05/03/2023	5,000,000.00	1,826	5,000,000.00	3.235	3.280	1,493
037833AK6	17581	TREAS	MTN	APPLE INC	06/22/2018	9,682,229.58	2.400	05/03/2023	10,000,000.00	1,776	10,000,000.00	3.202	3.246	1,493
166764BK5	17571	TREAS	MTN	CHEVRON CORP	06/08/2018	9,717,975.28	2.566	05/16/2023	10,000,000.00	1,803	10,000,000.00	3.267	3.313	1,506
166764BK5	17579	TREAS	MTN	CHEVRON CORP	06/22/2018	4,868,180.99	2.566	05/16/2023	5,000,000.00	1,789	5,000,000.00	3.217	3.262	1,506
166764BK5	17585	TREAS	MTN	CHEVRON CORP	07/25/2018	6,116,890.12	2.566	05/16/2023	6,288,000.00	1,756	6,288,000.00	3.239	3.284	1,506
166764BK5	17626	TREAS	MTN	CHEVRON CORP	03/04/2019	7,933,046.08	2.566	05/16/2023	7,966,000.00	1,534	7,966,000.00	2.833	2.872	1,506
3130AEEW6	17572	TREAS	FAC	FEDERAL HOME LOAN	06/07/2018	21,042,033.63	2.760	05/30/2023	21,150,000.00	1,818	21,150,000.00	2.853	2.893	1,520
3130AEAP5	17576	TREAS	FAC	FEDERAL HOME LOAN	05/30/2018	49,978,805.81	2.875	05/30/2023	50,000,000.00	1,826	50,000,000.00	2.846	2.886	1,520
931142EK5	17604	TREAS	MTN	WALMART	11/13/2018	9,956,349.97	3.400	06/26/2023	10,000,000.00	1,686	10,000,000.00	3.464	3.512	1,547
46632FPH2	17590	TREAS	MTN	JP MORGAN	08/14/2018	30,000,000.00	3.450	07/14/2023	30,000,000.00	1,795	30,000,000.00	3.403	3.450	1,565
3133EJUS6	17584	TREAS	FAC	FEDERAL FARM CREDIT	07/17/2018	19,997,766.89	2.875	07/17/2023	20,000,000.00	1,826	20,000,000.00	2.838	2.878	1,568
3133EJUS6	17589	TREAS	FAC	FEDERAL FARM CREDIT	07/25/2018	29,916,919.75	2.875	07/17/2023	30,000,000.00	1,818	30,000,000.00	2.904	2.945	1,568
3133EJUS6	17593	TREAS	FAC	FEDERAL FARM CREDIT	09/19/2018	9,938,640.35	2.875	07/17/2023	10,000,000.00	1,762	10,000,000.00	2.988	3.029	1,568
3133EJUS6	17607	TREAS	FAC	FEDERAL FARM CREDIT	12/20/2018	2,921,789.36	2.875	07/17/2023	2,910,000.00	1,670	2,910,000.00	2.736	2.774	1,568
3133EJUS6	17615	TREAS	FAC	FEDERAL FARM CREDIT	01/18/2019	20,159,157.44	2.875	07/17/2023	20,000,000.00	1,641	20,000,000.00	2.642	2.679	1,568
90331HNV1	17586	TREAS	MTN	US BANK NA	07/25/2018	9,988,950.31	3.400	07/24/2023	10,000,000.00	1,825	10,000,000.00	3.381	3.428	1,575
90331HNV1	17587	TREAS	MTN	US BANK NA	07/25/2018	1,497,403.75	3.400	07/24/2023	1,500,000.00	1,825	1,500,000.00	3.397	3.444	1,575
90331HNV1	17588	TREAS	MTN	US BANK NA	07/25/2018	1,248,273.49	3.400	07/24/2023	1,250,000.00	1,825	1,250,000.00	3.388	3.435	1,575
3133EJK57	17606	TREAS	FAC	FEDERAL FARM CREDIT	12/20/2018	17,208,638.13	3.080	07/24/2023	17,000,000.00	1,677	17,000,000.00	2.737	2.775	1,575
3130AFBD8	17608	TREAS	FAC	FEDERAL HOME LOAN	12/20/2018	12,676,914.21	3.125	07/25/2023	12,500,000.00	1,678	12,500,000.00	2.736	2.774	1,576
3133EJ4G1	17610	TREAS	FAC	FEDERAL FARM CREDIT	12/28/2018	64,955,101.78	2.770	07/28/2023	65,000,000.00	1,673	65,000,000.00	2.749	2.787	1,579
911759MW5	17630	TREAS	TRC	US HOUSING AND URBAN	03/28/2019	3,500,000.00	2.618	08/01/2023	3,500,000.00	1,587	3,500,000.00	2.583	2.618	1,583
594918BQ6	17616	TREAS	MTN	MICROSOFT	02/07/2019	2,794,445.86	2.000	08/08/2023	2,880,000.00	1,643	2,880,000.00	2.693	2.730	1,590
594918BQ6	17617	TREAS	MTN	MICROSOFT	02/11/2019	19,436,228.57	2.000	08/08/2023	20,000,000.00	1,639	20,000,000.00	2.659	2.696	1,590
594918BQ6	17624	TREAS	MTN	MICROSOFT	03/04/2019	9,715,003.91	2.000	08/08/2023	10,000,000.00	1,618	10,000,000.00	2.698	2.735	1,590
594918BQ6	17625	TREAS	MTN	MICROSOFT	03/04/2019	4,857,678.91	2.000	08/08/2023	5,000,000.00	1,618	5,000,000.00	2.697	2.734	1,590
94988J5R4	17591	TREAS	MTN	WELLS FARGO	08/14/2018	9,985,755.61	3.550	08/14/2023	10,000,000.00	1,826	10,000,000.00	3.537	3.586	1,596

**County of Fresno  
Inventory by Maturity Report**

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM		Days to Maturity
												360	365	
94988J5R4	17602	TREAS	MTN	WELLS FARGO	11/13/2018	9,888,768.40	3.550	08/14/2023	10,000,000.00	1,735	10,000,000.00	3.778	3.830	1,596
3130AFRW9	17621	TREAS	FAC	FEDERAL HOME LOAN	02/28/2019	20,104,252.19	2.700	08/28/2023	20,000,000.00	1,642	20,000,000.00	2.539	2.574	1,610
3130AFRW9	17623	TREAS	FAC	FEDERAL HOME LOAN	03/01/2019	20,082,525.05	2.700	08/28/2023	20,000,000.00	1,641	20,000,000.00	2.570	2.606	1,610
3135G0U43	17631	TREAS	FAC	FEDERAL NATIONAL	03/27/2019	20,554,333.22	2.875	09/12/2023	20,000,000.00	1,630	20,000,000.00	2.214	2.245	1,625
89236TDK8	17628	TREAS	MTN	TOYOTA MOTOR CREDIT	03/07/2019	2,923,324.73	2.250	10/18/2023	3,000,000.00	1,686	3,000,000.00	3.021	3.063	1,661
3133EJ5W5	17618	TREAS	FAC	FEDERAL FARM CREDIT	02/26/2019	2,960,614.19	2.650	10/23/2023	2,945,000.00	1,700	2,945,000.00	2.548	2.583	1,666
3130AFQL4	17614	TREAS	FAC	FEDERAL HOME LOAN	01/18/2019	9,977,275.40	2.640	10/27/2023	10,000,000.00	1,743	10,000,000.00	2.662	2.699	1,670
3130AFQL4	17619	TREAS	FAC	FEDERAL HOME LOAN	02/26/2019	4,931,754.88	2.640	10/27/2023	4,905,000.00	1,704	4,905,000.00	2.548	2.583	1,670
3130A0F70	17613	TREAS	FAC	FEDERAL HOME LOAN	01/18/2019	10,318,538.86	3.375	12/08/2023	10,000,000.00	1,785	10,000,000.00	2.692	2.730	1,712
89236TFS9	17612	TREAS	MTN	TOYOTA MOTOR CREDIT	01/09/2019	12,186,134.44	3.350	01/08/2024	12,250,000.00	1,825	12,250,000.00	3.425	3.472	1,743
46632FPT6	17627	TREAS	MTN	JP MORGAN	03/06/2019	30,000,000.00	3.050	01/26/2024	30,000,000.00	1,787	30,000,000.00	3.009	3.050	1,761
594918BX1	17629	TREAS	MTN	MICROSOFT	03/07/2019	10,024,756.94	2.875	02/06/2024	10,000,000.00	1,797	10,000,000.00	2.835	2.875	1,772
3133EKBW5	17620	TREAS	FAC	FEDERAL FARM CREDIT	02/28/2019	20,019,551.75	2.610	02/27/2024	20,000,000.00	1,825	20,000,000.00	2.555	2.590	1,793
3133EKBW5	17622	TREAS	FAC	FEDERAL FARM CREDIT	03/01/2019	19,990,067.26	2.610	02/27/2024	20,000,000.00	1,824	20,000,000.00	2.591	2.627	1,793
<b>Subtotal and Average</b>						<b>3,857,429,169.47</b>			<b>3,859,822,013.90</b>		<b>3,859,822,013.90</b>	<b>2.147</b>	<b>2.177</b>	<b>750</b>
<b>Net Maturities and Average</b>						<b>3,857,429,169.47</b>			<b>3,859,822,013.90</b>		<b>3,859,822,013.90</b>	<b>2.147</b>	<b>2.177</b>	<b>750</b>



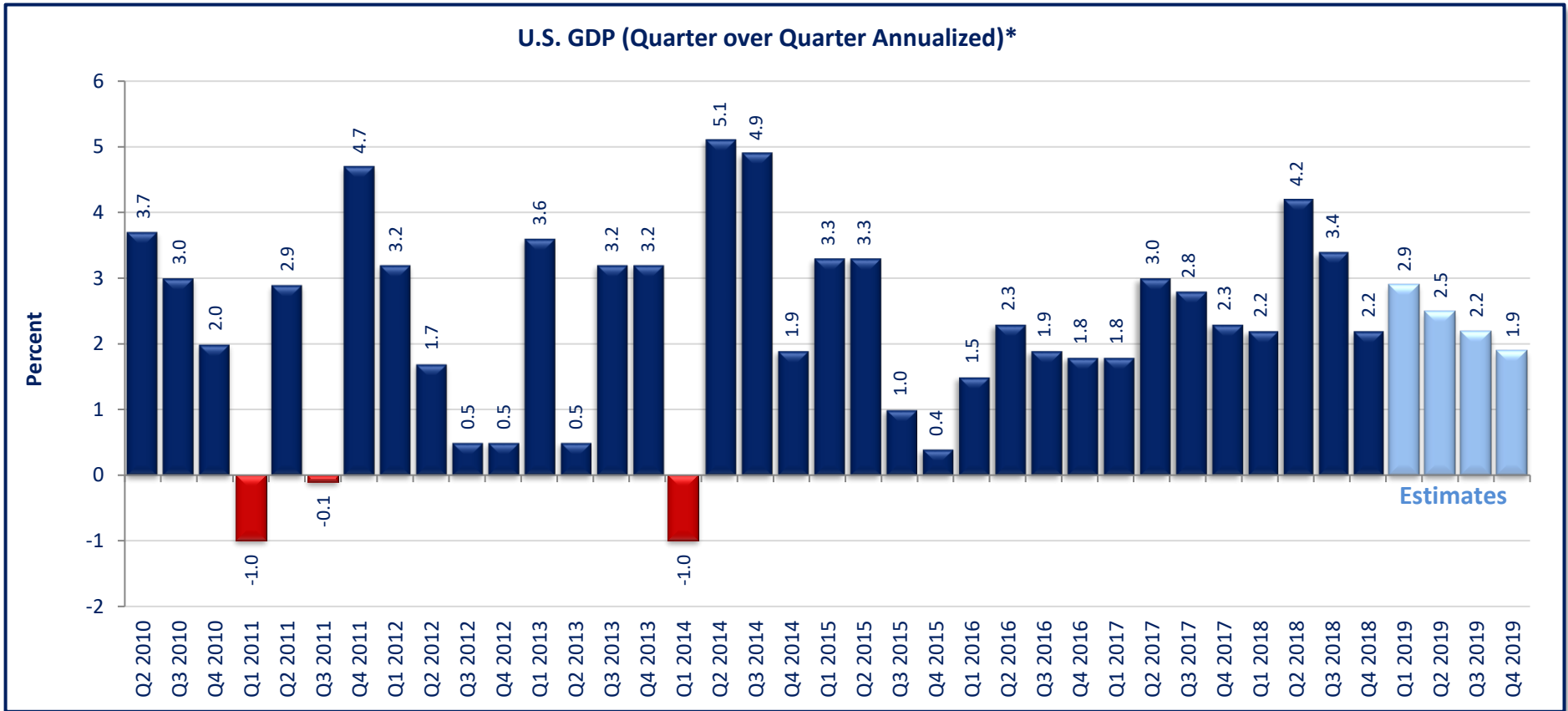
# Quarterly Economic and Market Update

**March 2019**

Item	3/31/2019	12/31/2018	Change
U.S. Payrolls Monthly Change	196,000	227,000	(31,000)
Unemployment Rate	3.8%	3.9%	(0.1%)
Labor Force Participation	63.0%	63.1%	(0.1%)
Effective Fed Funds Rate	2.43%	2.40%	0.03%
3 Month T-Bill	2.39%	2.36%	0.03%
2 Year T-Note	2.26%	2.49%	(0.23%)
3 Year T-Note	2.21%	2.46%	(0.25%)
5 Year T-Note	2.23%	2.51%	(0.28%)
10 Year T-Note	2.41%	2.69%	(0.28%)
U.S. Fed Debt Avg Yield*	2.50%	2.46%	0.04%
30 Year Mortgage Rate	4.08%	4.51%	(0.43%)
1-5 Yr Agency Spread	0.04%	0.06%	(0.02%)
1-5 Yr A-AAA Corporate Spread	0.56%	0.58%	(0.02%)
Dow Jones	25,929	23,327	11.2%
S&P 500	2,834	2,507	13.1%
Consumer Price Index YOY*	1.6%	1.9%	(0.3%)
U.S. Avg Regular Unleaded	\$2.69	\$2.26	\$0.44
Retail Sales YOY*	2.0%	1.6%	0.4%
Case-Shiller Home Prices YOY*	3.6%	4.1%	(0.6%)
Gold (per ounce)	\$1,292.38	\$1,282.49	\$9.89
Dollar Index	97.28	96.17	1.11
Consumer Confidence	124.1	126.6	(2.5)

