NEW ISSUE—BOOK-ENTRY ONLY **Rating: Moody's: "Aa3"**
(See "MISCELLANEOUS — Rating" herein.)

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

$2,300,000
ANDERSON UNION HIGH SCHOOL DISTRICT
(SHASTA COUNTY, CALIFORNIA)
ELECTION OF 2012 GENERAL OBLIGATION BONDS, SERIES C
(BANK QUALIFIED)

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

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

The Anderson Union High School District (Shasta County, California) Election of 2012 General Obligation Bonds, Series C (the "Series C Bonds") are issued by the Anderson Union High School District (the "District"), located in the County of Shasta, California (the "County"), to finance specific construction, repair and improvement projects approved by the voters of the District. The Series C Bonds were authorized at an election of the voters of the District held on November 6, 2012, at which at least 55% of the voters authorized the issuance and sale of $12,300,000 principal amount of bonds of the District. The Series C Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Trustees of the District, adopted on January 16, 2018.

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

The Series C Bonds will be issued as current interest bonds, as set forth on the inside front cover hereof. Interest on the Series C Bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2018. Principal of the Series C Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

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

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

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

The Series C Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by Kutak Rock, LLP, as Underwriter's Counsel. It is anticipated that the Series C Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about February 21, 2018.

STIFEL

Dated February 6, 2018.

MATURITY SCHEDULE
BASE CUSIP†: 033573

$2,300,000
ANDERSON UNION HIGH SCHOOL DISTRICT
(SHASTA COUNTY, CALIFORNIA)
ELECTION OF 2012 GENERAL OBLIGATION BONDS, SERIES C
(BANK QUALIFIED)

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2019	$ 30,000	5.000%	1.380%	CQ7
2020	25,000	5.000	1.580	CR5
2021	30,000	5.000	1.760	CS3
2022	40,000	5.000	1.880	CT1
2023	40,000	5.000	2.020	CU8
2024	50,000	5.000	2.130	CV6
2025	60,000	5.000	2.260	CW4
2026	65,000	5.000	2.380[C]	CX2
2027	70,000	5.000	2.470[C]	CY0
2028	80,000	5.000	2.540[C]	CZ7
2029	90,000	5.000	2.600[C]	DA1
2030	100,000	5.000	2.660[C]	DB9
2031	110,000	5.000	2.700[C]	DC7
2032	120,000	3.000	3.240	DD5
2033	130,000	3.125	3.340	DE3
2034	140,000	3.125	3.380	DF0
2035	150,000	3.250	3.410	DG8
2036	160,000	3.250	3.440	DH6
2037	200,000	3.250	3.470	DJ2
2038	295,000	3.250	3.500	DK9
2039	315,000	3.375	3.520	DL7

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

[C] Yield to call at par on August 1, 2025.

ANDERSON UNION HIGH SCHOOL DISTRICT
(SHASTA COUNTY, CALIFORNIA)

BOARD OF TRUSTEES

DISTRICT ADMINISTRATORS

Tim Azevedo, Superintendent
Donell Evans, Chief Business Official
Marrianne Williams, Director of Instruction

PROFESSIONAL SERVICES

Municipal Advisor

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

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Registrar and Transfer Agent

U.S. Bank National Association
San Francisco, Caslifornia

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(continued)

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

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

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

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

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

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

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

$2,300,000
ANDERSON UNION HIGH SCHOOL DISTRICT
(SHASTA COUNTY, CALIFORNIA)
ELECTION OF 2012 GENERAL OBLIGATION BONDS, SERIES C
(BANK QUALIFIED)

INTRODUCTION

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

General

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $2,300,000 aggregate principal amount of Anderson Union High School District (Shasta County, California) Election of 2012 General Obligation Bonds, Series C (the "Series C Bonds"), all as indicated on the inside front cover hereof, to be offered by the Anderson Union High School District (the "District").

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

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

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

Copies of documents referred to herein and information concerning the Series C Bonds are available from the District by contacting: Anderson Union High School District, 1469 Ferry Street, Anderson, California 96007, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District was founded in 1908 and serves the unincorporated communities of Cottonwood and Happy Valley, the City of Anderson and a portion of the City of Redding in the County of Shasta (the "County"). The District is located 150 miles north of Sacramento. The District encompasses approximately 270 square miles and serves a population of approximately 39,000 residents. The District is a high school district serving students in ninth through twelfth grades. The District operates two high schools, one continuation school, one community day school, one alternative school, one adult education program and one charter school, the Anderson New Technology High School ("Anderson NTHS"). The District projects that total enrollment for fiscal year 2017-18 will be 1,589 students, excluding students attending Anderson NTHS.

For additional information about the District, see APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017." See also APPENDIX C – "GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF SHASTA AND THE CITY OF ANDERSON" for economic and demographic information regarding the region encompassing the District.

THE SERIES C BONDS

Authority for Issuance; Purpose

The Series C Bonds are issued under the provisions of California Government Code Section 53506 et seq., including Section 53508.7 thereof, and California Education Code Section 15140 and Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Trustees of the District on January 16, 2018 (the "Resolution").

At an election held on November 6, 2012, the District received authorization under Measure C to issue general obligation bonds of the District in an aggregate principal amount not to exceed $12,300,000 to repair leaky roofs, upgrade heating, ventilation, electrical, plumbing and sewer systems, construct vocational educational facilities, install energy efficient utility systems, improve safety with new fire alarms, improve technology, and modernize restrooms at Anderson and West Valley High Schools (collectively, the "2012 Authorization"). Measure C required approval by at least 55% of the votes cast by eligible voters within the District and received an approval of approximately 57.13%. The Series C Bonds represent the third and final series of authorized bonds to be issued under the 2012 Authorization and will be issued to (i) finance authorized projects and (ii) pay costs of issuance with respect to the Series C Bonds. See "Application and Investment of Series C Bond Proceeds" herein.

Form and Registration

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

Payment of Principal and Interest

Interest. The Series C Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on August 1, 2018, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series C Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series C Bond, interest is in default on any outstanding Series C Bonds, such Series C Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series C Bonds.

Payment of Series C Bonds. The principal of the Series C Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of U.S. Bank National Association, as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

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

Redemption

Optional Redemption. The Series C Bonds maturing on or before August 1, 2025, are not subject to optional redemption prior to their respective stated maturity dates. The Series C Bonds maturing on or after August 1, 2026, 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, 2025, at a redemption price equal to the principal amount of the Series C Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

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

Notice of Redemption. Notice of redemption of any Series C Bond will be given by the Paying Agent not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Series C Bonds. See APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

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

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

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

Defeasance of Series C Bonds

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

Unclaimed Moneys

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

Application and Investment of Series C Bond Proceeds

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

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Election of 2012 General Obligation Bonds, Series C

Estimated Sources and Uses of Funds

Sources of Funds:	
Aggregate Principal Amount of Series C Bonds	$2,300,000.00
Plus Net Original Issue Premium	79,888.25
Total Sources of Funds	$2,379,888.25
Uses of Funds:	
Deposit to Building Fund	$2,150,000.00
Deposit to Interest and Sinking Fund[(1)]	45,388.25
Costs of Issuance[(2)]	150,000.00
Underwriter's Discount	34,500.00
Total Uses of Funds	$2,379,888.25

(1) Consists of premium received by the District.
(2) Includes legal fees, municipal advisor fees, rating agency fees, printing fees, and other miscellaneous expenses.

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

Debt Service

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

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Election of 2012 General Obligation Bonds, Series C

Year Ending August 1,	Principal	Interest	Total Debt Service
2018	–	$ 39,258.33	$ 39,258.33
2019	$ 30,000.00	88,331.26	118,331.26
2020	25,000.00	86,831.26	111,831.26
2021	30,000.00	85,581.26	115,581.26
2022	40,000.00	84,081.26	124,081.26
2023	40,000.00	82,081.26	122,081.26
2024	50,000.00	80,081.26	130,081.26
2025	60,000.00	77,581.26	137,581.26
2026	65,000.00	74,581.26	139,581.26
2027	70,000.00	71,331.26	141,331.26
2028	80,000.00	67,831.26	147,831.26
2029	90,000.00	63,831.26	153,831.26
2030	100,000.00	59,331.26	159,331.26
2031	110,000.00	54,331.26	164,331.26
2032	120,000.00	48,831.26	168,831.26
2033	130,000.00	45,231.26	175,231.26
2034	140,000.00	41,168.76	181,168.76
2035	150,000.00	36,793.76	186,793.76
2036	160,000.00	31,918.76	191,918.76
2037	200,000.00	26,718.76	226,718.76
2038	295,000.00	20,218.76	315,218.76
2039	315,000.00	10,631.26	325,631.26
Total:	$2,300,000.00	$1,276,577.29	$3,576,577.29

Outstanding Bonds

In addition to the Series C Bonds, the District has two additional series of bonds outstanding, each of which is secured by ad valorem taxes upon all property subject to taxation by the District on a parity with the Series C Bonds.

Under the 2012 Authorization, voters approved the District's issuance of bonds in an aggregate principal amount not to exceed $12,300,000 to finance specific construction projects approved by the voters as indicated herein. On March 27, 2013, the District issued $5,000,000 aggregate principal amount of its Election of 2012 General Obligation Bonds, Series A (the "Series A Bonds") as the District's first series of bonds issued under the 2012 Authorization. On May 12, 2015, the District issued $5,000,000 aggregate principal amount of its Election of 2012 General Obligation Bonds, Series B (the "Series B Bonds") as the District's second series of bonds issued under the 2012 Authorization. The Series C Bonds represent the third and final series of bonds issued under the 2012 Authorization.

Aggregate Debt Service

The following table sets forth the annual aggregate debt service requirements of all outstanding bonds of the District, assuming no optional redemptions.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
General Obligation Bonds – Aggregate Debt Service

Year Ending August 1,	Series A Bonds	Series B Bonds	Series C Bonds	Aggregate Debt Service
2018	$ 242,368.76	$ 344,162.50	$ 39,258.33	$ 625,789.59
2019	240,768.76	236,062.50	118,331.26	595,162.52
2020	254,168.76	240,062.50	111,831.26	606,062.52
2021	261,318.76	248,962.50	115,581.26	625,862.52
2022	268,168.76	257,012.50	124,081.26	649,262.52
2023	278,568.76	269,762.50	122,081.26	670,412.52
2024	288,368.76	277,062.50	130,081.26	695,512.52
2025	299,018.76	284,062.50	137,581.26	720,662.52
2026	309,218.76	295,762.50	139,581.26	744,562.52
2027	318,750.00	305,762.50	141,331.26	765,843.76
2028	327,575.00	315,162.50	147,831.26	790,568.76
2029	335,656.26	330,512.50	153,831.26	820,000.02
2030	347,956.26	340,262.50	159,331.26	847,550.02
2031	359,556.26	349,325.00	164,331.26	873,212.52
2032	375,456.26	357,662.50	168,831.26	901,950.02
2033	380,125.00	375,512.50	175,231.26	930,868.76
2034	394,250.00	387,243.76	181,168.76	962,662.52
2035	413,000.00	393,300.00	186,793.76	993,093.76
2036	420,000.00	408,500.00	191,918.76	1,020,418.76
2037	330,750.00	488,250.00	226,718.76	1,045,718.76
2038	–	723,250.00	315,218.76	1,038,468.76
2039	–	745,500.00	325,631.26	1,071,131.26
Total:	$6,445,043.88	$7,973,156.26	$3,576,577.29	$17,994,777.43

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Source: Stifel, Nicolaus & Company, Incorporated.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES C BONDS

General

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

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

Statutory Lien on Taxes (Senate Bill 222)

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

Pledge of Tax Revenues

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

Property Taxation System

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

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

Assessed Valuation of Property Within the District

Taxable property located in the District has a fiscal year 2017-18 assessed value of $3,264,551,349. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

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

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

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

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal year 2008-09 through 2017–18.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Assessed Valuations
Fiscal Years 2008-09 through 2017–18

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2008-09	$2,887,271,874	$376,238	$180,685,994	$3,068,334,106	—
2009–10	2,796,380,957	376,238	183,781,024	2,980,538,219	–2.86%
2010–11	2,641,536,377	376,238	166,135,092	2,808,047,707	–5.79
2011–12	2,546,204,784	404,213	159,492,614	2,706,101,611	–3.63
2012–13	2,498,490,689	400,986	160,035,269	2,658,926,944	–1.74
2013–14	2,569,870,311	378,624	146,903,896	2,717,152,831	2.19
2014–15	2,694,162,650	400,986	144,277,914	2,838,841,550	4.48
2015–16	2,805,361,227	419,330	138,731,197	2,944,511,754	3.72
2016–17	3,013,971,512	419,330	138,705,993	3,153,096,835	7.08
2017–18	3,114,689,100	419,330	149,442,919	3,264,551,349	3.53

Source: Assessed valuation information from California Municipal Statistics, Inc.; Annual % Change from Stifel, Nicolaus & Company, Incorporated.

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

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

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

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

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

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

Bonding Capacity. As a high school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2017-18 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $40.81 million and its net bonding capacity is approximately $31.87 million (taking into account current outstanding debt before issuance of the Series C Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes a distribution of taxable real property located in the District by jurisdiction.