\*Estimates for the current quarter/month, some data are lagged

Sources: FTN Main Street and Bloomberg

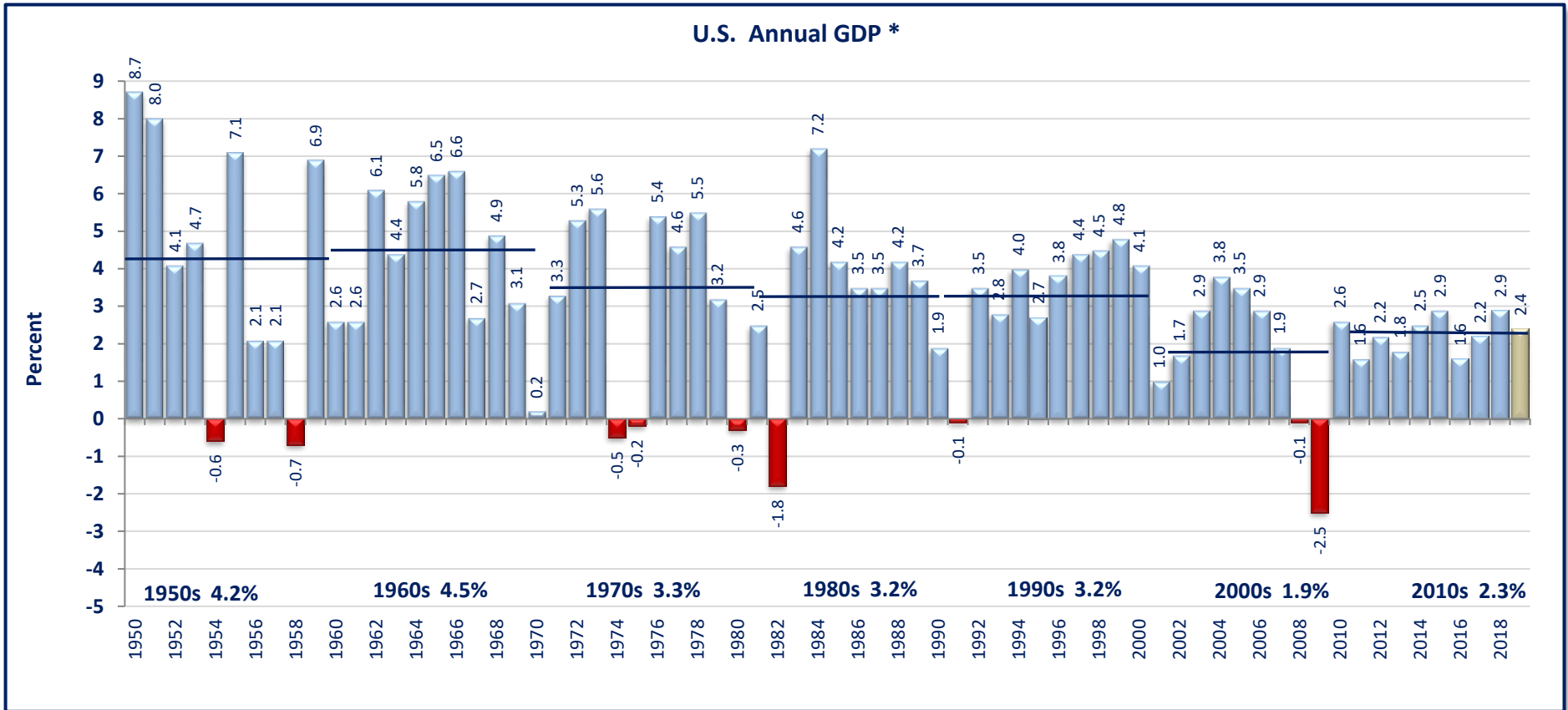


\* Real Rate (Inflation Adjusted)

Source: Bureau of Economic Analysis

Estimate: Bloomberg's Survey of Economists

As of: 2/28/19



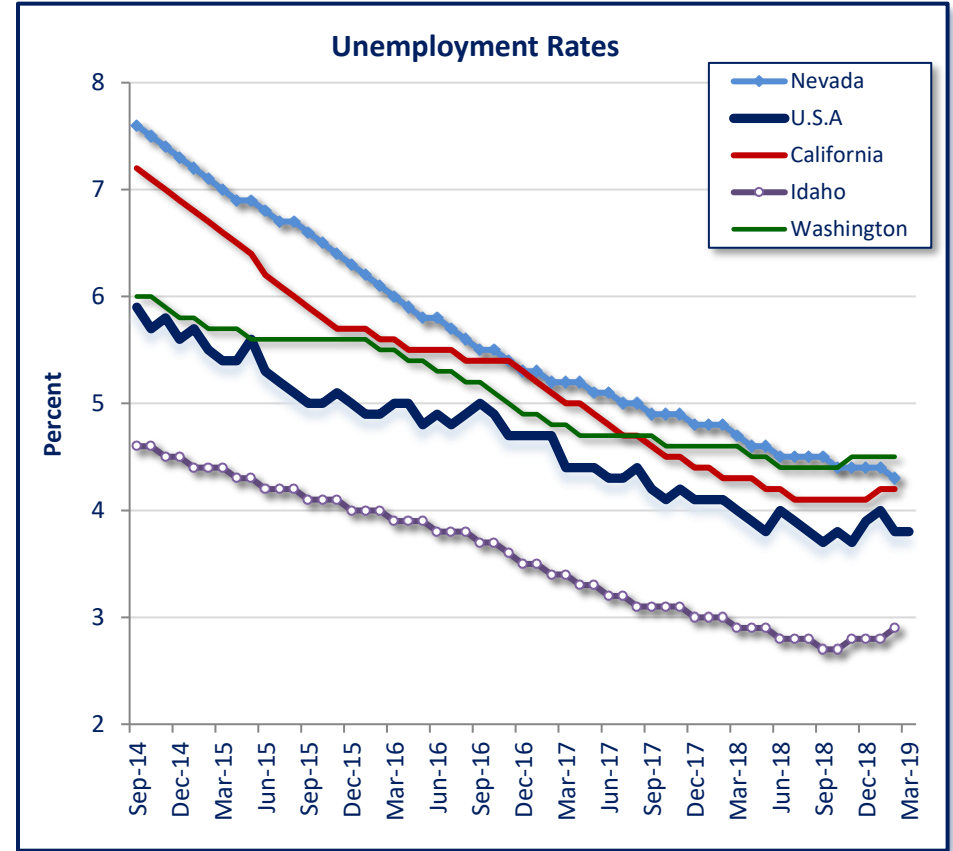
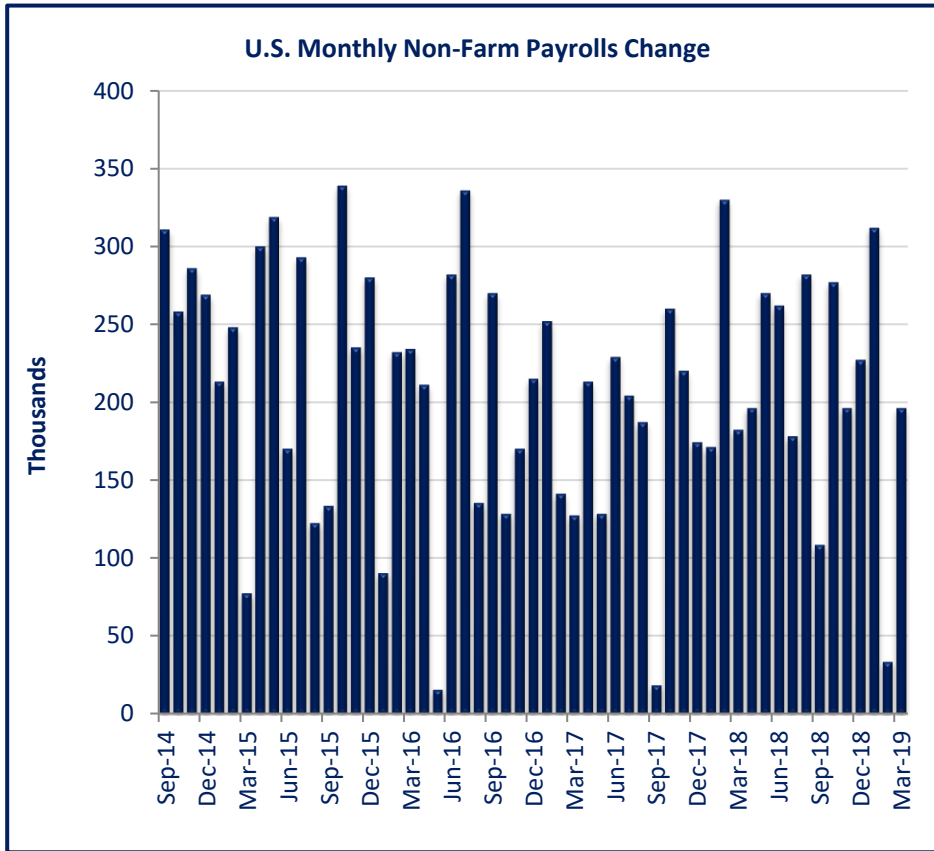
\* Real Rate (Inflation Adjusted)

Source: Bureau of Economic Analysis

Estimate: Bloomberg's Survey of Economists

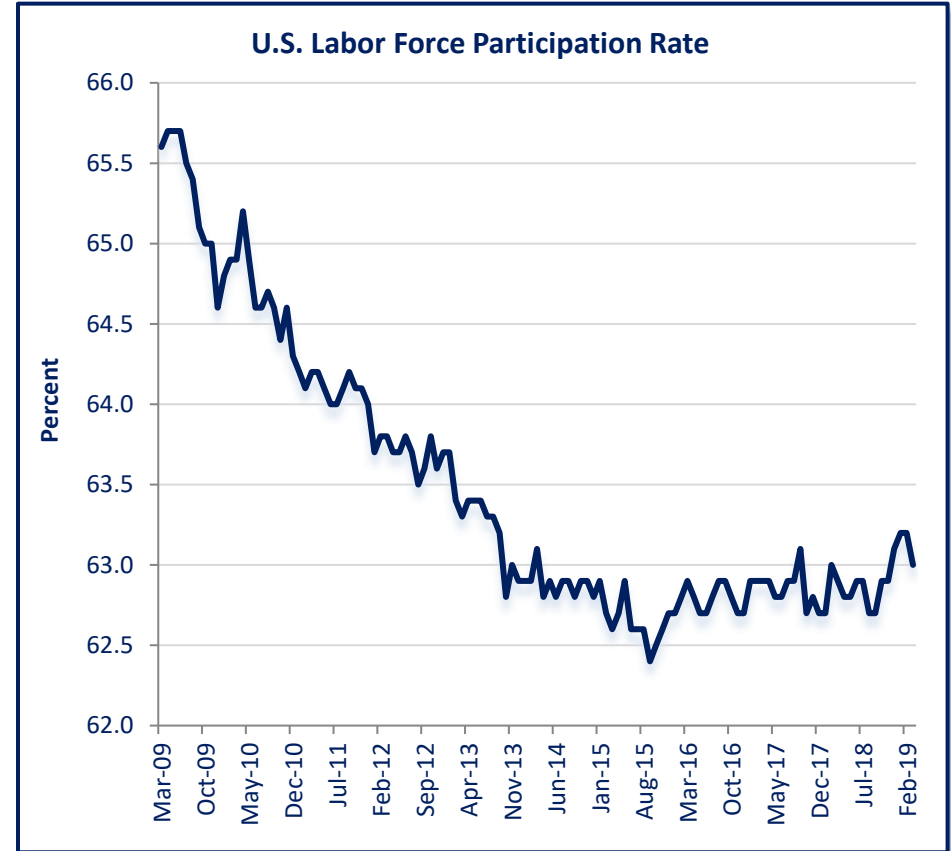
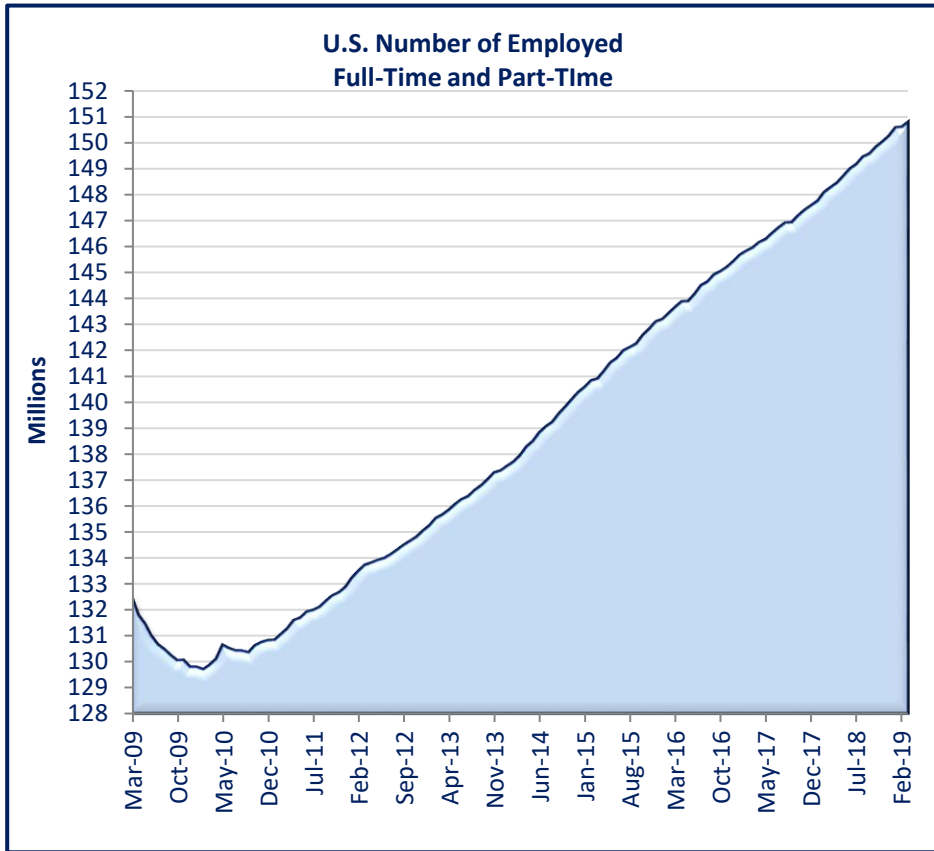
As of: 2/28/19



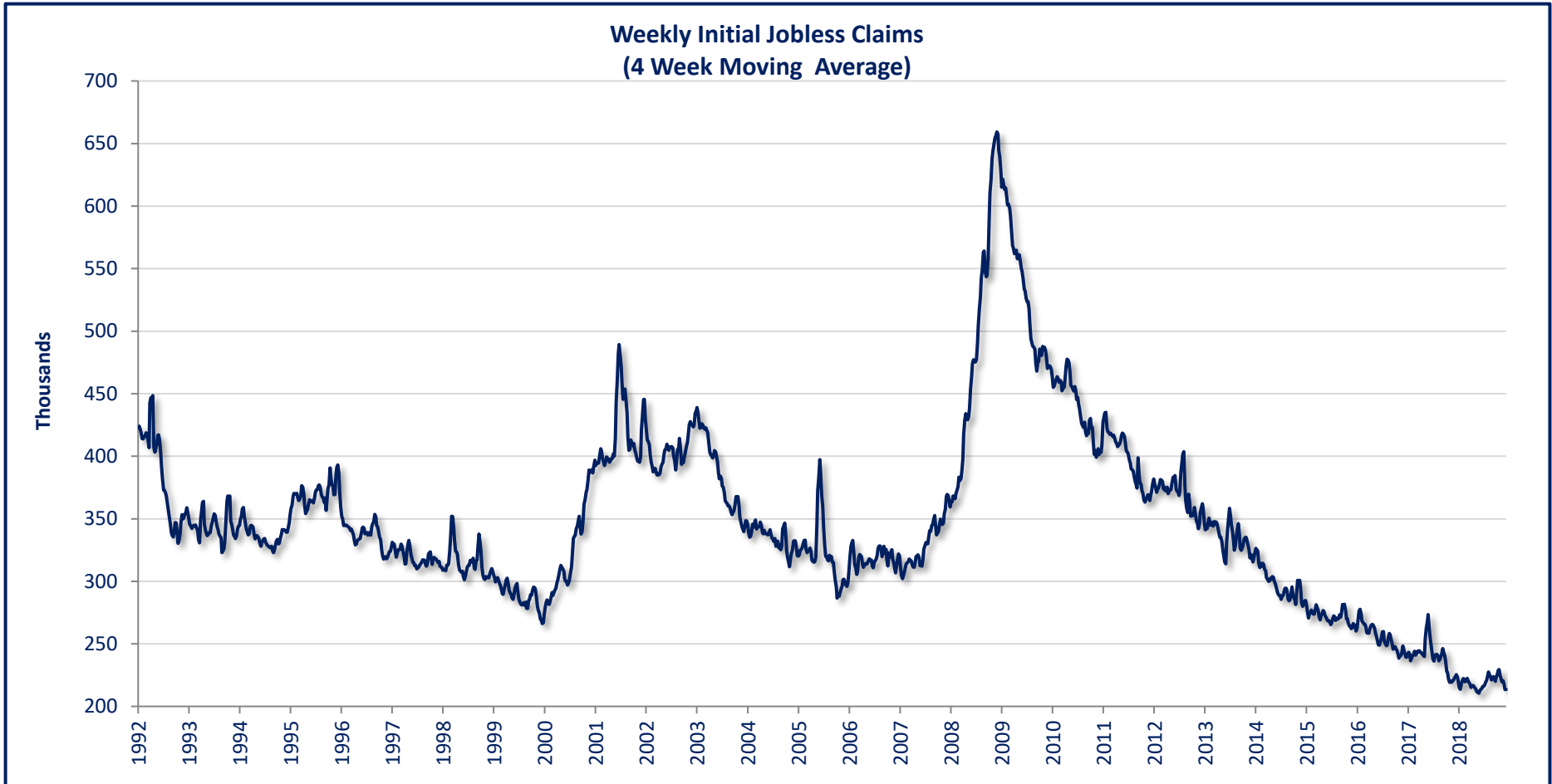


**12 Month Average Job Change** **211,417**

Source: Bureau of Labor Statistics

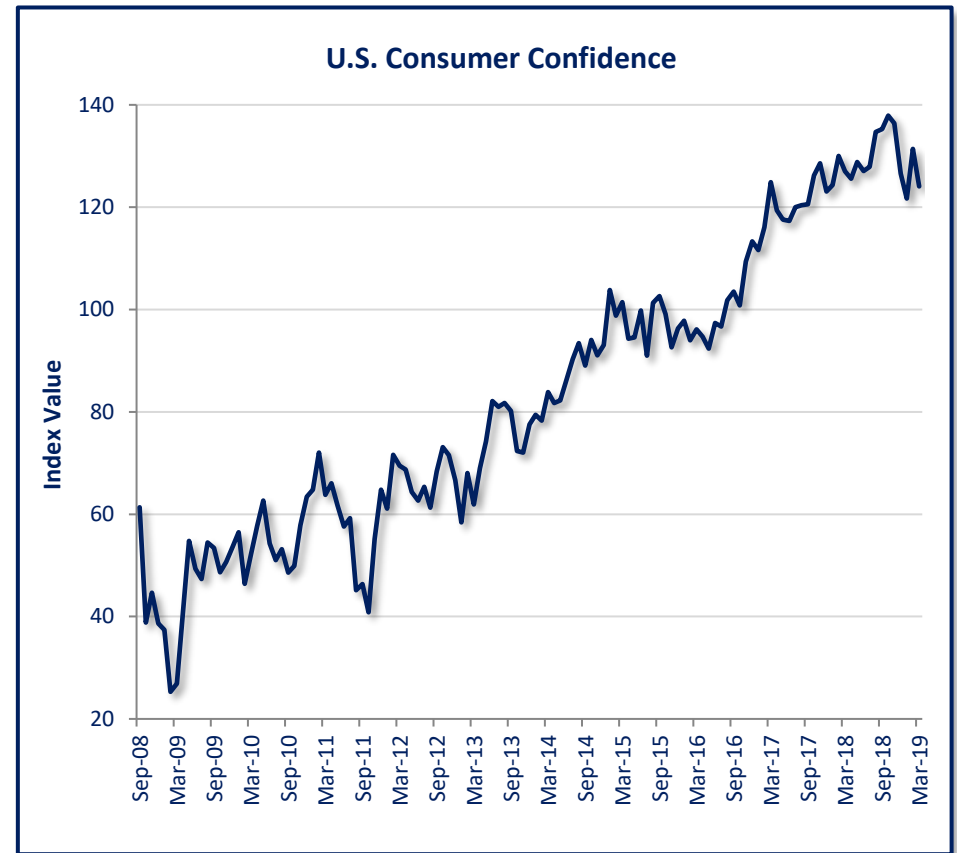
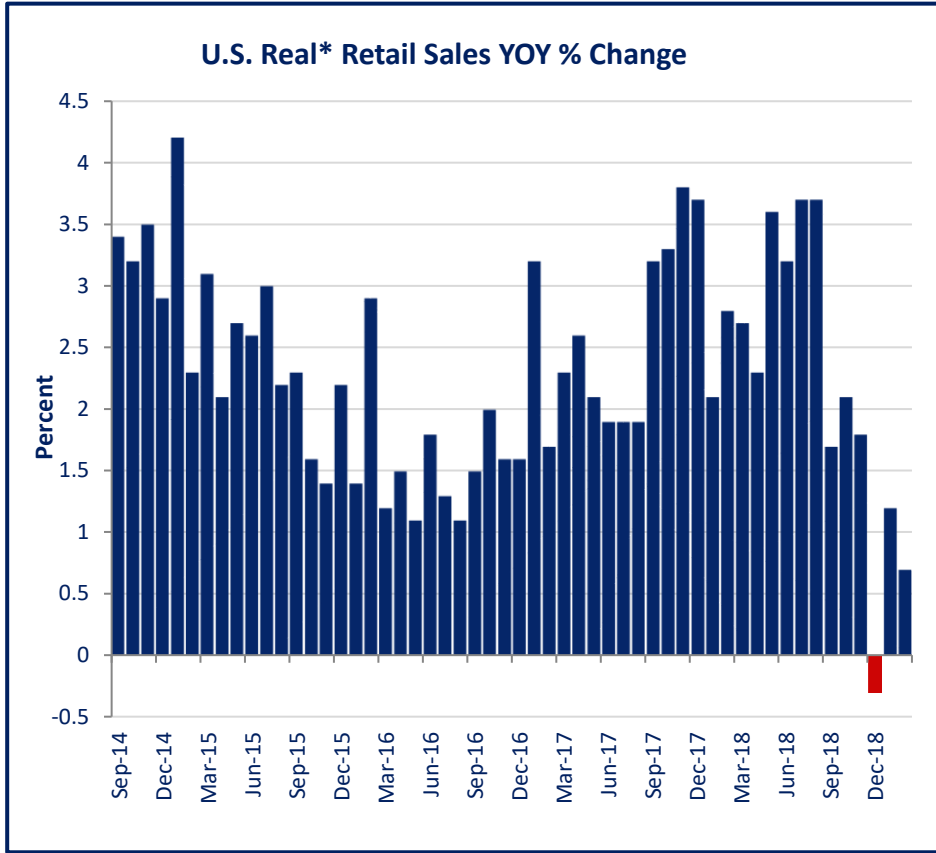


Source: Bureau of Labor Statistics



Weekly Initial Jobless Claims is the actual number of people who have filed for Unemployment benefits for the first time. The following five eligibility criteria must be met in order to file for unemployment benefits: 1. Meet the requirements of time worked during a 1 year period (full time or not). 2. Become unemployed through no fault of your own (cannot be fired). 3. Must be able to work; no physical or mental holdbacks. 4. Must be available for work. 5. Must be actively seeking work.

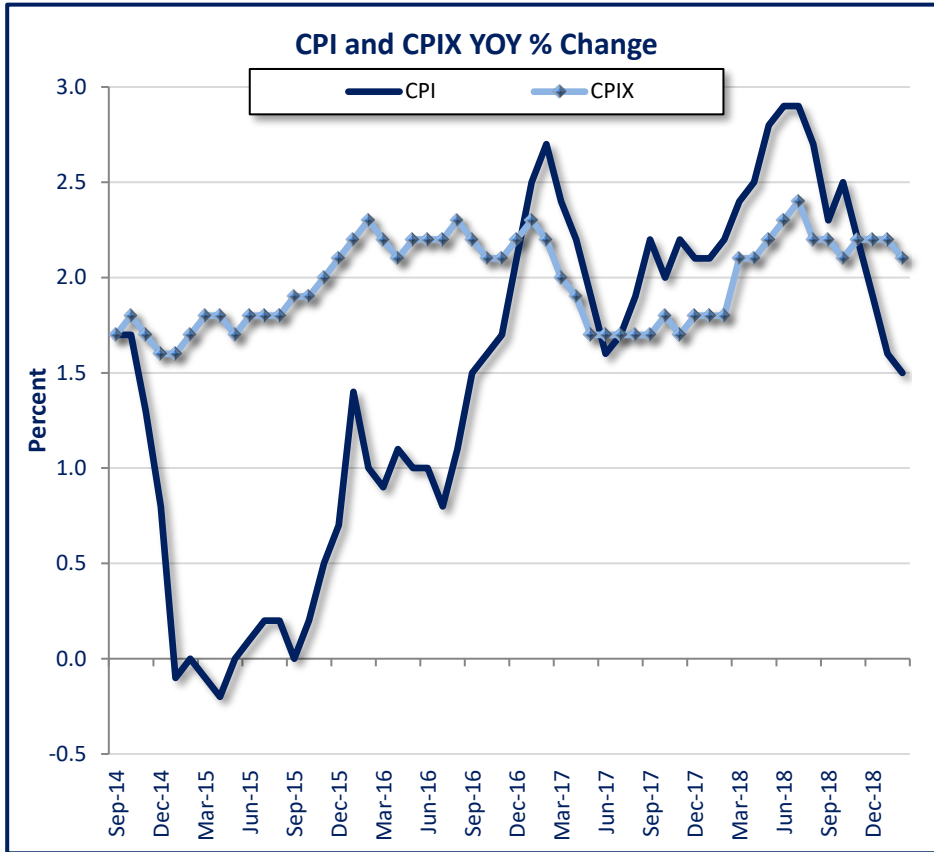
Source: Department of Labor and Bloomberg