ANDERSON UNION HIGH SCHOOL DISTRICT
(County of Shasta, California)
2017-18 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Anderson	$694,696,545	21.28%	$694,696,545	100.00%
City of Redding	612,730,228	18.77	8,596,527,626	7.13%
Unincorporated Shasta County	1,957,124,576	59.95	6,997,403,756	27.97%
Total District	$3,264,551,349	100.00%		
Shasta County	$3,264,551,349	100.00%	$16,993,492,679	19.21%

Source: California Municipal Statistics Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2017-18 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
2017-18 Assessed Valuation and Parcels by Land Use

	2017-18 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$176,461,378	5.67%	1,994	10.64%
Commercial/Office	285,969,670	9.18	707	3.77
Vacant Commercial	31,390,346	1.01	281	1.50
Industrial	202,919,397	6.51	140	0.75
Vacant Industrial	24,992,793	0.80	204	1.09
Recreational	6,470,654	0.21	38	0.20
Government/Social/Institutional	1,098,556	0.04	1,359	7.25
Miscellaneous	10,842	0.00	239	1.28
Subtotal Non-Residential	$729,313,636	23.42%	4,962	26.49%
Residential:				
Single Family Residence	$2,124,974,074	68.22%	10,501	56.06%
Mobile Home	146,553,761	4.71	2,277	12.16
Mobile Home Park	18,768,651	0.60	28	0.15
2-4 Residential Units	46,438,447	1.49	295	1.57
5+ Residential Units/Apartments	24,829,252	0.80	47	0.25
Vacant Residential	23,811,279	0.76	623	3.33
Subtotal Residential	$2,385,375,464	76.58%	13,771	73.51%
Total	$3,114,689,100	100.00%	18,733	100.00%

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

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2017-18.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
2017-18 Per Parcel Assessed Valuation of Single Family Homes

	No. of Parcels	2017-18 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	10,501	$2,124,974,074	$202,359	$173,400

2017-18 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	95	0.905%	0.905%	$1,640,151	0.077%	0.077%
$25,000 - $49,999	422	4.019	4.923	17,093,486	0.804	0.882
$50,000 - $74,999	763	7.266	12.189	48,050,593	2.261	3.143
$75,000 - $99,999	916	8.723	20.912	79,984,814	3.764	6.907
$100,000 - $124,999	954	9.085	29.997	107,739,928	5.070	11.977
$125,000 - $149,999	1,141	10.866	40.863	156,857,722	7.382	19.359
$150,000 - $174,999	990	9.428	50.290	160,065,722	7.533	26.891
$175,000 - $199,999	889	8.466	58.756	166,342,838	7.828	34.719
$200,000 - $224,999	784	7.466	66.222	166,415,229	7.831	42.551
$225,000 - $249,999	645	6.142	72.365	152,669,122	7.185	49.735
$250,000 - $274,999	443	4.219	76.583	116,265,328	5.471	55.207
$275,000 - $299,999	442	4.209	80.792	126,792,795	5.967	61.173
$300,000 - $324,999	370	3.523	84.316	115,321,019	5.427	66.600
$325,000 - $349,999	302	2.876	87.192	101,621,250	4.782	71.383
$350,000 - $374,999	275	2.619	89.810	99,288,738	4.672	76.055
$375,000 - $399,999	227	2.162	91.972	87,878,556	4.136	80.190
$400,000 - $424,999	202	1.924	93.896	83,022,696	3.907	84.097
$425,000 - $449,999	142	1.352	95.248	61,976,292	2.917	87.014
$450,000 - $474,999	144	1.371	96.619	66,323,525	3.121	90.135
$475,000 - $499,999	98	0.933	97.553	47,596,187	2.240	92.375
$500,000 and greater	257	2.447	100.000	162,028,083	7.625	100.000
Total	10,501	100.000%		$2,124,974,074	100.000%	

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

Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2017-18 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Largest 2017-18 Local Secured Taxpayers

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	Percent of Total(1)
1.	Sierra Pacific Industries	Industrial	$81,515,483	2.62%
2.	Wheelabrator Shasta Energy Company Inc.	Power Generation	26,127,000	0.84
3.	Walmart Real Estate Business Trust	Commercial	19,500,000	0.63
4.	ARC GSREDCA001 LLC	Office Building	13,793,526	0.44
5.	Gary L. Patterson	Commercial	13,751,783	0.44
6.	Safeway Holdings Inc.	Commercial	7,456,402	0.24
7.	Anderson Landfill Inc.	Landfill	7,090,006	0.23
8.	A.A. and Ida Emmerson Trust	Rural Residential	6,915,499	0.22
9.	Legerity Group LLC	Apartments	6,750,000	0.22
10.	James and Elizabeth Headrick	Industrial	6,530,223	0.21
11.	Sanford and Jeri Campbell Trust	Warehouse	6,327,078	0.20
12.	PAC NF LP	Rural Land	6,319,850	0.20
13.	Izabella Investment LLC	Hotel/Motel	5,832,931	0.19
14.	HPT TA Properties Trust	Commercial	5,813,749	0.19
15.	Kismat Fuels Inc.	Gas Station/Mini-Mart	5,706,743	0.18
16.	Enterprise Realty	Commercial	5,500,000	0.18
17.	John Hancock Mutual Life Insurance Co.	Agricultural/Rural	5,179,957	0.17
18.	El Rio Estates LLC	Mobile Home Park	4,971,930	0.16
19.	Shasta View Mill LLC	Warehouse	4,400,950	0.14
20.	3300 Franklin Street LLC	Medical Facility	4,248,220	0.14
			$243,731,330	7.83%

(1) 2017-18 local secured assessed valuation: $3,114,689,100
Source: California Municipal Statistics, Inc.

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

Tax Rates

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

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

Typical Tax Rate Area. The following table sets forth ad valorem property tax rates for the last five fiscal years in three typical Tax Rate Areas of the District (TRA 1-061, TRA 2-001 and TRA 144-005). These Tax Rate Areas comprise approximately 6.39%, 7.15% and 1.33%, respectively, of the total fiscal year 2017-18 assessed value of the District.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Typical Total Tax Rates per $100 of Assessed Valuation
Fiscal Years 2013-14 through 2017-18

TRA 1-061 (within the City of Redding)

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Anderson Union High School District	.0185	.0163	.0270	.0057	.0198
Shasta-Tehama-Trinity Community College District	.0088	.0107	.0051	.0057	.0267
Pacheco Union School District	.0318	.0357	.0221	.0279	.0317
Total	$1.0591	$1.0627	$1.0542	$1.0393	$1.0782

TRA 2-001 (within the City of Anderson)

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Anderson Union High School District	.0185	.0163	.0270	.0057	.0198
Cascade Union School District	.0302	.0262	.0267	.0282	.0555
Shasta-Tehama-Trinity Community College District	.0088	.0107	.0051	.0057	.0267
Total	$1.0575	$1.0532	$1.0588	$1.0396	$1.1020

TRA 144-005 (within unincorporated portion of the County)

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
General	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
Anderson Union High School District	.0185	.0163	.0270	.0057	.0198
Shasta-Tehama-Trinity Community College District	.0088	.0107	.0051	.0057	.0267
Cottonwood Union School District	.0237	.0244	.0233	.0218	.0141
Total	$1.0510	$1.0514	$1.0554	$1.0332	$1.0606

Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the Education Code, bonds approved pursuant to the 2012 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2012 Authorization will require a tax rate no greater than $30.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series C Bonds, the District projects that the maximum tax rate required to repay the Series C Bonds and all other outstanding bonds approved at the 2012 Authorization will be within that legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the County

Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series C Bonds and any other series of bonds issued under the 2012 Authorization in each year.

Tax Charges and Delinquencies

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

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

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

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

The first table below sets forth real property tax charges and corresponding delinquencies for fiscal years 2012–13 through 2016–17 with respect to the taxes levied on property located in the District to pay debt service on general obligation bonds issued by the District. The second table below reflects the 1% countywide tax levy, which is allocated to each taxing jurisdiction 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 statutory process enacted since that time.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2012–13 through 2016–17

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent June 30	Percent Delinquent June 30
2012–13	Not available	Not available	Not available
2013–14	$462,877.33	$9,633.85	2.08%
2014–15	419,301.97	8,434.56	2.01
2015–16	728,265.84	13,319.90	1.83
2016–17	162,024.02	2,723.23	1.68

Fiscal Year	Secured Tax Charge[2]	Amount Delinquent June 30	Percent Delinquent June 30
2012–13	$4,516,077.27	$116,821.62	2.59%
2013–14	Not available	Not available	Not available
2014–15	4,861,409.38	87,412.16	1.80
2015–16	5,099,592.84	84,348.59	1.65
2016–17	5,422,151.44	85,670.26	1.58

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(1) District's general obligation bond debt service levy. Fiscal year 2013–14 is the first year for this levy.
(2) Countywide 1% general fund levy.
Source: California Municipal Statistics, Inc.

Teeter Plan

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

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. The District is not aware of any plans by the Board of Supervisors to discontinue the Teeter Plan

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective January 2, 2018 for debt outstanding as of January 1, 2018. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

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ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Statement of Direct and Overlapping Bonded Debt

January 2, 2018

2017-18 Assessed Valuation: $3,264,551,349

	% Applicable	Debt as of 1/1/18
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Shasta-Tehama-Trinity Community College District	13.714%	$9,956,138
Anderson Union High School District	100.000	8,940,000[1]
Cascade Union School District	100.000	9,169,705
Cottonwood Union School District	100.000	759,946
Happy Valley Union School District	100.000	3,993,236
Pacheco Union School District	100.000	3,496,053
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$36,315,078
OVERLAPPING GENERAL FUND DEBT:		
Shasta County General Fund Obligations	19.211%	$6,082,203
Shasta-Tehama-Trinity Community College District Certificates of Participation	13.714	1,023,041
Pacheco Union School District Certificates of Participation	100.000	1,041,879
City of Anderson Pension Obligation Bonds	100.000	2,267,000
City of Redding General Fund Obligations	7.128	2,335,665
TOTAL OVERLAPPING GENERAL FUND DEBT		$12,749,788
OVERLAPPING TAX INCREMENT DEBT:		
Successor Agency to Anderson Redevelopment Agency Southwest Project Area	100.000%	$6,925,000
Successor Agency to Redding Redevelopment Agency Shastec Project Area	59.659	6,965,188
TOTAL OVERLAPPING TAX INCREMENT DEBT		$13,890,188
COMBINED TOTAL DEBT		$62,955,054[2]

Ratios to 2017-18 Assessed Valuation:
Direct Debt ($8,940,000)..0.27%
Total Direct and Overlapping Tax and Assessment Debt........... 1.11%
Combined Total Debt.. 1.93%

Ratios to Redevelopment Incremental Valuation ($324,102,455):
Total Overlapping Tax Increment Debt.....................................4.29%

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series C Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

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

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

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

Although Bond Counsel is of the opinion that interest on the Series C Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series C Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

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

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

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

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series C Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series C Bonds at the time of issuance substantially in the form set forth in Appendix D hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Kutak Rock LLP, Denver, Colorado.

Legality for Investment in California

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

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Series C Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2017-18 fiscal year (which is due no later than April 1, 2019) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission (the "SEC").

Isom Advisors, a Division of Urban Futures, Inc. currently serves as the District's dissemination agent for each of its continuing disclosure undertakings pursuant to the Rule.

Litigation

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

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

Bank Qualified

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

MISCELLANEOUS

Rating

Moody's Investors Service ("Moody's") has assigned a rating of "Aa3" to the Series C Bonds. A rating agency generally bases its rating on its own investigations, studies and assumptions as well as information and materials furnished to them (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of such rating agency furnishing the same, and any explanation of the significance of the rating should be obtained only from the rating agency providing the same. The rating is not a recommendation to buy, sell or hold the Series C Bonds. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series C Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the offering of the Series C Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series C Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series C Bonds. Isom Advisors, a Division of Urban Futures, Inc. is acting as the District's Municipal Advisor with respect to the Series C Bonds. Kutak Rock LLP, Denver, Colorado, is acting as Underwriter's Counsel with respect to the Series C Bonds. Payment of the fees and expenses of the District's Municipal Advisor and Underwriter's Counsel are also contingent upon the sale and delivery of the Series C Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series C Bonds.

Underwriting

The Series C Bonds are being purchased for reoffering to the public pursuant to the terms of a bond purchase agreement executed on February 6, 2018 (the "Purchase Agreement"), by and between Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), and the District. The Underwriter has agreed to purchase the Series C Bonds at a price of $2,345,388.25 (which represents the aggregate principal amount of the Series C Bonds, plus net original issue premium of $79,888.25, and less Underwriter's discount in the amount of $34,500.00). The Purchase Agreement provides that the Underwriter will purchase all of the Series C Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series C Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

The Underwriter has provided the following disclosure for inclusion in this Official Statement: In October 2012, the Underwriter made a contribution to an organization in support of the District's Measure C bond authorization on the ballot of November 2012.