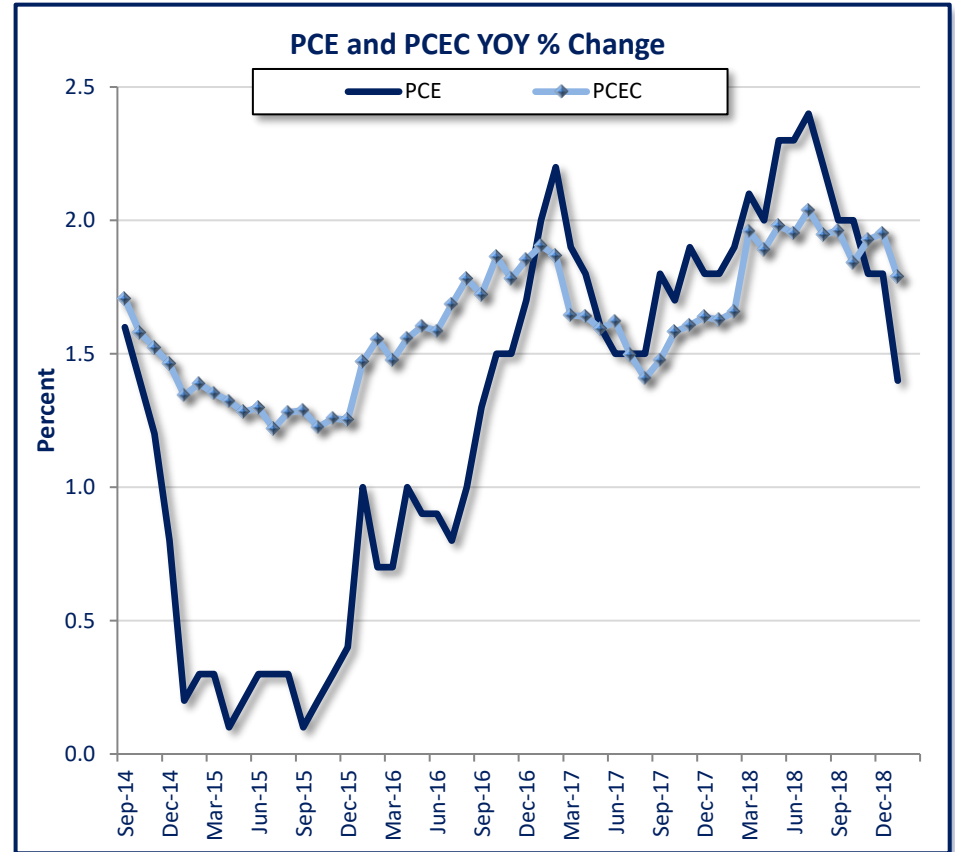
\*Real: Inflation Adjusted

Source: U.S. Census Bureau

Source: Conference Board

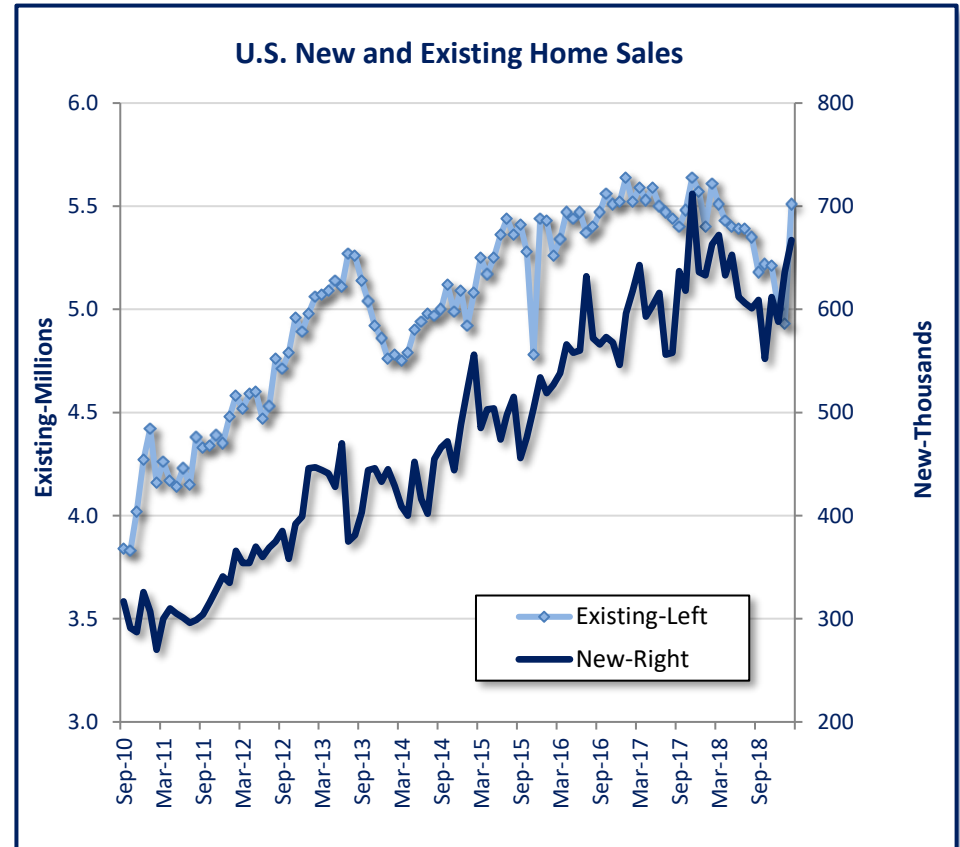
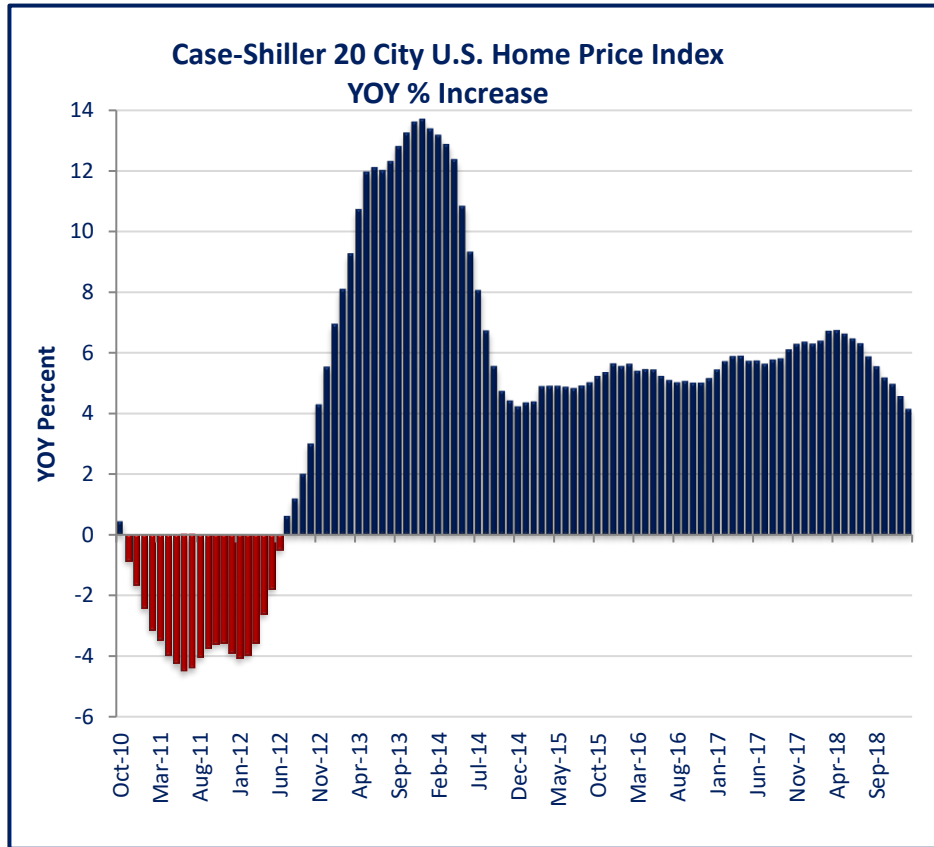


CPIX: Consumer Price Index, excluding food and energy



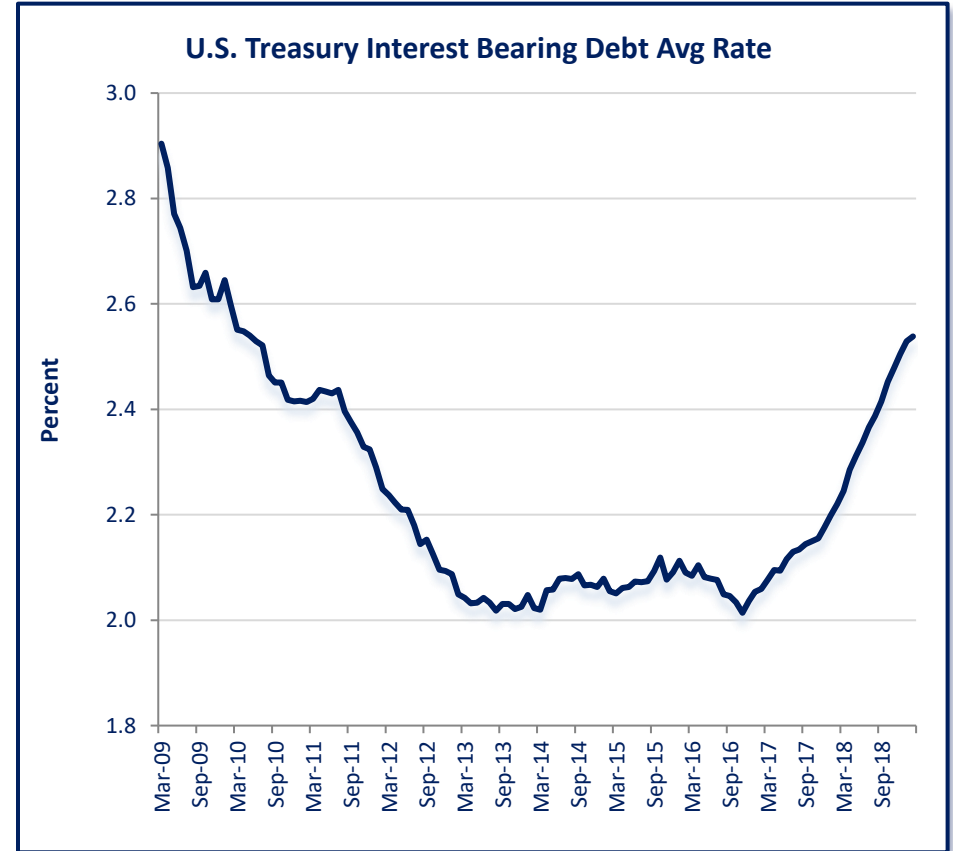
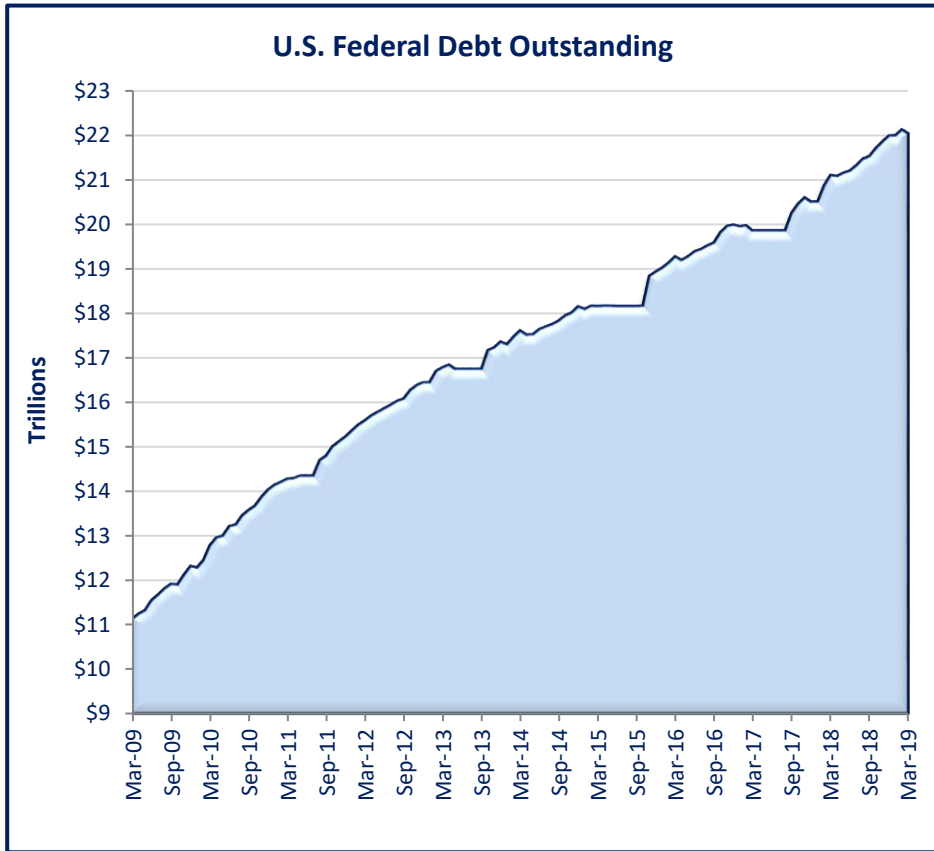
PCEC: Personal Consumption Expenditure Core

Source: Bureau of Labor Statistics and Bureau of Economic Analysis

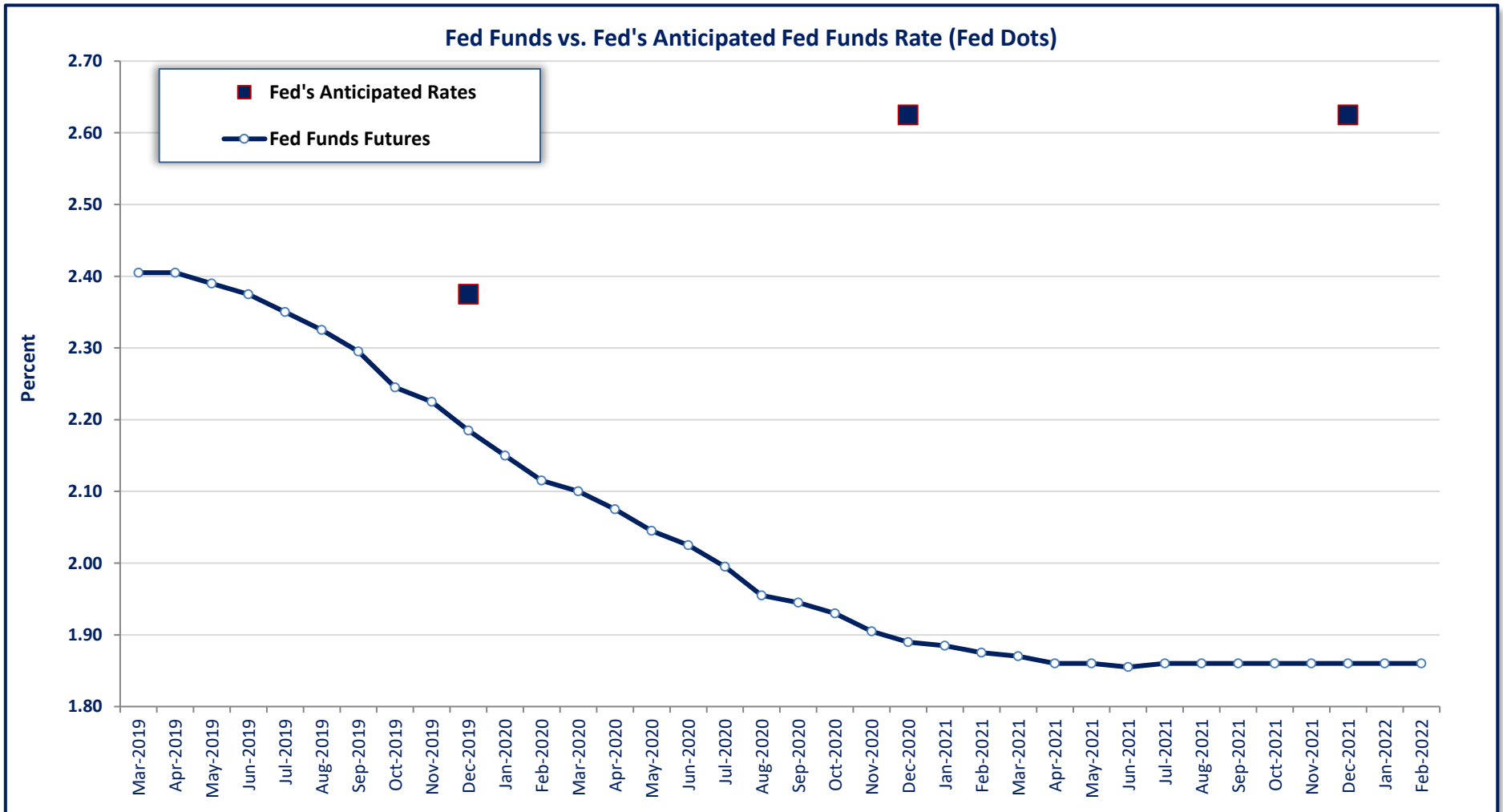


Source: Case-Shiller

Sources: New (U.S. Census Bureau), Existing (National Assoc. of Realtors)  
 Seasonally Adjusted Annual Rate



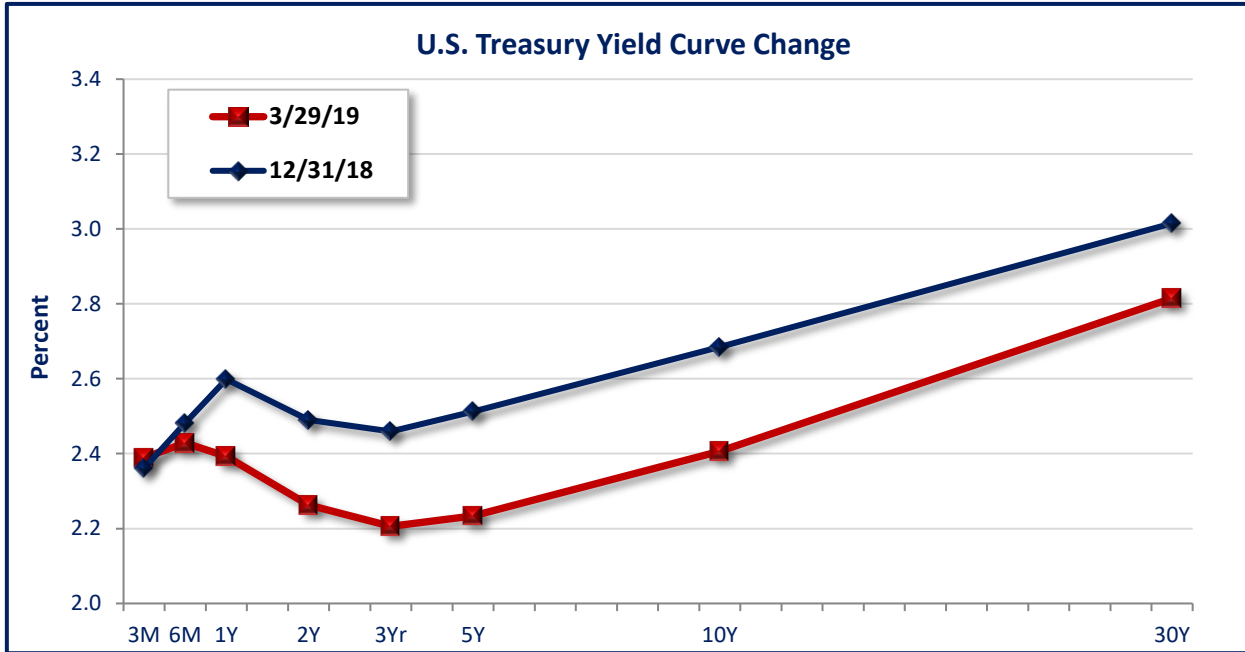
Source: U.S. Treasury



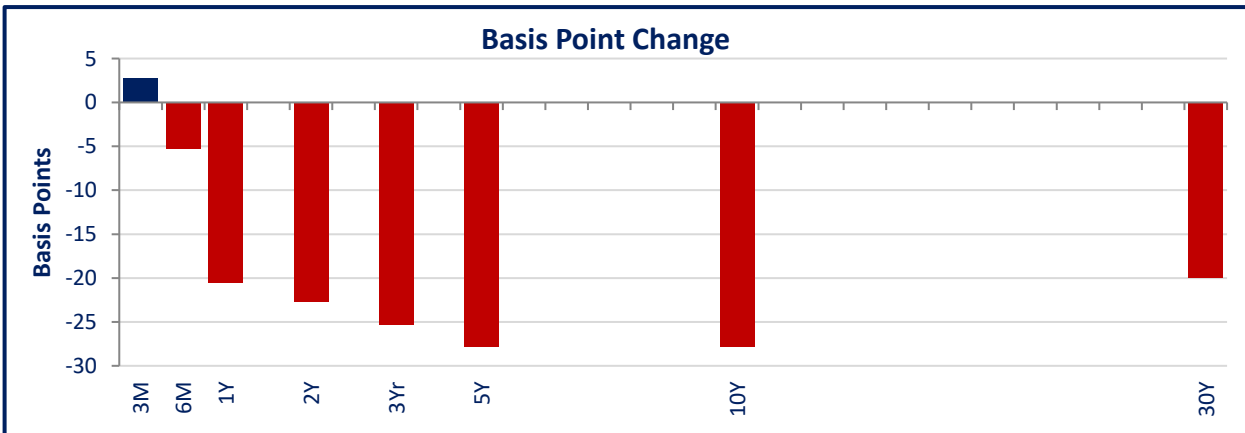
Fed Funds Anticipated Rate from the December 19, 2018 FOMC Meeting

Source: Bloomberg

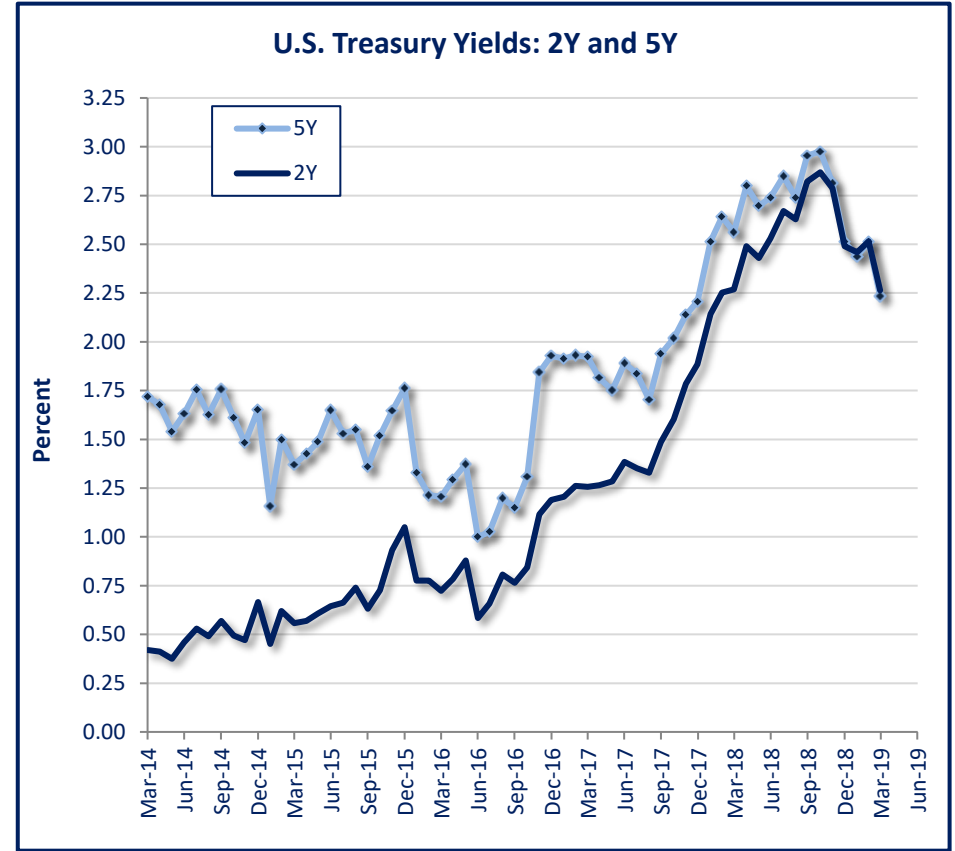
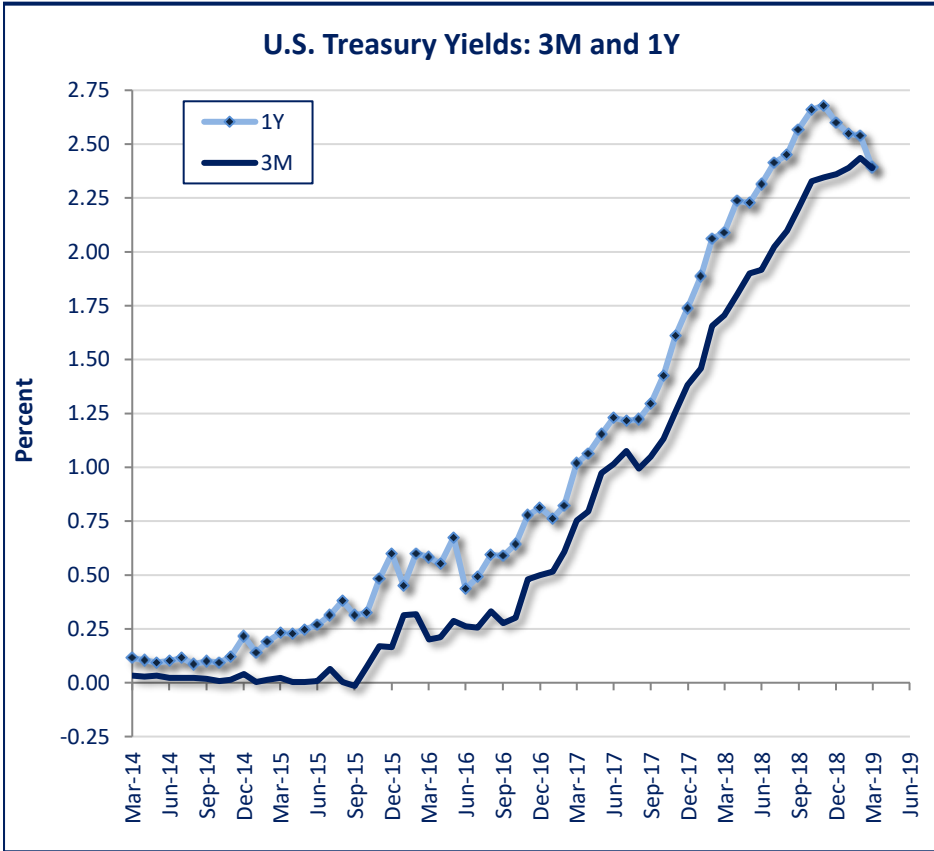