ADDITIONAL INFORMATION

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

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

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

ANDERSON UNION HIGH SCHOOL DISTRICT

By: /s/ Tim Azevedo
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

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

THE DISTRICT

Introduction

The District was founded in 1908 and serves the communities of Cottonwood and Happy Valley, the City of Anderson and a portion of the City of Redding in the County of Shasta (the "County"). The District is located 150 miles north of Sacramento. The District encompasses approximately 270 square miles and serves a population of approximately 39,000 residents. The District is a high school district serving students in ninth through twelfth grades. The District operates two high schools, one continuation school, one community day school, one alternative school, one adult education program and one charter school, the Anderson New Technology High School ("Anderson NTHS"). The District projects that total enrollment for fiscal year 2017-18 will be 1,589 students, excluding students attending Anderson NTHS.

Board of Trustees

The governing board of the District is the Board of Trustees of the Anderson Union High School District (the "Board of Trustees"). The Board of Trustees is governed by five members who are elected to staggered four-year terms at elections conducted every even-numbered year, alternating between two and three available positions. Each December, the Board of Trustees elects a President and a Clerk to serve one-year terms. The name, office and the month and year of the expiration of the term of each member of the Board of Trustees is described below.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)

Board of Trustees

Name	Office	Term Expires
Chris Carmona	President	December 2018
Joe Gibson	Clerk	December 2018
Ron Brown	Member	December 2018
Butch Schaefer	Member	December 2020
Cindy Trotter-Hogue	Member	December 2020

Superintendent and Business Services Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Information concerning the Superintendent and the Chief Business Official is set forth below.

Tim Azevedo, Superintendent. Tim Azevedo joined the District as the Superintendent in August 2008. Mr. Azevedo's career of nearly 34 years includes experience as a classroom teacher, Dean of Students, Vice-Principal and Principal of a high school with an enrollment amount of 3,600 students, Director of Employee Relations, Assistant Superintendent of a district with an enrollment of 25,000 students with oversight responsibilities of all personnel matters, risk management, security and athletics. Mr. Azevedo is currently the Vice President of the Shasta County Special Education Local Plan Area Board and a member of the Shasta County Superintendents Executive Committee. Mr. Azevedo received his Bachelor's and Master's degrees from Eastern Oregon State University. He completed his administrative requirements through California State University, Bakersfield.

Donell Evans, Chief Business Official. Mrs. Donell Evans joined the District as Chief Business Official in October 2009. For a year and a half, Mrs. Evans worked in a shared service arrangement between the District and Cascade Union Elementary School District, where she had worked in a variety of capacities in school business for a total of 11 years. Since the latter part of fiscal year 2010-11, Mrs. Evans has served the District exclusively. She is recognized as a regional leader in managing school business services and works collaboratively with surrounding districts and the Shasta County Office of Education (the "County Office of Education"). She often serves as the South County fiscal representative on various County committees. The County Office of Education has also previously contracted with Mrs. Evans to serve as a short-term fiscal advisor to other school districts in the County.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (see "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local ad valorem tax authorized by the State Constitution (see "– Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has projected to receive approximately 56.27% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local ad valorem tax), projected at approximately $10.51 million in fiscal year 2017-18. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "– Allocation of State Funding to School Districts; Local Control Funding Formula – Attendance and LCFF" and "– Other District Revenues – Other State Revenues" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

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

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

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2017-18 State budget on June 27, 2017.

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

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

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

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

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

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

2017-18 State Budget. The Governor signed the fiscal year 2017-18 State Budget (the "2017-18 State Budget") on June 27, 2017. The 2017-18 State Budget sets forth a balanced budget for fiscal year 2017-18 that projects approximately $127.88 billion in revenues, and $72.47 billion in non-Proposition 98 expenditures and $52.63 billion in Proposition 98 expenditures. The 2017-18 State Budget includes a $1.4 billion reserve in the Special Fund for Economic Uncertainties and adds $1.8 billion to the Proposition 2 Budget Stabilization Account, bringing the balance to $8.5 billion in 2017-18, which is 66% of the constitutional target. The 2017-18 State Budget uses dedicated proceeds from Proposition 2 to pay down nearly $1.8 billion in past budgetary borrowing and State employee pension liabilities. The 2017-18 State Budget also includes a $6 billion supplemental payment to CalPERS (as defined herein) through a loan from the Surplus Money Investment Fund that the Governor expects will reduce unfunded liabilities and stabilize State contribution rates. The State's general fund share of the repayment will come from Proposition 2's revenues dedicated to reducing debts and long-term liabilities.

Certain budgeted adjustments for K-12 education set forth in the 2017-18 State Budget include the following:

- Local Control Funding Formula. The 2017-18 State Budget includes an increase of almost $1.4 billion in Proposition 98 general funds to continue the State's transition to LCFF. The LCFF commits most new funding to school districts serving English language learners, students from low-income families, and youth in foster care. The Governor expects this increase will bring the formula to approximately 97% of full implementation.

- One-Time Discretionary Grants. The 2017-18 State Budget includes an increase of $877 million in Proposition 98 general fund to provide school districts, county offices of education, and charter schools with discretionary resources to support critical investments at the local level. These funds can be used for activities such as deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards. Funds received by K-12 local educational agencies will first satisfy any outstanding claims for reimbursement of State-mandated local program costs for any fiscal year, but the 2017-18 State Budget authorizes the governing boards of school districts to expend these one-time funds for any purpose.

- After School and Education Safety ("ASES") Program. The 2017-18 State Budget includes an increase of $50 million in Proposition 98 general funds to increase provider reimbursement rates for the ASES program, bringing the total spending to $600 million of Proposition 98 general funds.

- Teacher Workforce. The 2017-18 State Budget includes a combined increase of $41.3 million one-time ($30 million one-time in Proposition 98 general fund and $11.3 million in one-time federal Title II funds) to fund several programs aimed at recruiting and developing additional teachers and school leaders, with particular emphasis on key shortage areas such as special education, math, science, and bilingual education. Specific investments include:

    - California Educator Development Program. The 2017-18 State Budget includes an increase of $11.3 million in one-time federal Title II funds for a one-time competitive grant program designed to assist local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high-need subjects and schools.

    - Classified School Employees Credentialing Program. The 2017-18 State Budget includes an increase of $25 million in one-time Proposition 98 general funds, available for five years, to support a second cohort of the California Classified School Employees Credentialing Program established in the State's 2016 Budget Act. The program will provide grants to K-12 local educational agencies to support recruitment of non-certificated school employees to participate in a teacher preparation program and become certificated classroom teachers in California public schools.

- o <u>Bilingual Professional Development Program</u>. The 2017–18 State Budget includes an increase of $5 million one-time Proposition 98 general funds for one-time competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.

- <u>County Office of Education Accountability Assistance</u>. The 2017–18 State Budget includes an increase of $7 million in Proposition 98 general funds on an ongoing basis to support county office Local Control and Accountability Plan review and technical assistance workload. Specifically, this funding will be distributed proportionally to 24 county offices currently funded at their LCFF target level on a per district basis with no county receiving less than $80,000. The 2017–18 State Budget directs the State to adjust such amounts by the cost of living annually commencing with fiscal year 2018–19. The 2017–18 State Budget also requires county superintendents of schools to prepare a summary of how the county office of education will support school districts and schools within the county, and work with the California Collaborative for Education Excellence, the California Department of Education and other county offices of education.

- <u>K–12 Mandate Block Grant</u>. The 2017–18 State Budget includes an increase of $3.5 million in Proposition 98 general funds, which is the result of a cost-of-living adjustment for the block grant. The 2017–18 State Budget also adds two additional mandated programs to the block grant for 2017–18, the California Assessment of Student Performance and Progress program and the Training for School Employee Mandated Reporters program.

- <u>California Equity Performance and Improvement Program</u>. The 2017–18 State Budget includes an increase of $2.5 million in one-time Proposition 98 general funds to support and build capacity within local educational agencies and the State Department of Education to promote equity in California public schools. The 2017–18 State Budget directs the Superintendent of Public Instruction to apportion the funds to at least two designated lead agencies, which shall be county offices of education.

- <u>Refugee Student Support</u>. The 2017–18 State Budget appropriates $10 million for fiscal year 2017–18 from the State's general fund to the California Department of Social Services in order to provide additional services for refugee pupils by allocating funding to school districts impacted by significant numbers of refugee pupils and other eligible populations served by the federal Office of Refugee Resettlement based on the eligibility criteria and allocation methodology set forth for the federal Refugee School Impact program. The 2017–18 State Budget directs the State to appropriate an equal amount for grants in fiscal years 2017–18, 2018–19, and 2019–20.

- <u>K–12 School Facilities Program Accountability</u>. The 2017–18 State Budget requires that projects funded under the Office of Public School Construction's School Facility Program be subject to expenditure audits in the annual K–12 audit guide. Accordingly, any local educational agency that receives specified funds relating to school facility projects will be required to annually report a detailed list of all expenditures of State funds, including interest, and of the local educational agency's matching funds for completed projects until all State funds, including interest, all of the local educational agency's matching funds, and savings achieved, including interest, are expended in accordance with State law. To help facilitate compliance with this requirement, the 2017–18 State Budget authorizes participating local educational agencies to repay any audit findings with local funds.

- District of Choice Program Extension. If a school district is designated as a District of Choice it must agree to accept interested students regardless of their academic abilities or personal characteristics. In addition, interested students generally do not need to seek permission from their home districts to attend a District of Choice. The 2017–18 State Budget extends the district of choice program, due to sunset in 2018, by six years and adds various oversight and accountability requirements for participating districts.

The complete 2017–18 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2018–19 State Budget. The Governor released his proposed State budget for fiscal year 2018–19 (the "Proposed 2018–19 State Budget") on January 10, 2018. The Proposed 2018–19 State Budget sets forth a balanced budget for fiscal year 2018–19. However, the Governor cautions that there are uncertainties that must be considered as the budget is revised, including the impact of federal tax reform and federal healthcare legislation. The Proposed 2018–19 State Budget estimates that total resources available in fiscal year 2017–18 totaled approximately $131.86 billion (including a prior year balance of $4.61 billion) and total expenditures in fiscal year 2017–18 totaled approximately $126.51 billion. The Proposed 2018–19 State Budget projects total resources available for fiscal year 2018–19 of $135.14 billion, inclusive of revenues and transfers of $129.79 billion and a prior year balance of $5.35 billion. The Proposed 2018–19 State Budget projects total expenditures of $131.69 billion, inclusive of non-Proposition 98 expenditures of $77.12 billion and Proposition 98 expenditures of $54.56 billion. The Proposed 2018–19 State Budget proposes to allocate $1.17 billion of the general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.29 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2018–19 State Budget estimates the Rainy Day Fund will have a fund balance of $13.46 billion.

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

- Local Control Funding Formula. The Proposed 2018–19 State Budget includes an increase of $3 billion in Proposition 98 general fund resources for full implementation of the LCFF in fiscal year 2018–19.

- One-Time Discretionary Grants. The Proposed 2018–19 State Budget includes an increase of $1.8 billion in one-time Proposition 98 general fund resources for school districts, charter schools and county offices of education to use at their local discretion. This funding will support investments such as content standards implementation, technology, professional development, induction programs for beginning teachers and deferred maintenance.

- K–12 Component of the Strong Workforce Program. The Proposed 2018–19 State Budget includes an increase of $212 million Proposition 98 general fund resources for K–12 Career Technical Education ("CTE") programs administered through the community college Strong Workforce Program in consultation with the Department of Education.

- Cost-of-Living Adjustments. The Proposed 2018–19 State Budget includes an increase of $133.5 million Proposition 98 general fund resources to support a 2.51% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special

Education, Child Nutrition, Foster Youth, American Indian Education Centers, and the American Indian Early Childhood Education Program. Cost-of-living adjustments for school districts and charter schools are provided within the increases for school district LCFF implementation noted above.

- Special Education. The Proposed 2018-19 State Budget includes an increase of $125 million Proposition 98 general fund resources and $42.2 million federal Temporary Assistance for Needy Families ("TANF") funds on a one-time basis for competitive grants to expand inclusive care and education settings for 0-5-year-olds and improve school readiness and long-term academic outcomes for low-income children and children with exceptional needs. Additionally, the Proposed 2018-19 State Budget includes an increase of $10 million in Proposition 98 general fund resources for special education local plan areas to support county offices of education in providing technical assistant to local educational agencies through the state system of support. The Proposed 2018-19 State Budget also includes a decrease of $10.2 million Proposition 98 general fund resources to reflect a projected decrease in special education average daily attendance.

- State System of Support. The Proposed 2018-19 State Budget includes an increase of $59.2 million of Proposition 98 general fund resources for county offices of education to provide technical assistance to local educational agencies and improve student outcomes.

- California School Dashboard. The Proposed 2018-19 State Budget includes an increase of $300,000 Proposition 98 general fund resources to improve the user interface of the California School Dashboard. The State Board of Education will facilitate a series of stakeholder meetings to solicit public feedback on the California School Dashboard.

- California Collaborative for Educational Excellence. The Proposed 2018-19 State Budget includes an increase of $6.5 million Proposition 98 general fund resources for the California Collaborative for Educational Excellence to help build capacity within county offices of education to provide technical assistance and improve student outcomes.

- County Offices of Education. The Proposed 2018-19 State Budget includes an increase of $6.2 million Proposition 98 general fund resources for county offices of education to reflect a 2.51% cost-of-living adjustment and average daily attendance changes applicable to the LCFF.