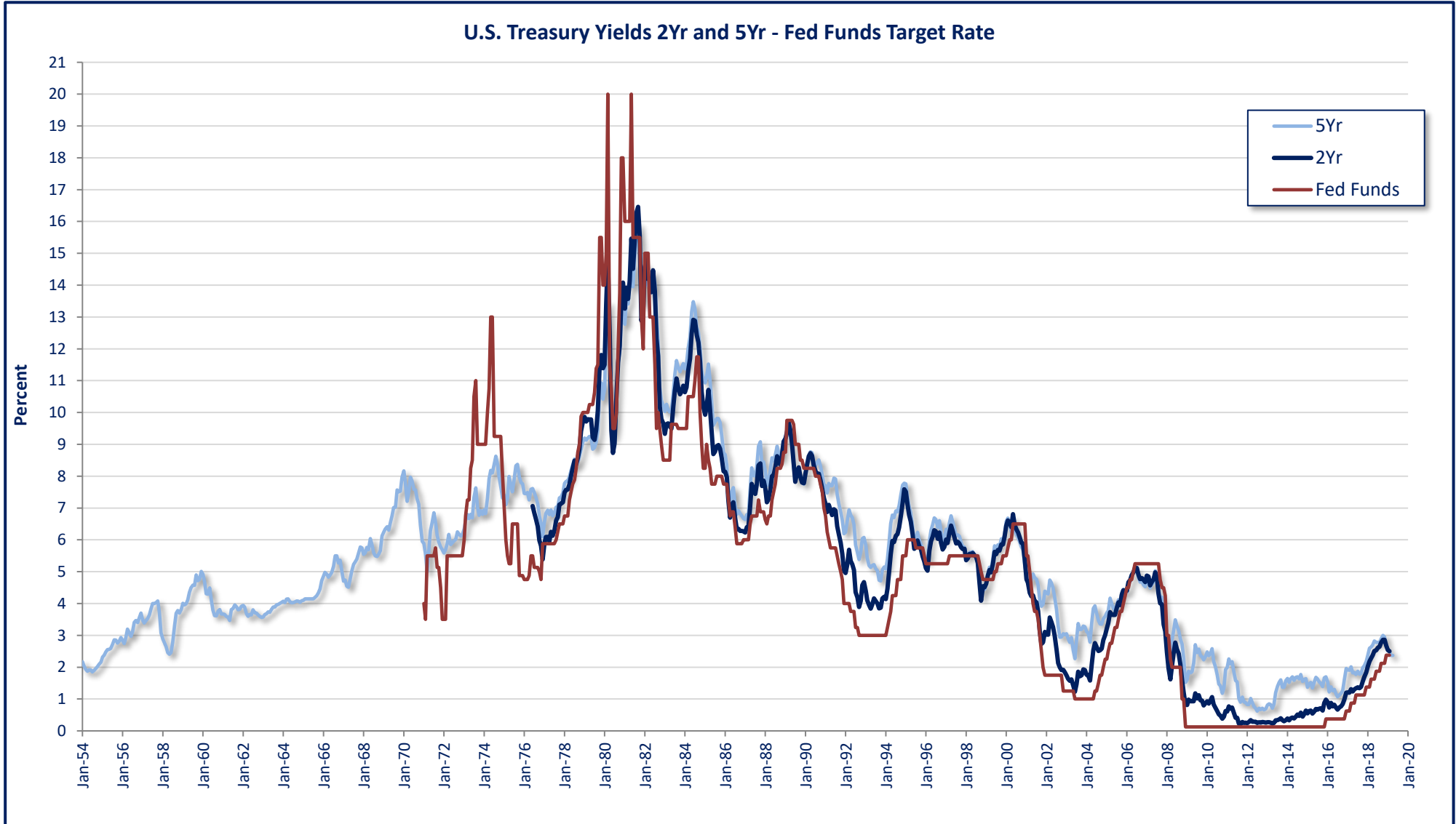
Maturity	12/31/18	3/29/19	Change
3M	2.36	2.39	0.03
6M	2.48	2.43	-0.05
1Y	2.60	2.39	-0.21
2Y	2.49	2.26	-0.23
3Y	2.46	2.21	-0.25
5Y	2.51	2.23	-0.28
10Y	2.69	2.41	-0.28
30Y	3.02	2.82	-0.20