- Instructional Quality Commission. The Proposed 2018-19 State Budget includes an increase of $938,000 Proposition 98 general fund resources on a one-time basis for the Instructional Quality Commission to continue its work on the development of state content standards and frameworks, as well as model curriculum.

- Local Property Tax Adjustments. The Proposed 2018-19 State Budget includes a decrease of $514 million Proposition 98 general fund resources for school districts and county offices of education in 2017-18 as a result of higher offsetting property tax revenues, and a decrease of $1.1 billion Proposition 98 general fund resources for school districts and county offices of education in 2018-19 as a result of increased offsetting property taxes.

- School District Average Daily Attendance. The Proposed 2018-19 State Budget includes a decrease of $183.1 million in funding in 2017-18 for school districts as a result of a decrease in projected average daily attendance from the 2017-18 State Budget, and a decrease of $135.5 million in funding in 2018-19 for school districts as a result of further projected decline in average daily attendance for 2018-19.

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

LAO Overview of Proposed 2018-19 State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the Proposed 2018-19 State Budget entitled "The 2018-19 Budget: Overview of the Governor's Budget" on January 12, 2018 (the "2018-19 Proposed Budget Overview"). In the 2018-19 Proposed Budget Overview, the LAO summarizes the key features of the Proposed 2018-19 State Budget, which include prioritizing reserves, allocating additional funding to school districts and community college districts, and supporting a variety of new infrastructure projects. The LAO also notes that the May Revision of the Proposed 2018-19 State Budget may reflect additional resources as the administration's revenue estimates may be higher, and Congress may reauthorize a higher federal cost share for the Children's Health Insurance Program than what is assumed in the Proposed 2018-19 State Budget.

The LAO explains that the Proposed 2018-19 State Budget projects to end 2018-19 with $15.7 billion in total reserves, which would consist of $13.5 billion in the State's constitutional rainy day fund (reserves available for future budget emergencies) and $2.3 billion in discretionary reserves (available for any purpose). The LAO urges the State Legislature to consider its optimal level of reserves. The Proposed 2018-19 State Budget deposits enough reserves into the State's rainy day fund that it reaches its constitutional maximum. The LAO advises that this approach may be prudent in light of economic and federal budget uncertainty, but comes with trade-offs for the State, including requiring rainy day reserves in excess of 10% to be spent on infrastructure projects.

The LAO notes that the Proposed 2018-19 State Budget contains a total of $6.3 billion in new Proposition 98 spending proposals for K-12 education, community colleges and preschools. The LAO points out that of that total $3.9 billion is ongoing and $2.4 billion is for one-time activities. The LAO summarizes that the ongoing augmentations for school districts include the full implementation of K-12 Local Control Funding Formula, creation of new high school career technical education program, and implementation of new system of regional and county support for low-performing school districts. The one-time funding for school districts will provide school districts with per-student discretionary grants. The LAO finds this split between ongoing spending and one-time initiatives reasonable and consistent with the approach that the State has taken in previous budgets. However, the LAO expresses concern that the Governor's per-student funding approach is an inefficient way to eliminate the mandate backlog.

The LAO explains that the Proposed 2018-19 State Budget includes infrastructure spending. In 2018-19, the budget allocates $4.6 billion in transportation spending, consistent with the legislation's statutory formula for allocating revenues. Other infrastructure projects include trial court construction, voting system equipment, correctional facilities improvement and equipment, among other projects to improve State resources. The LAO questions whether the infrastructure spending is all top priority and whether there may be better ways for certain agencies to get the equipment they need through leases or other pay-as-you-go financing.

The 2018-19 Proposed Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2018-19 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 2018-19 State budget from the Proposed 2018-19 State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2018-19 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2018-19 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2018-19 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series C Bonds are payable from ad valorem property taxes, the State budget is not expected to have an impact on the payment of the Series C Bonds.

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

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

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

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

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

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2017-18, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $7,941 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,301 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $7,518 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $8,939 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.

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

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

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

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

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

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

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

Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013–14 through 2017–18. The A.D.A. and enrollment numbers reflected in the following table include special education, and exclude enrollment at any independent charter schools.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2013–14 through 2017–18

	Fiscal Year				
	2013–14	2014–15	2015–16	2016–17	2017–18[4]
Actual ADA[1]	1,607	1,554	1,501	1,502	1,454
Funded ADA[1]	1,671	1,617	1,544	1,505	1,497
Enrollment[2]	1,753	1,678	1,631	1,630	1,589
Unduplicated Percent of EL/LI Students[2]	56.46%	53.10%	51.86%	50.56%	51.68%
Adjusted Target Base Grant per ADA[3]	$8,638	$8,712	$8,801	$8,801	$8,939

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[1] ADA for the second principal apportionment period, typically as of mid-April of each school year. Funded ADA is calculated based on greater of current or prior year actual ADA. The figures provided for fiscal year 2017–18 are projections.
[2] Reflects enrollment as of October report submitted to the California Department of Education through CBEDS for the 2013–14 and 2014–15 school years and CALPADS for the 2015–16, 2016–17, and 2017–18 school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013–14 percentage of unduplicated EL/LI Students is expressed solely as a percentage of its fiscal year 2013–14 total enrollment. For fiscal year 2014–15, the percentage of unduplicated EL/LI Students enrollment is based on the two-year average of EL/LI Students enrollment in fiscal years 2013–14 and 2014–15. Beginning in fiscal year 2015–16, a school district's percentage of unduplicated EL/LI Students will be based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
[3] Adjusted Target Base Grant includes grade-span adjustment for grades 9–12. Fiscal year 2014–15 includes a cost-of-living adjustment of 0.85% applied to the base grant from 2013–14. Fiscal year 2015–16 includes a cost-of-living adjustment of 1.02% applied to the base grant from 2014–15. Fiscal year 2016–17 reflects the same amount from 2015–16 because the cost-of-living adjustment was 0.00%. Fiscal year 2017–18 includes a cost-of-living adjustment of 1.56% applied to the base grant from 2016–17.
[4] Figures are projections.
Source: Anderson Union High School District.

The District received $14.77 million in aggregate revenues reported under LCFF sources in fiscal year 2016–17, and has projected to receive approximately $14.78 million in aggregate revenues under the LCFF in fiscal year 2017–18 (or approximately 79.14% of its general fund revenues in fiscal year 2017–18). Such amount includes the supplemental grant of $1.34 million in fiscal year 2016–17, which is projected to be $1.38 million in fiscal year 2017–18.

Local Sources of Education Funding

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

Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district.

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

Local property tax revenues account for approximately 37.93% of the District's aggregate revenues reported under LCFF sources and are projected to be approximately $5.61 million, or 30.02% of total general fund revenues in fiscal year 2017-18.

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

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

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

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

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

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 6.40% (or approximately $1.19 million) of the District's general fund projected revenues for fiscal year 2017-18.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues comprise approximately 7.15% (or approximately $1.34 million) of the District's general fund projected revenues for fiscal year 2017-18.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately $294,694 for fiscal year 2017-18.

Other Local Revenues. In addition to ad valorem property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Other local revenues comprise approximately 7.31% (or approximately $1.37 million) of the District's general fund projected revenues for fiscal year 2017-18.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability, and (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. However, independent charter schools that receive their funding directly from the State are generally not included in a school district's financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would generally be included in the school district's financial reports and audited financial statements.

There is currently one dependent charter school, Anderson NTHS, which is operating under charter from the District, and serves grades 9-12, with an enrollment of 182 in fiscal year 2016-17 and a projected enrollment of approximately 189 students in fiscal year 2017-18. The District's audited financial statements for fiscal year 2016-17, which are included as Appendix B, include the operations of Anderson NTHS. The Northern Summit Academy, a charter school serving grades K-12, also operates within the territory of the District, but is sponsored by the Whitmore Union Elementary District. In fiscal year 2016-17, Northern Summit Academy had a total enrollment of 91 students, and approximately 50 students attending Northern Summit Academy are in grades 9-12. The District can make no representation as to whether enrollment at such charter schools may increase at the expense of District enrollment in future years, whether additional charter schools will be established within the territory of the District, or as to the impact these or other charter school developments may have on the District's A.D.A. or finances in future years.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K–12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2017, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's auditor, Matson and Isom, Redding, California, for fiscal years 2012–13 and 2013–14 and KCoe Isom, LLP, Redding, California, for fiscal years 2014–15 through 2016–17. KCoe Isom, LLP formed January 1, 2015 with the merger of Kennedy and Coe and Matson and Isom.

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

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2012–13 through 2016–17.

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ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2012–13 through 2016–17

	2012–13 Actuals	2013–14 Actuals	2014–15 Actuals	2015–16 Actuals	2016–17 Actuals
Revenues:					
Property taxes	$5,327,379	$4,671,628	$4,846,044	$5,569,211	$5,994,449
Revenue limit sources /LCFF sources[(1)]	4,817,500	8,738,587	9,043,951	8,984,832	8,773,062
Other state revenue	2,307,200	1,142,639	945,514	2,065,719	1,826,808
Federal revenue	1,067,681	878,270	999,012	1,061,494	1,085,001
Other local revenue	1,611,765	1,833,917	1,891,117	1,649,768	1,702,162
Total Revenues	15,131,525	17,265,041	17,725,638	19,331,024	19,381,482
Expenditures					
Current:					
Instruction	7,789,243	8,108,798	8,509,342	9,134,608	9,669,200
Instruction-Related Services	1,126,351	1,273,796	1,336,443	1,360,958	1,574,372
Pupil services	2,278,521	2,117,727	1,987,977	2,152,425	2,698,847
Ancillary services	390,151	406,374	451,029	458,990	557,232
Community services	3,055	1,344	5,951	3,959	3,904
General administration	1,362,817	1,238,856	1,346,700	1,352,333	1,474,705
Plant services	1,901,456	1,771,205	1,896,698	2,181,266	2,465,044
Transfers between agencies	95,795	1,108,369	1,131,843	748,756	760,254
Debt service:					
Principal	163,208	94,099	227,366	89,752	95,454
Interest and other charges	39,163	32,100	39,959	25,801	23,200
Capital outlay	123,307	167,465	77,001	289,426	–
Total Expenditures	15,273,067	16,320,133	17,010,309	17,798,274	19,322,212
Excess (Deficiency) of Revenues Over Expenditures	(141,542)	944,908	715,329	1,532,750	59,270
Other financing sources (uses)					
Interfund transfers in	–	–	–	–	–
Interfund transfers out	(140,521)	(85,000)	(72,569)	(230,294)	(44,073)
Total Other Financing Sources (Uses)	(140,521)	(85,000)	(72,569)	(230,294)	(44,073)
Net Changes in Fund Balances	(282,063)	859,908	642,760	1,302,456	15,197
Fund Balances – Beginning of Year	7,249,691	6,967,628	7,827,536	8,470,296	9,772,752
Fund Balances – End of Year	$6,967,628	$7,827,536	$8,470,296	$9,772,752	$9,787,949

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(1) The LCFF was implemented beginning in fiscal year 2013-14. See "—Allocation of State Funding to School Districts: Local Control Funding Formula" herein for more information about the LCFF.
Source: Anderson Union High School District Audited Financial Reports for fiscal years 2012-13 through 2016-17.

The following table sets forth the general fund balance sheet of the District for fiscal years 2012–13 through 2016–17.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2012–13 through 2016–17

	Fiscal Year 2012–13	Fiscal Year 2013–14	Fiscal Year 2014–15	Fiscal Year 2015–16	Fiscal Year 2016–17
Assets					
Cash and investments	$5,378,944	$6,714,404	$8,305,337	$9,867,263	$9,697,040
Accounts receivable	132,688	149,213	191,402	257,996	503,777
Due from other governments	1,334,064	1,888,139	651,004	741,048	616,746
Due from other funds	221,664	47,914	162,961	103,144	107,123
Inventories	7,040	6,791	8,923	15,296	14,699
Prepaid expenditures	454,859	21,625	18,887	1,133	21,269
Total Assets	$7,529,259	$8,828,086	$9,338,514	$10,985,880	$10,960,654
Liabilities and Fund Balances					
Liabilities:					
Overdraft in county treasury	–	–	$54,524	–	–
Accounts payable and other current liabilities	$333,377	$460,570	303,933	$391,303	$606,457
Due to other governments	–	239,973	145,207	63,820	8,508
Due to other funds	108,724	170,104	141,201	465,954	117,712
Advances from grantors	119,530	129,903	223,353	292,051	440,028
Total Liabilities	561,631	1,000,550	868,218	1,213,128	1,172,705
Fund balances:					
Nonspendable	470,899	37,416	36,810	25,429	44,968
Restricted	90,727	394,661	350,240	310,233	433,822
Assigned	3,406,892	3,402,936	3,660,010	3,759,979	3,982,716
Unassigned	2,999,110	3,992,523	4,423,236	5,677,111	5,326,443
Total Fund Balances	6,967,628	7,827,536	8,470,296	9,772,752	9,787,949
Total Liabilities and Fund Balances	$7,529,259	$8,828,086	$9,338,514	$10,985,880	$10,960,654

Source: Anderson Union High School District Audited Financial Reports for fiscal years 2012–13 through 2016–17.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County of Shasta Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than August 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 September 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.

Subsequent to approval, the county superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the county superintendent determines that a district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations, or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the county superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's governing board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding year. In the last five years, except for a qualified certification in connection with the first interim report for fiscal year 2012-13, the District has not received a qualified or negative certification.

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

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

The following table sets forth the District's adopted general fund budgets for fiscal years 2015-16 through 2017-18, unaudited actuals for fiscal years 2015-16 through 2016-17 and first interim report for fiscal year 2017-18.

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ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
General Fund Budgets for Fiscal Years 2015–16 through 2017–18, Unaudited Actuals for Fiscal Years 2015–16 through 2016–17 and First Interim Report for Fiscal Year 2017–18

	2015–16 Original Budget	2015–16 Unaudited Actuals[1]	2016–17 Original Budget	2016–17 Unaudited Actuals[1]	2017–18 Original Budget	2017–18 First Interim Report[2]
REVENUES						
LCFF Sources	$14,154,558.00	$14,554,042.99	$14,434,817.00	$14,592,511.32	$14,736,091.00	$14,778,659.00
Federal Revenue	1,016,506.00	1,061,494.08	941,937.00	1,085,001.44	985,743.00	1,194,792.00
Other State Revenue	398,970.00	2,168,546.66	710,742.00	1,826,808.35	911,077.00	1,335,401.00
Other Local Revenue	1,609,105.00	1,649,007.03	1,326,898.00	1,701,397.71	1,222,000.00	1,365,324.00
TOTAL REVENUES	$17,179,139.00	$19,433,090.76	$17,414,394.00	$19,205,718.82	$17,854,911.00	18,674,176.00
EXPENDITURES						
Certificated Salaries	6,750,330.00	7,347,843.19	7,245,777.00	7,544,933.11	7,337,218.00	7,604,471.00
Classified Salaries	2,055,700.00	1,977,103.84	1,975,574.00	2,144,664.22	2,153,548.00	2,224,438.00
Employee Benefits	2,877,049.00	3,376,235.03	3,451,354.00	3,874,574.24	3,988,484.00	4,321,512.00
Books and Supplies	782,152.00	910,291.03	814,617.00	826,356.15	795,371.00	1,305,630.00
Services, Other Operating Expenses	2,928,697.00	2,889,220.57	3,096,768.00	3,455,368.39	3,151,267.00	3,419,821.00
Capital Outlay	161,098.00	362,346.95	32,000.00	425,823.72	35,673.00	28,821.00
Other Outgo (excluding Direct Support/Indirect Costs)	1,283,329.00	864,308.99	894,593.00	878,907.96	976,350.00	955,331.00
Transfers of Direct Support/Indirect Costs	(46,924.00)	(44,333.52)	(43,755.00)	(48,091.38)	(49,717.00)	(51,905.00)
TOTAL EXPENDITURES	16,791,431.00	17,683,016.08	17,466,928.00	19,102,536.41	18,388,174.00	19,808,119.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	387,708.00	1,750,074.68	(52,534.00)	103,182.41	(533,263.00)	(1,133,943.00)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	–	–	–	–	–	–
Inter-fund Transfers Out	(515,467.00)	(230,294.22)	(51,596.00)	(44,073.47)	(439,476.00)	(425,788.00)
Other Sources (Uses)	–	–	–	–	–	–
Contributions	–	–	–	–	–	–
TOTAL, OTHER FINANCING SOURCES (USES)	(515,467.00)	(230,294.22)	(51,596.00)	(44,073.47)	(439,476.00)	(425,788.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(127,759.00)	1,519,780.46	(104,130.00)	59,108.94	(972,739.00)	(1,559,731.00)
BEGINNING BALANCE, as of July 1	7,286,014.00	8,193,869.44	8,676,887.00	9,713,649.90	8,509,944.00	9,669,932.00
Audit Adjustments[3]	–	–	–	(102,828.00)	–	–
As of July 1 – Audited	7,286,014.00	8,193,869.44	8,676,887.00	9,610,821.90	8,509,944.00	9,669,932.00
Other Restatements	–	–	–	–	–	–
Adjusted beginning Balance	7,286,014.00	8,193,869.44	8,676,887.00	9,610,821.90	8,509,944.00	9,669,932.00
ENDING BALANCE	$7,158,255.00	$9,713,649.90	$8,572,757.00	$9,669,930.84	$7,537,205.00	$8,110,201.00
Unrestricted Balance	$7,129,085.00	$9,300,589.29	$8,301,996.00	$9,236,108.90	$7,439,657.00	$7,844,532.00
Restricted Balance	$29,170.00	$413,060.61	$270,761.00	$433,821.94	$97,548.00	$265,669.00

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(1) The total revenues and expenditures and ending fund balance reflected in the District's unaudited actuals for fiscal years 2015–16 and 2016–17 differ from the District's audited financial statements for these fiscal years due to GASB Statement 54, which requires that the District include the transactions of the Special Reserve Fund for Other than Capital Outlay Projects with the General Fund for purposes of the audited financial statements.
(2) Figures are projections.
(3) The unaudited actuals for fiscal year 2016–17 reflect an audit adjustment of ($102,828), which was due to an understatement of amounts due to the Charter Schools Fund.
Source: Anderson Union High School District adopted general fund budgets for fiscal years 2015–16 through 2017–18; unaudited actuals for fiscal years 2015–16 through 2016–17; and first interim report for fiscal year 2017–18.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2017, consisted of the following:

Long-Term Debt	Beginning Balance – as Previously Reported	Prior-Period Adjustment	Beginning Balance – as Restated	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Compensated Absences	$ 123,804	–	$ 123,804	–	$ 860	$ 122,944	–
General Obligation Bonds[1]	9,495,000	–	9,495,000	–	305,000	9,190,000	$250,000
Bond issue premiums	394,660	–	394,660	–	28,073	366,587	25,463
Capital leases	566,533	–	566,533	–	85,056	481,477	88,579
Other postemployment benefits	25,875	–	25,875	–	11,246	14,629	9,479
Net OPEB obligation	269,096	–	269,096	$ 196,837	–	465,933	–
Net pension liability	12,838,807	$1,146,375	13,985,182	2,610,482	–	16,595,664	–
Total Long-Term Debt	$23,713,775	$1,146,375	$24,860,150	$2,807,319	$430,235	$27,237,234	$373,521

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(1) Does not include the Series C Bonds.

Source: Anderson Union High School District Audited Financial Report for fiscal year 2016-17.

General Obligation Bonds. Prior to the issuance of the Series C Bonds, the District has outstanding two additional series of general obligation bonds, each of which is secured by ad valorem taxes levied upon all property subject to taxation by the District on a parity with the Series C Bonds. See "THE SERIES C BONDS – Outstanding Bonds" and "– Aggregate Debt Service" in the front portion of the Official Statement for more information about such outstanding bonds.

Capital Leases. The District leases equipment under agreements which provide for title to pass upon expiration of the lease period. The cost of the equipment is included in vehicles and equipment on the statement of net position as depreciated capital assets and was $1,340,500 at June 30, 2017. Accumulated depreciation of the leased equipment at June 30, 2017, was $281,505. Depreciation of the assets under capital leases is included in depreciation expense and amounted to $26,810 for the year ended June 30, 2017. The amount of interest cost incurred during the year ended June 30, 2017, was $22,352, all of which was charged to expenses. The District will receive no sublease rental revenues no pay for any contingent rentals for this equipment. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2018	$107,408
2019	107,408
2020	107,408
2021	107,408
2022	107,781
Total	$537,413
Less: Amount representing interest	(55,936)
Present Value of Net Minimum Lease Payments	$481,477

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Source: Anderson Union High School District Audited Financial Report for fiscal year 2016-17.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and CalPERS (defined below), the District provides certain post-retirement healthcare benefits to all certificated employees who retire from the District between the ages of 55 to 65 with at least 15 executive years of service in the District. The District provides medical, dental and vision benefits to certificated retirees and their dependents for a period of five consecutive years after retirement or until age 65, whichever comes first.

The District also provides post employment health care benefits to all classified employees and their dependents who retire from the District on or after attaining age 55 with 15 consecutive years of service to the District. The classified retirees shall be included in the program until age 65, or until a retiree becomes eligible for other group medical insurance, whichever comes earlier, for a maximum of 60 months. Management and confidential employees must have at least 10 years of service within the District to receive benefits. Management and confidential employees receive benefits until age 65. The District provides these benefits through a single-employer defined benefit health care plan administered by the District that provides for monthly contribution for eligible retirees. At June 30, 2017, 20 retirees met these eligibility requirements and an estimated 160 participants will be eligible in future years.

For certificated retirees, the District contributes an amount not-to-exceed $7,200 per fiscal year. For classified retirees who retired between June 1, 2012 and June 30, 2015, the District contributes an amount not-to-exceed $5,700 per fiscal year. For classified retirees who retire after July 1, 2015, the District contributes an amount not-to-exceed $6,000 per fiscal year. For management and confidential employees, the District contributes an amount not-to-exceed $13,200 per fiscal year.

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District's Board of Trustees through the collective bargaining process. The members receiving benefits contributions vary depending on the level of the coverage selected.

For a description of the District's program, see Note 18 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

The Governmental Accounting Standards Board ("GASB") released its Statement Number 45 ("Statement Number 45"), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in the 2008-09 fiscal year.

Total Compensation Systems, Inc., Westlake Village, California, has prepared an actuarial valuation covering the District's retiree health benefits and reports that, as of September 1, 2015, the District had an actuarial accrued liability of $2,441,954 and an accrued unfunded liability in the same amount. The actuarial assumptions included a discount rate of 4.5% per year, payroll increases of 2.75% per year and inflation of 2.75% per year.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Year Ended	Annual OPEB Cost	Annual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2015	$218,692	$125,313	57.30%	$129,975
June 30, 2016	323,779	184,658	57.03	269,096
June 30, 2017	325,048	128,211	39.44	465,933

Source: Anderson Union High School District Audited Financial Report for fiscal year 2016-17.

For more information regarding the actuarial valuation, the District's annual required contribution for 2016-17 and the District's net OPEB obligation at June 30, 2017, as well as the basic assumptions upon which the valuation was based, see Note 18 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

Tax and Revenue Anticipation Notes. The most recent fiscal year in which the District issued tax and revenue anticipation notes ("TRANS") was fiscal year 2011-12. The District does not expect to issue TRANS or borrow funds to supplement the District's cash flow in fiscal year 2017-18. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Employment

As of December 2017, the District employed 192 employees (including full-time and part-time employees), consisting of 98 non-management certificated employees, 9 certificated management employees, 78 classified non-management employees, and 7 classified management employees. For fiscal year 2016-17, the total certificated and classified payrolls for all funds were $7.54 million and $2.15 million, respectively, and are projected to be approximately $7.60 million and $2.22 million, respectively, in fiscal year 2017-18. These employees, except management and some part-time employees, are represented by the bargaining units as noted below:

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
California Teachers Association	98	June 30, 2018
California School Employees Association – Chapter #382	78	October 31, 2021

Source: Anderson Union High School District.

Retirement Benefits

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

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

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implemented a new funding strategy for CalSTRS and increased the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. AB 1469 increased member contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

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

As of June 30, 2016, an actuarial valuation (the "2016 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $96.7 billion, an increase of approximately $20.5 million from the June 30, 2015 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2016, June 30, 2015 and June 30, 2014, based on the actuarial assumptions, were approximately 63.7%, 68.5% and 68.5%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2016 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," a 7.25% investment rate of return for measurements as of June 30, 2016 and an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, projected 3.50% wage growth, projected 2.75% inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2016 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "–Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2016 CalSTRS Actuarial Valuation stated that the aggregate contribution rate as of June 30, 2017, inclusive of an equivalent rate contribution of 10.219% from members, 8.000% from employers relating to the base rate, 0.250% from employers based on the sick leave rate, 10.096% from employers based on the supplemental rate, 1.881% from the State based on the base rate and 4.021% from the State based on the supplemental rate is equivalent to 34.467%.

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

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

Source: Assembly Bill 1469.

The following table sets forth the District's total employer contributions to CalSTRS for fiscal years 2013–14 through 2016–17 and the projected contribution for fiscal year 2017–18.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Contributions to CalSTRS for Fiscal Years 2013–14 through 2017–18

Fiscal Year	District Contribution[2]	STRS On-Behalf Amount[2]
2013–14	$527,594	N/A
2014–15	570,519	$354,255
2015–16	713,149	453,276
2016–17	861,568	549,908
2017–18[1]	1,040,648	549,908

(1) First interim report for fiscal year 2017–18.
(2) Includes only the amounts accounted for in the general fund of the District.
Source: Anderson Union High School District

The District's total employer contributions to CalSTRS for fiscal years 2013–14 through 2016–17 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

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

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

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

The CalPERS Schools Actuarial Valuation as of June 30, 2016 indicates that the funded ratio as of June 30, 2016 is 71.9% on a market value of assets basis. According to the CalPERS Schools Actuarial Valuation as of June 30, 2015, the CalPERS Schools plan had a funded ratio of 77.5% on a market value of assets basis. The funded ratio, on a market value basis, as of June 30, 2014, June 30, 2013, June 30, 2012, June 30, 2011 and June 30, 2010 was 86.6%, 80.5%, 75.5%, 78.7% and 69.5%. In April 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS employed a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which were delayed until fiscal year 2015-16 for the State, schools and all public agencies, have increased contribution rates in the near term but are expected to lower contribution rates in the long term. In November 2015, the CalPERS Board of Administration approved a proposal pursuant to which the discount rate would be reduced by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the then-current discount rate of 7.5% by at least four percentage points. In December 2016, the CalPERS Board of Administration 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 7.00% beginning fiscal year 2019-20. The new discount rates will take effect beginning July 1, 2017 for the State and July 1, 2018 for school districts. The change in the assumed rate of return is expected to result in increases in the District's normal costs and unfunded actuarial liabilities.