Source: Bloomberg  
 Figures may not total due to rounding



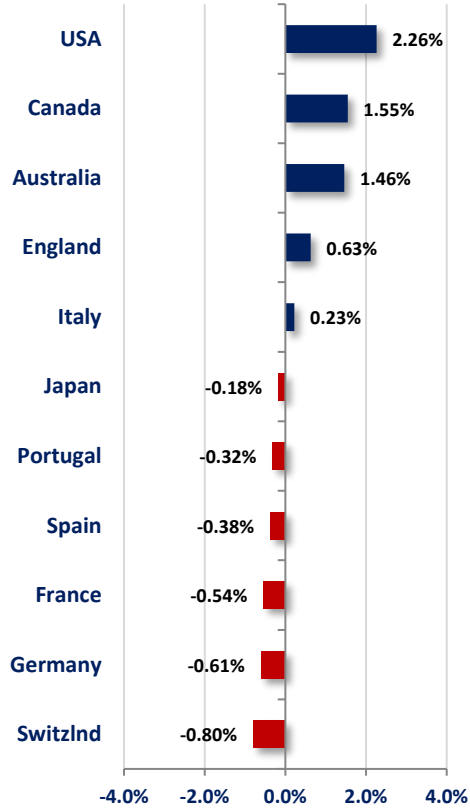
Source: Bloomberg



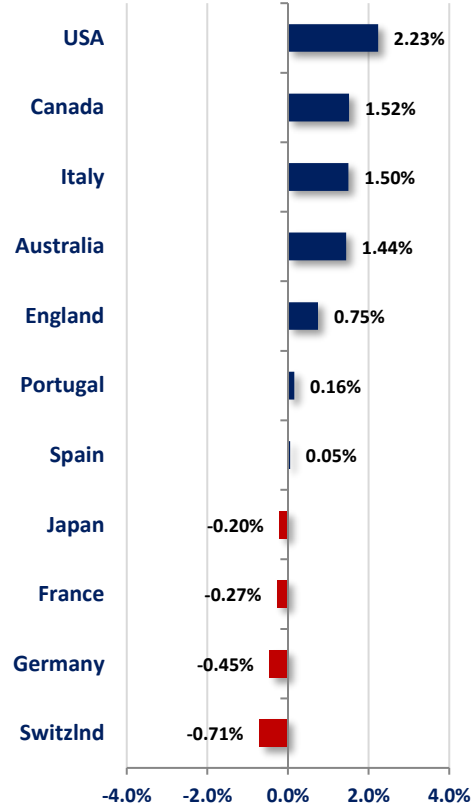
Source: Bloomberg

**Global Treasury Rates**

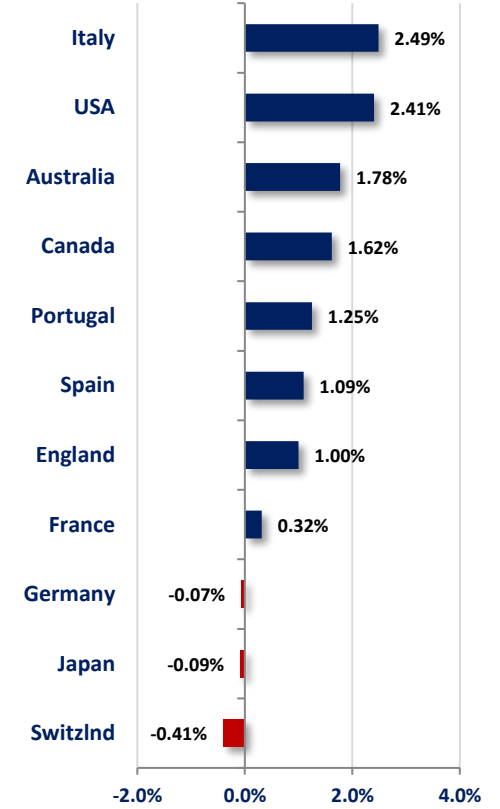
**2 Year Yields**



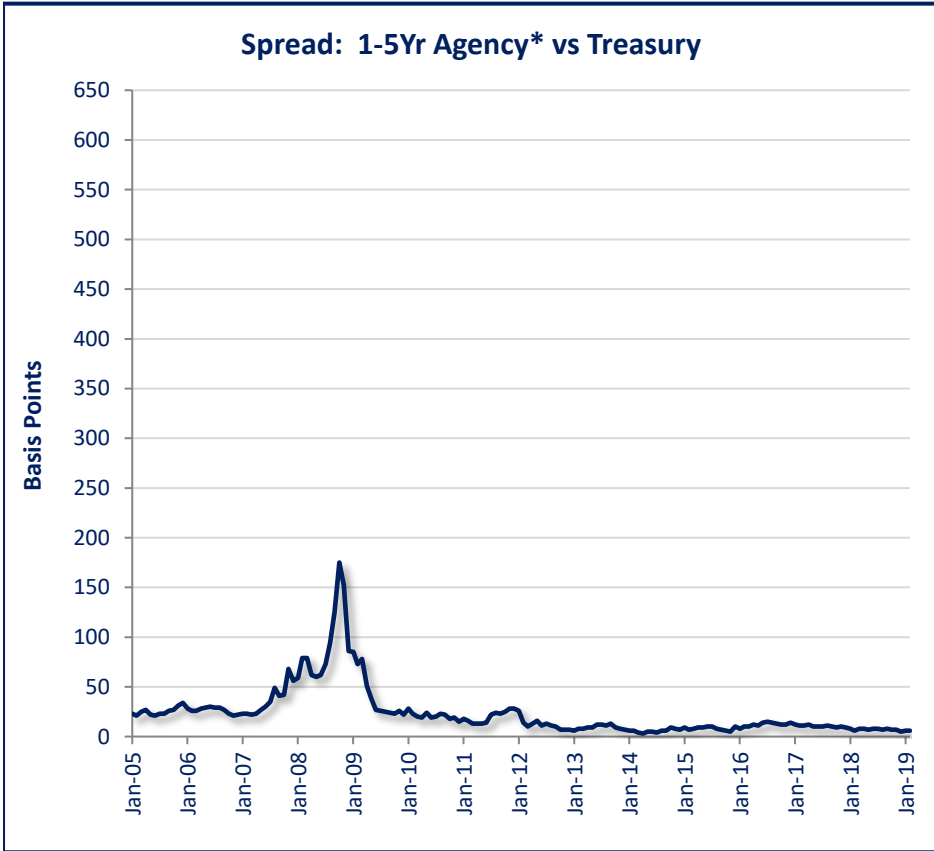
**5 Year Yields**



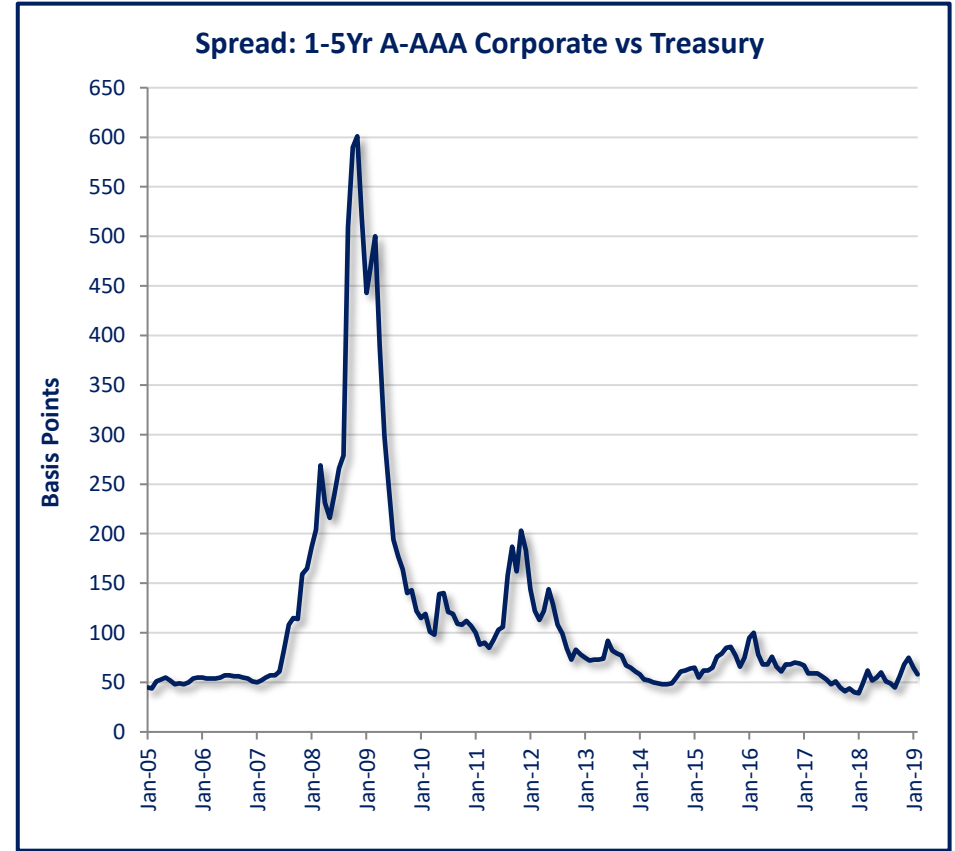
**10 Year Yields**



Source: Bloomberg



Current Spread is 4

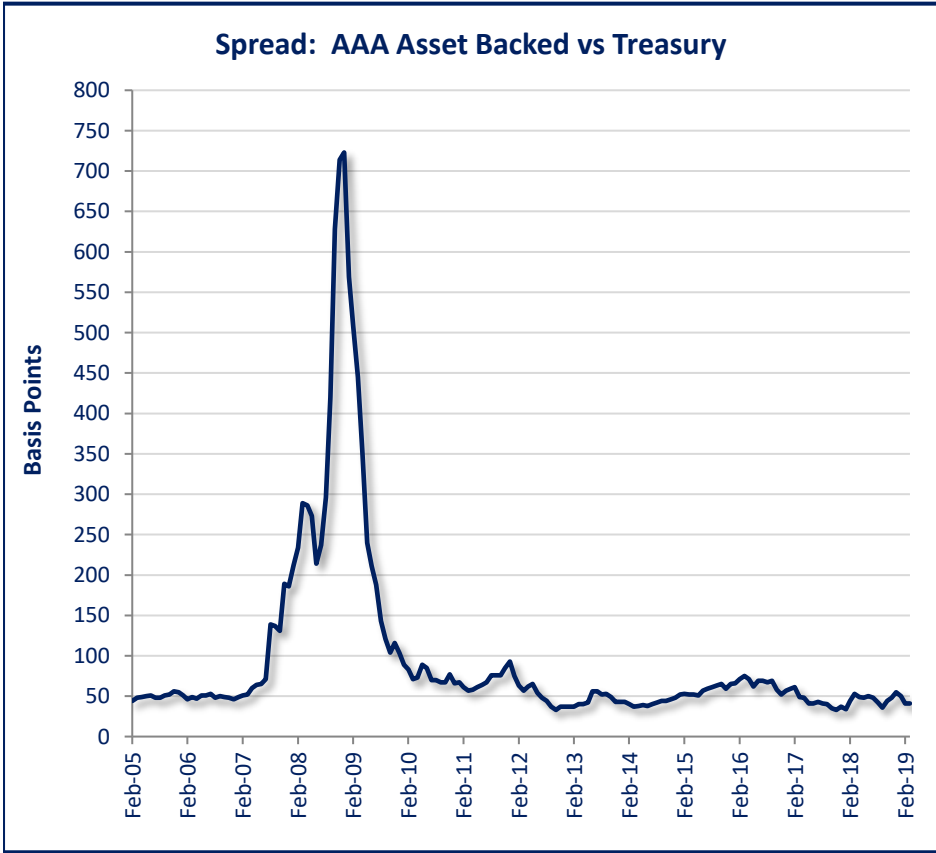


Current Spread is 56

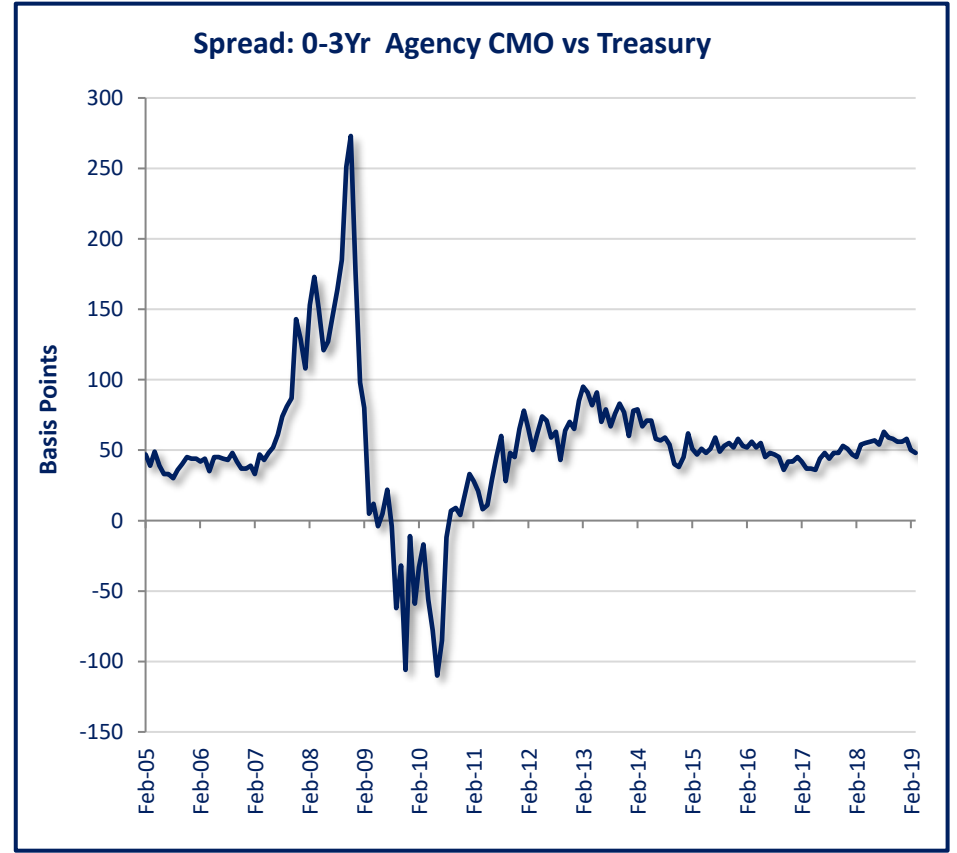
\*ICE BofAML Index (option adjusted spread vs. Treasury)  
 Agency (GVPO)

\*ICE BofAML Index (option adjusted spread vs. Treasury)  
 Corporate A-AAA Excluding Yankee (CVAC)

Source: ICE BofAML Indices



**Current Spread is 41**

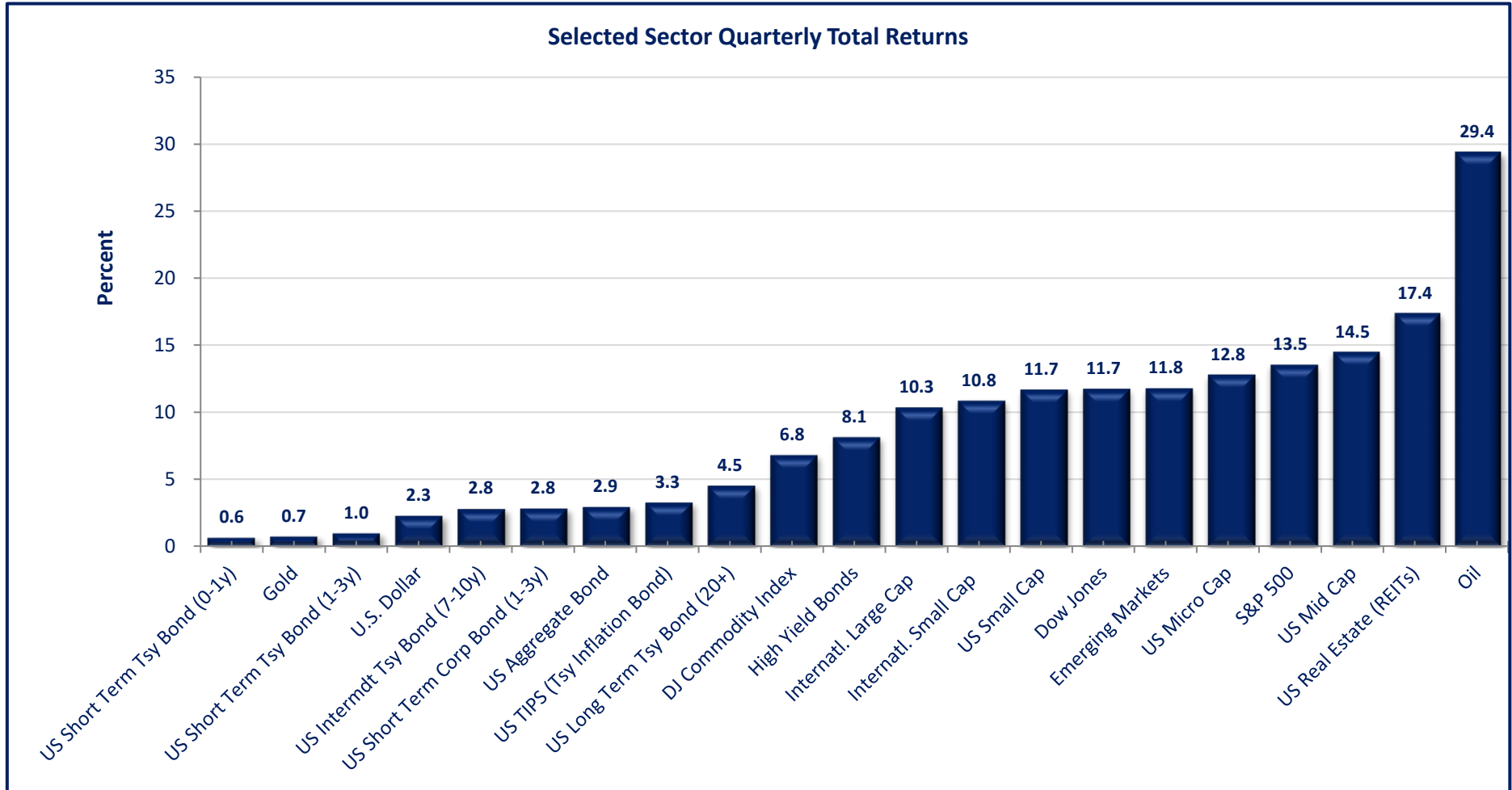


**Current Spread is 48**

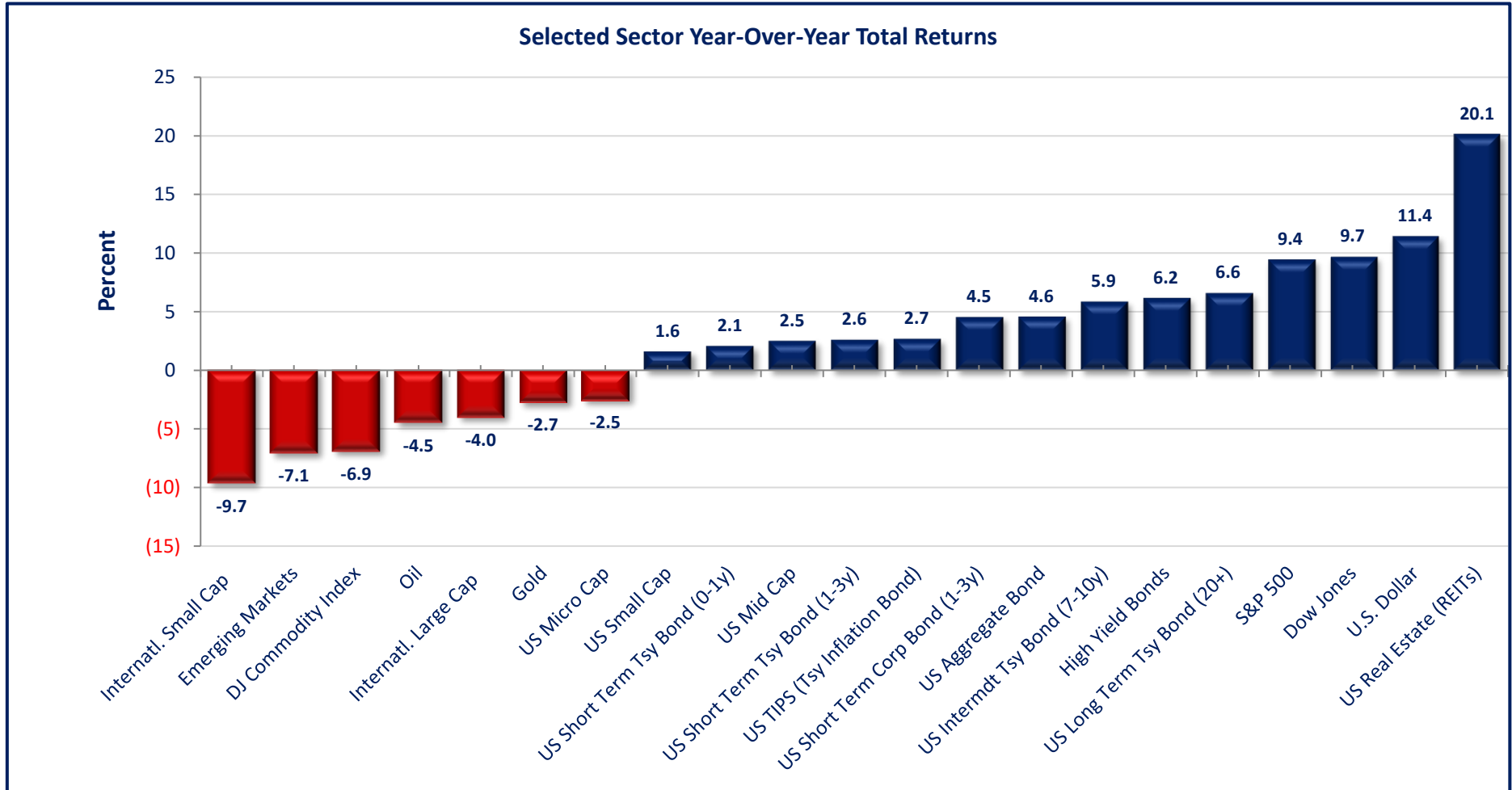
\*ICE BofAML Index (option adjusted spread vs. Treasury)  
 AAA Rated ABS (ROA1)

\*ICE BofAML Index (option adjusted spread vs. Treasury)  
 CMO Agency 0-3Yr PAC (CM1P)

Source: ICE BofAML Indices

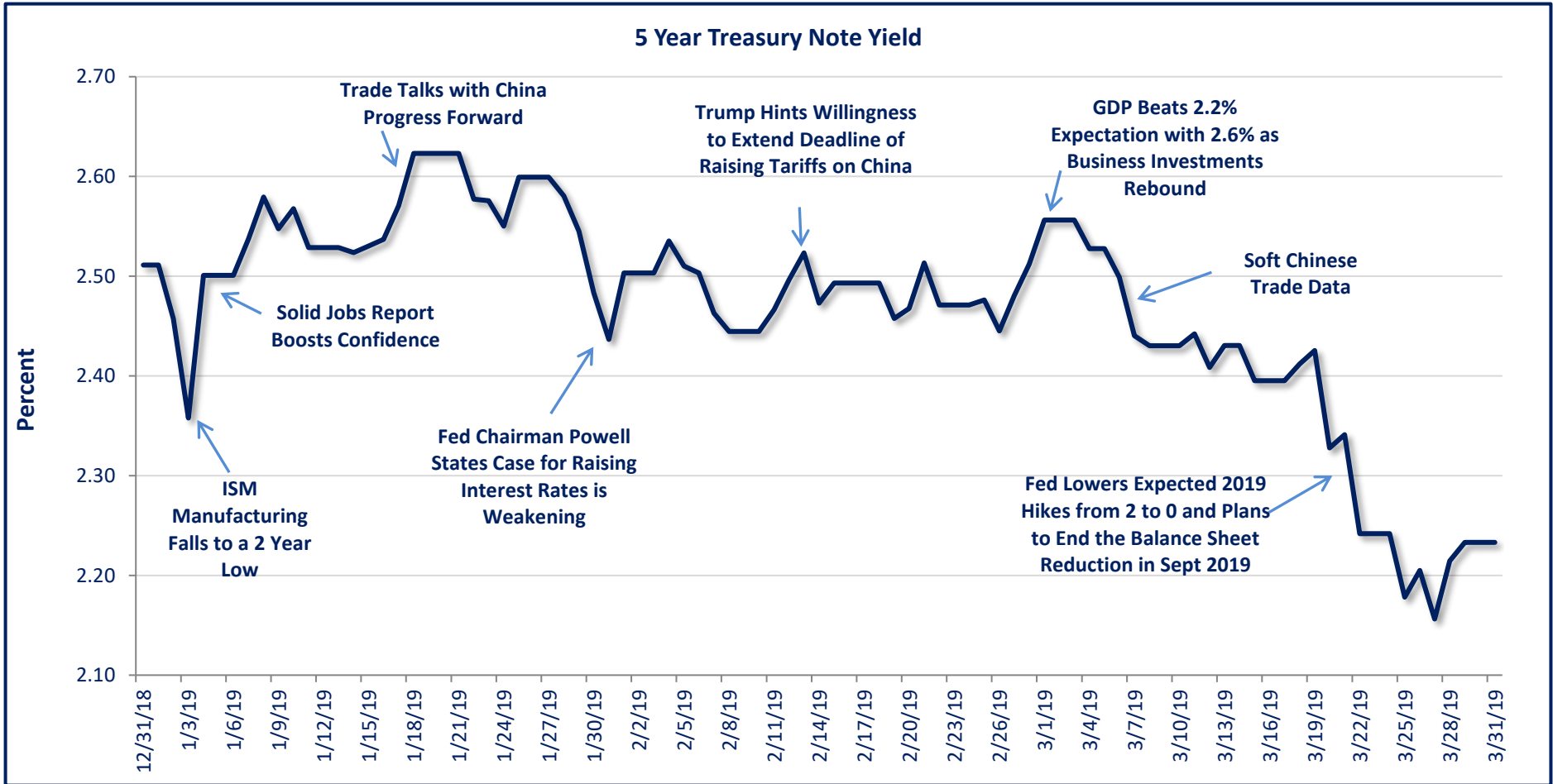


Source: Bloomberg

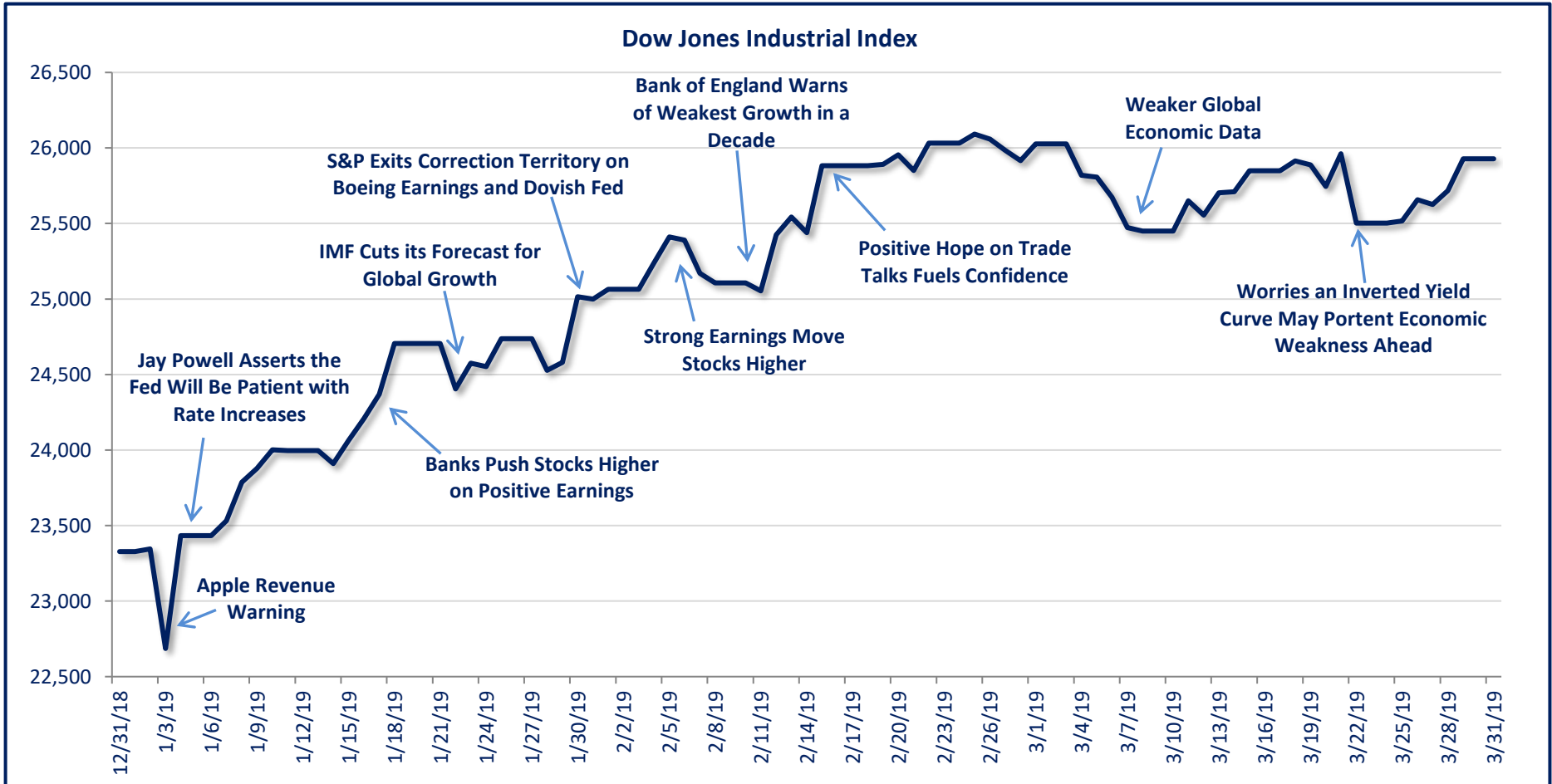


Source: Bloomberg





Sources: Bloomberg, FTN Main Street



Sources: Bloomberg, FTN Main Street

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**APPENDIX H**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN



**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



**BAM**

**CALIFORNIA  
ENDORSEMENT TO  
MUNICIPAL BOND  
INSURANCE POLICY  
NO.**

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

\_\_\_\_\_  
Authorized Officer



**BAM**

**ACCREDITED VALUE**

**ENDORSEMENT TO**

**MUNICIPAL BOND  
INSURANCE POLICY**

**NO.**

Re: Bonds Maturing on

It is further understood that with respect to the Bonds maturing on the dates referenced above, the amount insured under this Policy is that portion of the accreted value (as set forth in the bond documents under which the Bonds are issued) of said Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

\_\_\_\_\_  
Authorized Officer

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## APPENDIX I

### TABLE OF ACCRETED VALUES

**\$15,332,914.80**  
**2019 GENERAL OBLIGATION REFUNDING BONDS,**  
**SERIES B (FEDERALLY TAXABLE)**

Date	Term CAB 2034 3.479%	Term CAB 2039 3.708%	Term CAB 2044 3.808%	Term CAB 2051 3.908%
8/7/2019	\$2,982.15	\$2,399.45	\$1,948.40	\$1,450.00
2/1/2020	3,032.25	2,442.40	1,984.25	1,477.40
8/1/2020	3,085.00	2,487.70	2,022.00	1,506.25
2/1/2021	3,138.70	2,533.80	2,060.50	1,535.70
8/1/2021	3,193.30	2,580.80	2,099.75	1,565.70
2/1/2022	3,248.85	2,628.65	2,139.75	1,596.30
8/1/2022	3,305.35	2,677.40	2,180.45	1,627.50
2/1/2023	3,362.85	2,727.00	2,222.00	1,659.30
8/1/2023	3,421.35	2,777.60	2,264.30	1,691.70
2/1/2024	3,480.85	2,829.10	2,307.40	1,724.75
8/1/2024	3,541.40	2,881.55	2,351.35	1,758.45
2/1/2025	3,603.00	2,934.95	2,396.10	1,792.80
8/1/2025	3,665.70	2,989.35	2,441.75	1,827.85
2/1/2026	3,729.45	3,044.80	2,488.25	1,863.55
8/1/2026	3,794.30	3,101.25	2,535.60	1,900.00
2/1/2027	3,860.30	3,158.75	2,583.90	1,937.10
8/1/2027	3,927.45	3,217.30	2,633.10	1,974.95
2/1/2028	3,995.80	3,276.95	2,683.20	2,013.55
8/1/2028	4,065.30	3,337.70	2,734.30	2,052.90
2/1/2029	4,136.00	3,399.60	2,786.35	2,093.00
8/1/2029	4,207.95	3,462.60	2,839.40	2,133.90
2/1/2030	4,281.15	3,526.80	2,893.50	2,175.60
8/1/2030	4,355.65	3,592.20	2,948.55	2,218.10
2/1/2031	4,431.40	3,658.80	3,004.70	2,261.45
8/1/2031	4,508.50	3,726.65	3,061.90	2,305.65
2/1/2032	4,586.90	3,795.75	3,120.20	2,350.70
8/1/2032	4,666.70	3,866.10	3,179.65	2,396.65
2/1/2033	4,747.85	3,937.80	3,240.15	2,443.45
8/1/2033	4,830.45	4,010.80	3,301.85	2,491.20
2/1/2034	4,914.50	4,085.15	3,364.75	2,539.90
8/1/2034	5,000.00	4,160.90	3,428.80	2,589.55
2/1/2035		4,238.05	3,494.10	2,640.15
8/1/2035		4,316.60	3,560.60	2,691.70

<b>Date</b>	<b>Term CAB 2034 3.479%</b>	<b>Term CAB 2039 3.708%</b>	<b>Term CAB 2044 3.808%</b>	<b>Term CAB 2051 3.908%</b>
2/1/2036		4,396.65	3,628.40	2,744.30
8/1/2036		4,478.15	3,697.50	2,797.95
2/1/2037		4,561.20	3,767.90	2,852.60
8/1/2037		4,645.75	3,839.65	2,908.35
2/1/2038		4,731.90	3,912.75	2,965.20
8/1/2038		4,819.60	3,987.25	3,023.10
2/1/2039		4,908.95	4,063.15	3,082.20
8/1/2039		5,000.00	4,140.50	3,142.40
2/1/2040			4,219.35	3,203.80
8/1/2040			4,299.70	3,266.45
2/1/2041			4,381.55	3,330.25
8/1/2041			4,465.00	3,395.35
2/1/2042			4,550.00	3,461.65
8/1/2042			4,636.65	3,529.30
2/1/2043			4,724.90	3,598.30
8/1/2043			4,814.90	3,668.60
2/1/2044			4,906.55	3,740.25
8/1/2044			5,000.00	3,813.35
2/1/2045				3,887.85
8/1/2045				3,963.85
2/1/2046				4,041.30
8/1/2046				4,120.25
2/1/2047				4,200.75
8/1/2047				4,282.85
2/1/2048				4,366.55
8/1/2048				4,451.85
2/1/2049				4,538.85
8/1/2049				4,627.55
2/1/2050				4,717.95
8/1/2050				4,810.15
2/1/2051				4,904.15
8/1/2051				5,000.00