In February 2014, the CalPERS Board of Administration adopted actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. CalPERS applied the assumptions beginning with the June 30, 2015 valuation for the schools pool, which was used to establish employer contribution rates for fiscal year 2016-17. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary. In April 2016, CalPERS approved an increase to the contribution rate for school districts from 11.847% during fiscal year 2015-16 to 13.888% during fiscal year 2016-17. In April 2017, CalPERS adopted an employer contribution rate of 15.531% for the schools pool and a member contribution rate of 6.5% for school employees subject to PEPRA for the period of July 1, 2017 to June 30, 2018.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2013-14 through 2016-17 and the projected contribution for fiscal year 2017-18.

ANDERSON UNION HIGH SCHOOL DISTRICT
(Shasta County, California)
Contributions to CalPERS for Fiscal Years 2013-14 through 2017-18

Fiscal Year	District Contribution[2]
2013-14	$220,198
2014-15	245,481
2015-16	281,253
2016-17	333,233
2017-18[1]	382,651

[1] First interim report for fiscal year 2017-18.
[2] Includes only the amounts accounted for in the General Fund of the District.
Source: Anderson Union High School District

The District's total employer contributions to CalPERS for fiscal years 2013-14 through 2016-17 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "–Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

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

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

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 16 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

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

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District is a member of five joint powers authorities (JPAs): Northern California Schools Insurance Group (NCSIG), Shasta-Trinity Schools Insurance Group (STSIG), California's Valued Trust (CVT), Schools Excess Liability Fund (SELF), and Northern California Regional Liability Excess Fund (ReLiEF). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, health care, workers' compensation and excess liability coverage for their member school districts. Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the member districts beyond their representation on the governing boards. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA. The District's share of year-end assets, liabilities or fund equity is not calculated by the JPAs.

A board consisting of a representative from each member district governs these JPAs. The governing board controls the operation of the JPAs independent of any influence by the District beyond the District's representation on the governing board. The JPAs are independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation. The relationship between the District and the JPAs is such that the JPAs are not a component unit 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 attached hereto. See Note 13 to the District's financial statements attached hereto as APPENDIX B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

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

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

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

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

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

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

Article XIIIB of the California Constitution

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

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Statutory Limitations

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

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

Proposition 98 and Proposition 111

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

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

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

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

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

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

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

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB 1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB 1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB 1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposition 30 and Proposition 55

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

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

Applications of Constitutional and Statutory Provisions

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

Proposition 2

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

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

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

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

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

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

Future Initiatives

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

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APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Anderson Union High School District

County of Shasta
Anderson, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2017

K·COE
ISOM

Anderson Union High School District

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June 30, 2017

K·COE ISOM

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Anderson Union High School District
Anderson, 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 Anderson Union High School District (the District) as of and for the year ended June 30, 2017; 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

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT
(Continued)

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 District as of June 30, 2017; and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedule(s), the schedule of funding progress for other postemployment benefits, and the required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 73 to 78 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITORS' REPORT
(Continued)

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 75 to 79 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The local educational agency organization structure and the schedule of charter schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KCoe Isom, LLP

December 15, 2017
Redding, California

FINANCIAL SECTION

Required Supplementary Information

INTRODUCTION

The Anderson Union High School District (the District), is a school community partnership committed to student success. The belief that every student can learn and that it is our job to ensure that they are college and career ready is at the heart of all District programs. The District's mission is to prepare students to be responsible, productive, and self-sufficient adults through high expectations and by providing quality student-centered educational experiences.

USING THIS ANNUAL FINANCIAL REPORT

This management's discussion and analysis of the District's financial statements provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. This analysis will look at the District's financial performance as a whole. The management's discussion and analysis should be reviewed in conjunction with the independent auditors' report, notes to the basic financial statements, and the basic government-wide financial statements to enhance the understanding of the District's financial performance.

This comprehensive annual financial report consists of a series of financial statements and notes to those financial statements. The financial statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

The management's discussion and analysis (this report) is provided to assist our citizens, taxpayers, and investors in reviewing the District's finances and to show the District's accountability for the money it receives.

FINANCIAL HIGHLIGHTS

Overall, revenues for the District were $22,496,408 and overall expenses were $23,924,232. Expenses exceeded revenues by $1,427,824 across all district funds. The District's change in financial position is the product of many factors. However, the following events of the last year stand out:

- Conservative spending patterns have remained consistent across the District. Additionally, sites and programs leveraged various grant opportunities to enhance programs thereby freeing up regular budgets to address core functions of the District and other supplemental services as detailed in the District's Local Control and Accountability Plan (LCAP). These factors contributed to the decrease in deficit spending anticipated in the General Fund for 2016-17.

- There was an ongoing contract settlement with the certificated and classified bargaining groups and management for the 2016-17 fiscal year, thereby increasing ongoing salary and benefit expenses for employee groups.

Student Enrollment

The number of pupils the District serves is the basis for most revenues that flow to the District. The most consistent measurement of enrollment by school districts in California is the enrollment count in October of each year. The collection of this October enrollment figure, more commonly referenced as CBEDS (California Basic Education Data System), is now collected via the California Longitudinal Pupil Achievement Data System (CalPADS).

The count in October is far enough into the school year to give districts a consistent number for a year-to-year analysis. The funding allocation for several state and federal programs is based on this enrollment figure. The District's average daily attendance (ADA) can be projected using this October enrollment figure. Although the two terms are often used interchangeably, the District's ADA is lower than the District's enrollment, due to all students not being present every day. The District's Local Control Funding Formula (LCFF) funding, the largest source of revenue for the District, is based on ADA.

The district's CBEDS enrollment for October 2016 was 1812 students. The District's CBEDS enrollment for October 2017 is anticipated to be certified at 1778, **a decrease of 34 students or 1.88%.**

It should be noted that the above figures include all district schools including Anderson New Technology High School (ANTHS), whose funding is separate and restricted from the General Fund.

Enrollment, excluding ANTHS for CBEDS October 2016, was 1630 students. The same CBEDS enrollment calculation for October 2017 was 1589, **a decrease of 41 students or 2.52%.**

Although the October CBEDS is the first solid indicator of enrollment for the year, the District's largest source of revenue is based on the Period 2 Attendance Report of Average Daily Attendance (P-2). P-2 ADA is the average student attendance between July 1 and mid-April of each year.

Excluding ANTHS and NPS and SCOE operated programs, the District's P-2 ADA for fiscal year 2016-17 was 1488.83. Based on the CBEDS enrollment and attendance rate, the 2017-18 ADA is projected to decline to 1449.63, **a decrease of approximately 39 ADA**.

Projections using data from our feeder schools are also indicating a decrease of 44 students (approximately 40 ADA) for the 2018-19 school year and another 64 students (approximately 58 ADA) in the 2019-20 school year. The total two-year decline is 38 students greater than originally projected at the time of the Adopted Budget utilizing more recent feeder school enrollment data.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the District's finances: "Is the District better off, or worse off, as a result of the year's activities?" The statement of net position and the statement of activities report information about the District as a whole and about its activities in a manner that helps to answer this question.

These two financial statements report the District's net position (the difference between the District's assets and liabilities) and the change in the net position. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as student enrollment and facility conditions in arriving at a conclusion regarding the overall health of the District.

Net Position

The District's net position was $24,815,399 for the fiscal year ended June 30, 2017. Of this amount, $27,850,204 represents the nondepreciated portion of capital assets owned by the District (net of related debt). Restricted net position is reported separately to show legal constraints that limit the School Board's ability to use the net position for day-to-day operations. The analysis below focuses on the net position of the District's governmental activities.

The negative $5,770,353 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills today, including all of our noncapital liabilities (compensated absences or pension liability as an example), we would have a deficit of $5,770,353 when considering the value of all assets.

Change in Net Position

	Governmental Activities		Percentage Change
June 30	**2016**	**2017**	**2016-17**
ASSETS			
Current and other assets	$ 13,690,069	$ 13,882,097	1.40%
Capital assets - net of accumulated depreciation	38,505,576	37,317,199	-3.09%
TOTAL ASSETS	52,195,645	51,199,296	-1.91%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pensions	1,325,014	3,326,764	151.07%
LIABILITIES			
Accounts payable and other current liabilities	1,051,741	1,409,554	34.02%
Long-term debt	24,860,150 *	27,237,234	9.56%
TOTAL LIABILITIES	25,911,891 *	28,646,788	10.55%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pensions	1,365,545	1,063,873	-22.09%
NET POSITION			
Net investment in capital assets	28,692,688	27,850,204	-2.94%
Restricted	2,658,084	2,735,548	2.91%
Unrestricted	(5,107,549) *	(5,770,353)	-12.98%
TOTAL NET POSITION	$ 26,243,223 *	$ 24,815,399	-5.44%

** As restated for prior-period adjustment*

The District's total governmental activity revenues were $22,496,408. The information below takes the government-wide statement of activities and rearranges the numbers slightly so you can see our total revenues for the year. Property taxes and unrestricted federal and state aid accounted for most of the District's revenue, contributing about 77%. Another 17% came from state and federal aid for specific programs (restricted).

Years Ended June 30	Governmental Activities 2016		Governmental Activities 2017	Percentage Change 2016-17
REVENUES				
Program Revenues				
Charges for services	$ 321,661		$ 360,096	11.9%
Operating grants and contributions	3,294,546		3,834,772	16.4%
General Revenues				
Federal and state aid not restricted	12,039,587		11,038,462	-8.3%
Property taxes	6,424,271		6,300,039	-1.9%
Other general revenues	915,794		963,039	5.2%
TOTAL REVENUES	22,995,859		22,496,408	-2.2%
EXPENSES				
Instruction-related services	13,049,751	*	14,348,705	10.0%
Pupil support services	3,162,664	*	4,054,591	28.2%
Administration	1,654,568	*	1,636,783	-1.1%
Maintenance and operations	2,320,958	*	2,766,178	19.2%
Interest on long-term debt	371,213		353,817	-4.7%
Other	1,195,895	*	764,158	-36.1%
TOTAL EXPENSES	21,755,049	*	23,924,232	10.0%
Change in Net Position	$ 1,240,810	*	$ (1,427,824)	-215.1%

** As restated for prior-period adjustment.*

Net Cost of Governmental Activities

In the table below, you will see the cost of each of the District's largest functions: instruction-related services, pupil support services, administration, maintenance and operations, interest on long-term debt, and other, as well as each program's *net* cost, after costs paid by those who benefited from the programs and amounts paid by other governments and organizations who subsidized certain programs with grants and contributions.

Years Ended June 30	Total Cost of Services 2016		Total Cost of Services 2017	Percentage Change 2016-17
Instruction-related services	$ 13,049,751	*	$ 14,348,705	10.0%
Pupil support services	3,162,664	*	4,054,591	28.2%
Administration	1,654,568	*	1,636,783	-1.1%
Maintenance and operations	2,320,958	*	2,766,178	19.2%
Interest on long-term debt	371,213		353,817	-4.7%
Other	1,195,895	*	764,158	-36.1%
Total	$ 21,755,049	*	$ 23,924,232	10.0%

** As restated for prior-period adjustment.*

Years Ended June 30	Net Cost of Services 2016		Net Cost of Services 2017	Percentage Change 2016-17
Instruction-related services	$ 10,428,648	*	$ 11,153,250	6.9%
Pupil support services	2,656,840	*	3,457,718	30.1%
Administration	1,549,383	*	1,561,361	0.8%
Maintenance and operations	1,983,520	*	2,486,717	25.4%
Interest on long-term debt	371,213		353,817	-4.7%
Other	1,149,238	*	716,501	-37.7%
Total	$ 18,138,842	*	$ 19,729,364	8.8%

** As restated for prior-period adjustment.*

FINANCIAL ANALYSIS OF THE DISTRICT'S 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 statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions. The following funds are considered major funds for the District, based upon several factors, including revenue and its comparison to overall district revenue: General Fund, Charter Schools Fund, and Building Fund. All of the District's funds are considered governmental funds. Governmental fund financial statements provide a detailed short-term view of the District's general governmental operations and the basic services provided. Governmental fund information helps to determine whether there are more or less financial resources available to spend in the near future to finance the District's programs.

About half of the governmental funds had more revenues than expenditures in 2016-17 with the exception of the Charter Schools Fund, Adult Education Fund, Building Fund, and Bond Interest and Redemption Fund. There was an overall decrease in total fund balance of $168,326 primarily due to scheduled bond payments in the Bond Interest and Redemption Fund.

June 30	Fund Balance 2016	Fund Balance 2017	Increase (Decrease)
General	$ 9,772,752	$ 9,787,949	$ 15,197
Charter Schools	779,851	732,631	(47,220)
Adult Education	18,379	7,655	(10,724)
Cafeteria Special Revenue	49,602	49,602	-
Building	643,305	571,068	(72,237)
Capital Facilities	534,984	910,111	375,127
County School Facilities	12,001	12,098	97
Special Reserve Capital Projects	8,147	8,211	64
Bond Interest and Redemption	950,774	521,278	(429,496)
Tax Override	19,629	20,495	866
Totals	**$ 12,789,424**	**$ 12,621,098**	**$ (168,326)**

The increase in the General Fund resulted primarily from not fully expending restricted program, site level, and various grant related funds.

The decrease in the Charter Schools Fund was a direct result of reduced enrollment and increased salary and benefit expenses. Expenses from prior-year carryover in a local garden grant and the Educator Effectiveness funds also contributed.

The decrease in the Adult Education Fund resulted from AEBG program expenses from prior-year revenue.

There was no change in the Cafeteria Special Revenue Fund.

The decrease in the Building Fund was due to bond-related capital project expenses from prior-year bond proceeds.

The increase in the Capital Facilities Fund was due to receipt of local developer fees in excess of expenditures.

The increase in the County School Facilities Fund resulted from receipt of interest income without any corresponding expenditures.

The increase in the Special Reserve Capital Projects Fund resulted from receipt of interest income without any corresponding expenditures.

The decrease in the Bond Interest and Redemption Fund resulted from annual bond payments in excess of local bond tax revenue.

The increase in the Tax Override Fund was due to receipt of local revenue and interest income without any corresponding expenditures.

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting, utilizing cash receipts, disbursements, and encumbrances (promises to pay). The most significant budgeted fund is the General Fund.

The District begins the budget process in January of each year, to be completed by June 30. The sites and departments provide input to the Business Office regarding their budgets. The site and department budgets are reviewed regularly by department heads, the site principals, their executive assistants, the District accountant, and the District chief business official in order to become aware of, and remedy, any significant variations during the year. As the school year progresses, the budget is revised and updated with numerous financial reports made public outlining the revisions. Finally, in the fall of the following year, the books are closed for the July 1 – June 30 fiscal year; and the results are audited, yielding actual final numbers.

A schedule showing the District's original and final budget amounts compared with actual revenues and expenditures is provided in the required supplementary information section of the audited financial statements.

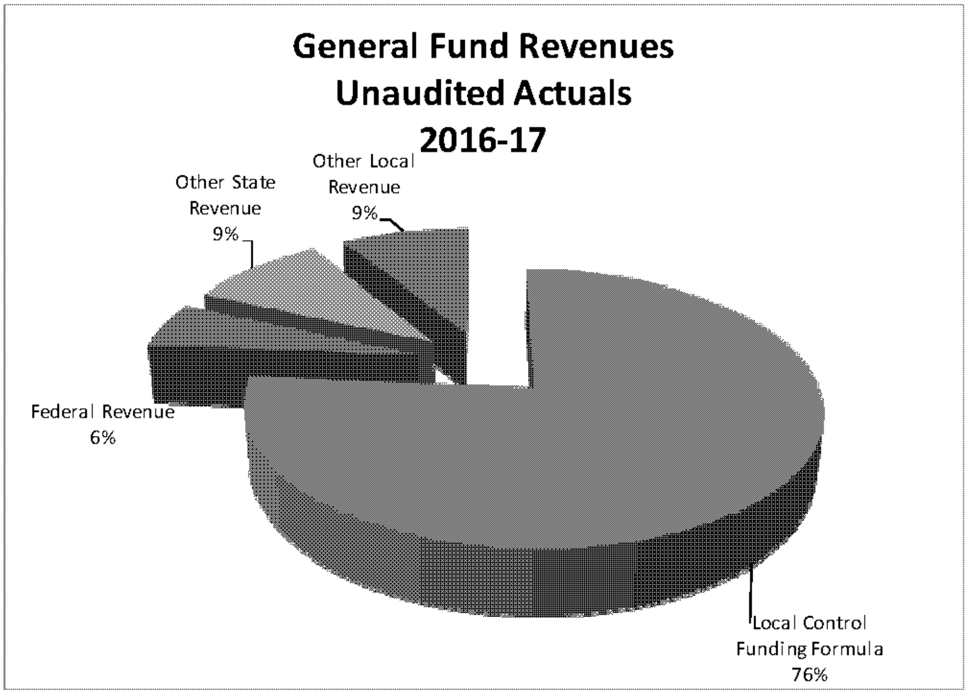
There are several reasons for budget revisions. For example, a district may need to modify its budget due to the implementation of a new instructional program, changes in state and federal budgets, as well as changes in student enrollment projections.

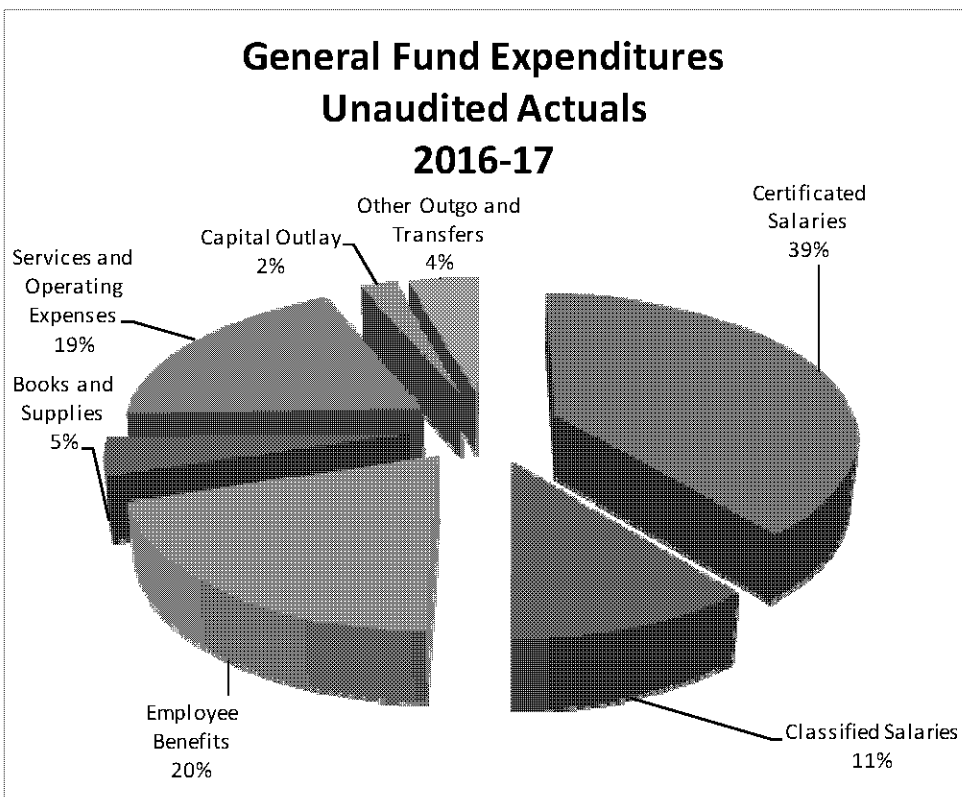
The increase of the final budget over the original budget for revenue resulted from a variety of changes occurring after the development of the adopted budget for 2016-17. Budgeting of prior-year deferred revenue carried over into 2016-17 contributed as well. Some of the changes from the adopted budget were the addition of Transition Partnership Program Grant funding, CTE Incentive Grant funding, Specialized Secondary Grant funding, recording additional CalSTRS on-behalf revenue for GASB 68 compliance, additional Special Education apportionments from SELPA, increased shared services reimbursements and receipt of various local grants.

The increase in the final budgeted expenditures compared to the original budget resulted from budgeting additional funds received during the year as well as accounting for prior-year carryovers after the books were closed for the fiscal year ended June 30, 2016. Actual expenditures decreased over budgeted amounts primarily in Books and Supplies, Services and Other Operating Expenses, and Capital Outlay. This occurred as a result of prudent spending practices, time constraints in implementing new programs and acquiring new materials, and some budgeted expenditures simply not materializing during the year. Receipt of some program funds late in the year was also a factor. Decreased expenditures within program specific and site level accounts (e.g. Title I, site lottery department budgets, various grants, etc.) also contributed to actual expenditures being below budgeted amounts.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The following two charts provide a comparison of 2016-17 General Fund revenues and expenditures.





The table below provides a comparison of General Fund 2015-16 and 2016-17 activities. There was an increase in revenues and an increase in expenditures between the two years. The increase in revenue resulted primarily from improvement in state revenue via LCFF as well as some additional local revenue. Increased expenditures were a result of spending program carryovers from 2015-16 as well as additional expenditures in restricted programs such as Medi-Cal Billing, CTE Incentive Grant, College and Career Readiness Block Grant, Educator Effectiveness, and Special Education, as well as various local grants. Certificated and classified salaries and benefits experienced increases as a result of negotiated settlements and changes in staffing levels as well as increased employer pension costs for CalSTRS and CalPERS. Capital outlay expenditures increased due to increased vehicle replacement with the purchase of two new vans, one Ag program vehicle, and two new school buses. Other outgo expenditures increased due to increased Special Education transportation expenses and changes in the transfers of revenue for ROP. Overall, actual expenditures did not exceed actual revenues primarily due to the increased LCFF revenue referenced earlier.

		General Fund		Increase
Years Ended June 30		**2016**	**2017**	**(Decrease)**
Revenues				
8000-8099	Local control funding formula sources	$ 14,554,043	$ 14,767,511	$ 213,468
8100-8299	Federal revenue	1,061,494	1,085,001	23,507
8300-8599	Other state revenue	2,065,719	1,826,808	(238,911)
8600-8899	Other local revenue	1,649,768	1,702,162	52,394
Total Revenues		19,331,024	19,381,482	50,458
Expenditures				
1000-1999	Certificated salaries	7,347,843	7,544,933	197,090
2000-2999	Classified salaries	1,987,479	2,153,881	166,402
3000-3999	Employee benefits	3,377,663	3,875,751	498,088
4000-4999	Books and supplies	912,715	841,497	(71,218)
5000-5999	Services, other operating expenditures	2,990,251	3,649,509	659,258
6000-6999	Capital outlay	362,347	425,824	63,477
7000-7999	Other outgo	819,976	830,817	10,841
Total Expenditures		17,798,274	19,322,212	1,523,938
Operating Surplus (Deficit)		1,532,750	59,270	(1,473,480)
Interfund transfers out		(230,294)	(44,073)	186,221
Net Surplus (Deficit)		1,302,456	15,197	(1,287,259)
Fund Balance - Beginning Balance		8,470,296	9,772,752	1,302,456
Fund Balance - Ending Balance		$ 9,772,752	$ 9,787,949	$ 15,197

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

As of the end of 2016-17, the District had an investment of $37,317,199 in capital assets (net of depreciation), including school buildings, site and building improvements, equipment, and licensed vehicles. The development of the data on the value of the District's capital assets makes a significant change in the manner in which the District reports its financial condition. Since these assets are primarily buildings, land, and equipment, they are not available for operating expenses. The table below displays the various capital assets at June 30, 2017.

	Governmental Activities		Percentage Change
June 30	2016	2017	2016-17
Land and site improvements	$ 8,647,352	$ 8,355,472	-3.4%
Buildings and improvements	29,350,561	28,163,408	-4.0%
Equipment	475,511	789,356	66.0%
Construction in progress	32,152	8,963	-72.1%
Total	$ 38,505,576	$ 37,317,199	-3.1%

Depreciation of buildings and site improvements exceeded the minimal additions in those categories which included the Door Lock Project and additional project management fees associated with a number of previously completed bond projects. However, additions to equipment were notable including the purchase of two new vans, a freezer, an ag program vehicle, and two new school buses. Construction in progress decreased due to completion of the Door Lock Project.

Long-Term Debt

The table below displays the District's long-term debt. At June 30, 2017, the District had $27,237,234 of long-term debt outstanding, an increase from the prior year due to the requirement to record the net pension liability as well as additional net OPEB obligations. However, early retirement incentives, capital leases, and general obligation bond debt decreased due to regularly scheduled debt payments.

	Governmental Activities		Percentage Change
June 30	2016	2017	2016-17
Early retirement incentives	$ 25,875	$ 14,629	-43.5%
Net OPEB obligation	269,096	465,933	73.1%
Compensated absences	123,804	122,944	-0.7%
General obligation bonds	9,889,660	9,556,587	-3.4%
Capital leases	566,533	481,477	-15.0%
Net pension liability	13,985,182 *	16,595,664	18.7%
Total	$ 24,860,150 *	$ 27,237,234	9.6%

** As restated for prior-period adjustment*

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District continues to be faced with declining enrollment and increased employee salary and benefit expenses while striking a balance to meet the needs identified in the District's LCAP. The reduced revenues caused by declining enrollment continue to pose a risk to the District's finances. While the District works to align expenditures to anticipated revenues, utilizing previously designated reserves will be necessary. The Board of Trustees has been previously successful in implementing reductions necessary to safeguard and protect services necessary for student success and will work to accomplish these same goals during this next period of budget planning. Actions needed to maintain reserves essential for fiscal and cash solvency long term will be implemented. Continuing this balancing act and striving for improved student outcomes will be an ongoing focus for the District.

The District prepares a three-year projection of its General Fund several times each year. The 2017-18 First Interim Report, prepared using information known as of October 31, 2017, will be the first revision to address factors not known and/or available at the June 2017 budget adoption.

Salaries and Benefits The District's contract with the Anderson Union High School District Teachers' Association (AUHSDTA) bargaining group expires June 30, 2018, and the contract with the California Schools Employees' Association, Chapter 382 (CSEA) bargaining group, expires October 31, 2021. Through the California's Valued Trust, health care insurance costs for the District's certificated and classified employees continues to experience varied plan increases as the provider complies with the Affordable Health Care Act requirements. The District has negotiated caps for health care insurance costs. The following are existing caps for the District's costs of health care insurance for each group as of 6/30/17

AUHSDTA	$12,300
CSEA	$ 9,528
Administrators/Management/Confidential	$ 9,528

Schools' Facilities The District has addressed much of its facility needs through the various bond projects and Prop 39 projects completed over the last several years. For the upcoming year as in the prior year, the primary focus will be on routine and deferred maintenance related projects such as roofing repairs, erosion control, flooring renovations, minor HVAC repairs, and asphalt repair. Planning of the final major bond related project for the Anderson High Ag Facility renovation is the only major upcoming capital project currently identified.

Student Success The District's focus has been promoting and improving the college and career readiness of students through continued improvement to the academic, athletic, and activity programs at each of the four campuses, while continuing to protect the financial stability of the District. Recently, the focus of the leadership team has been implementation of the Local Control Accountability Plan (LCAP) addressing four main goals through a variety of actions. The LCAP goals are centered on increasing graduation rate, development of career pathways, and increased parent involvement. In addition, our schools continually provide an environment that is appealing, inviting, and safe for students.

CONTACTING THE DISTRICT'S FISCAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. For questions about this report or for additional information, please contact:

Donell Evans, Chief Business Official
Anderson Union High School District
1469 Ferry Street
Anderson, CA 96007
(530) 378-0568, ext. 10007
(530) 378-0834 (fax)

Basic Financial Statements

Anderson Union High School District

STATEMENT OF NET POSITION

June 30, 2017	Governmental Activities
ASSETS	
Cash and investments	$ 12,548,315
Accounts receivable	539,701
Due from other governments	747,979
Inventories	22,242
Prepaid expenses	23,860
Nondepreciated capital assets	632,322
Depreciated capital assets	65,839,635
Accumulated depreciation	(29,154,758)
TOTAL ASSETS	51,199,296
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pensions	3,326,764
LIABILITIES	
Overdraft in county treasury	75,287
Accounts payable and other current liabilities	883,663
Due to other governments	8,508
Advances from grantors	442,096
Long-term obligations:	
Due within one year	373,521
Due beyond one year	26,863,713
TOTAL LIABILITIES	28,646,788
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pensions	1,063,873
NET POSITION	
Net investment in capital assets	27,850,204
Restricted for capital projects	1,493,277
Restricted for debt service	541,773
Restricted for educational programs	659,444
Restricted for other programs	41,054
Unrestricted	(5,770,353)
TOTAL NET POSITION	$ 24,815,399

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

Anderson Union High School District

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position - Governmental Activities
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities:				
Instruction	$ 12,354,074	$ 273,608	$ 2,589,044	$ (9,491,422)
Instruction-related services	1,994,631	57,614	275,189	(1,661,828)
Pupil services	3,495,030	-	587,166	(2,907,864)
Ancillary services	559,561	5,830	3,877	(549,854)
Community services	3,904	-	520	(3,384)
General administration	1,636,783	-	75,422	(1,561,361)
Plant services	2,766,178	23,044	256,417	(2,486,717)
Other outgo	760,254	-	47,137	(713,117)
Interest on long-term debt	353,817	-	-	(353,817)
Total Governmental Activities	$ 23,924,232	$ 360,096	$ 3,834,772	(19,729,364)
GENERAL REVENUES				
Property taxes - levied for general purposes				5,994,449
Property taxes - levied for debt service				236,218
Property taxes - levied for other specific purposes				69,372
Federal and state aid not restricted to specific purposes				11,038,462
Unrestricted investment earnings				48,308
Miscellaneous				914,731
TOTAL GENERAL REVENUES				18,301,540
Change in Net Position				(1,427,824)
Net Position - as Previously Reported				27,389,598
Prior-period adjustment				(1,146,375)
Net Position - as Restated				26,243,223
Net Position - End of Year				$ 24,815,399

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

June 30, 2017		General Fund		Charter Schools Fund		Other Governmental Funds		Total Governmental Funds
ASSETS								
Cash and investments	$	9,697,040	$	802,382	$	2,048,893	$	12,548,315
Accounts receivable		503,777		12		35,912		539,701
Due from other governments		616,746		23,018		108,215		747,979
Due from other funds		107,123		83,638		34,074		224,835
Inventories		14,699		-		7,543		22,242
Prepaid expenditures		21,269		2,591		-		23,860
TOTAL ASSETS	$	10,960,654	$	911,641	$	2,234,637	$	14,106,932
LIABILITIES AND FUND BALANCES								
Liabilities								
Overdraft in county treasury	$	-	$	-	$	75,287	$	75,287
Accounts payable and other current liabilities		606,457		117,910		10,741		735,108
Due to other governments		8,508		-		-		8,508
Due to other funds		117,712		59,032		48,091		224,835
Advances from grantors		440,028		2,068		-		442,096
Total Liabilities		1,172,705		179,010		134,119		1,485,834
Fund Balances								
Nonspendable		44,968		2,591		8,548		56,107
Restricted		433,822		217,967		2,083,759		2,735,548
Assigned		3,982,716		512,073		8,211		4,503,000
Unassigned		5,326,443		-		-		5,326,443
Total Fund Balances		9,787,949		732,631		2,100,518		12,621,098
TOTAL LIABILITIES AND FUND BALANCES	$	10,960,654	$	911,641	$	2,234,637	$	14,106,932

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

Anderson Union High School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

June 30, 2017

Total Fund Balances - Governmental Funds		$ 12,621,098
Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets at historical cost	$ 66,471,957	
Accumulated depreciation	(29,154,758)	
Total Capital Assets - Net		37,317,199
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owed at the end of the period was:		(148,555)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds	9,556,587	
Net pension liability	16,595,664	
Net OPEB obligation	465,933	
Compensated absences	122,944	
Capital leases	481,477	
Other postemployment benefits	14,629	
Total Long-Term Liabilities		(27,237,234)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions		3,326,764
Deferred inflows of resources relating to pensions		(1,063,873)
Total Net Position - Governmental Activities		$ 24,815,399

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

Anderson Union High School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2017	General Fund	Charter Schools Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 5,994,449	$ -	$ -	$ 5,994,449
Local control funding formula sources	8,773,062	1,596,406	-	10,369,468
Other state revenue	1,826,808	289,758	196,145	2,312,711
Federal revenue	1,085,001	-	445,207	1,530,208
Other local revenue	1,702,162	66,791	1,015,492	2,784,445
Total Revenues	19,381,482	1,952,955	1,656,844	22,991,281
Expenditures				
Current:				
Instruction	9,669,200	1,348,308	141,142	11,158,650
Instruction-related services	1,574,372	304,700	59,813	1,938,885
Pupil services	2,698,847	152,046	814,418	3,665,311
Ancillary services	557,232	450	-	557,682
Community services	3,904	-	-	3,904
General administration	1,474,705	35,655	51,271	1,561,631
Plant services	2,465,044	159,016	27,733	2,651,793
Transfers between agencies	760,254	-	-	760,254
Debt service:				
Principal	95,454	-	305,000	400,454
Interest and other charges	23,200	-	361,231	384,431
Capital outlay	-	-	76,612	76,612
Total Expenditures	19,322,212	2,000,175	1,837,220	23,159,607
Excess (Deficiency) of Revenues Over Expenditures	59,270	(47,220)	(180,376)	(168,326)
Other Financing Sources (Uses)				
Interfund transfers in	-	-	44,073	44,073
Interfund transfers out	(44,073)	-	-	(44,073)
Total Other Financing Sources (Uses)	(44,073)	-	44,073	-
Net Change in Fund Balances	15,197	(47,220)	(136,303)	(168,326)
Fund Balances - Beginning of Year	9,772,752	779,851	2,236,821	12,789,424
Fund Balances - End of Year	$ 9,787,949	$ 732,631	$ 2,100,518	$ 12,621,098

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

Year Ended June 30, 2017

Total Net Change in Fund Balances - Governmental Funds			$	(168,326)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:				
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:				
Expenditures for capital outlay	$	474,384		
Depreciation expense		(1,662,761)		
Net Capital Outlay				(1,188,377)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:				390,056
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was:				2,541
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:				860
Balance Forward			$	(963,246)

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

Anderson Union High School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION (Continued)

Year Ended June 30, 2017

Balance Brought Forward	$	(963,246)
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:		(307,060)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(196,837)
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time and structured legal settlements. This year, expenses incurred for other postemployment benefits were:		11,246
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is:		28,073
Change in Net Position of Governmental Activities	$	(1,427,824)

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

Anderson Union High School District

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

June 30, 2017		Foundation Private-Purpose Trust		Agency
ASSETS				
Cash and investments	$	184,769	$	409,915
Inventories		-		36,890
TOTAL ASSETS	$	184,769	$	446,805
LIABILITIES				
Accounts payable and other current liabilities	$	-	$	37,156
Due to student groups		-		409,649
TOTAL LIABILITIES		-	$	446,805
NET POSITION				
Held in trust for scholarships	$	184,769		

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

Year Ended June 30, 2017		Foundation Private-Purpose Trust
Additions		
Interest and investment earnings	$	1,043
Deductions		
Scholarships awarded		1,000
Change in Net Position		43
Net Position - Beginning of Year		184,726
Net Position - End of Year	$	184,769

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

1. SIGNIFICANT ACCOUNTING POLICIES

The District is governed by an elected five-member board. The District operates three high schools, one continuation school, one community day school, and one adult education program in Anderson, California. The District is the sponsoring local educational agency for one charter school.

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's, *California School Accounting Manual*. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District, are discussed below.

Financial Reporting Entity

The District's financial reporting entity comprises the following:

Primary government:
Anderson Union High School District

Blended component units:
Anderson New Technology High School
Anderson Union High School District Community Scholarship Association

Criteria for determining if other entities are potential component units, which should be reported within the District's basic financial statements, are identified and described in the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations that the nature and significance of their relationship with the District is such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Blended Component Units Separate legal entities that meet the component unit criteria described above, and whose governing body is the same or substantially the same as the District's governing board or the component unit, that provides services entirely to the District. These component units' funds are blended into those of the District by appropriate activity type to compose the primary government presentation.

Discretely Presented Component Units Separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending. Currently, the District has no discretely presented component units.

Blended Component Units

The component units that are blended into the reporting activity of the District's report are as follows:

Anderson New Technology High School (ANTHS) is included in the Charter Schools Fund. The District considers the school to be a site of the District. ANTHS was created in August 2002 through the authority established in *California Education Code,* Section 47602 (Charter Schools Act of 1992), for the purpose of providing educational services to residents of Shasta County and contiguous counties.

Anderson Union High School District Community Scholarship Association (the Association) is reported as a private-purpose trust fund and included with the District's fiduciary fund type. The Association was formed for the purpose of collecting, administering, and awarding funds as scholarships for qualified graduates of the District.

Basis of Presentation

Government-Wide Financial Statements The statement of net position and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

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

Fund Financial Statements Fund financial statements of the reporting entity are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below.

Governmental Funds

General Fund The general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds Funds that are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Charter Schools Fund is used to report separately the activities of Anderson New Technology High School.

2. Adult Education Fund is used to account separately for federal, state, and local revenues, and the expenditure of those funds, that are restricted or committed for adult education programs (*California Education Code*, Sections 52616[b] and 52501.5[a]).

3. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code*, Sections 38091 and 38100).

Capital Projects Funds Funds that are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Building Fund exists primarily to account separately for proceeds from the sale of bonds (*California Education Code,* Section 15146).

2. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code,* Sections 17620-17626).

3. County School Facilities Fund is used to receive apportionments from the State School Facilities Fund 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 (*California Education Code,* Section 17070.10).

4. Special Reserve Fund is used to account for resources designated for capital outlay projects (*California Education Code*, Section 42840).

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

1. Bond Interest and Redemption Fund is used to account for the repayment of bonds (*California Education Code,* Sections 15125-15262).

2. Tax Override Fund is used for the repayment of voted indebtedness to be financed from ad valorem tax levies.

Fiduciary Funds

Private-Purpose Trust Funds Funds that are used to account for assets held by the District as trustee pursuant to formal agreements with donors and under which neither principal nor income may be used for purposes that support the District's own programs. The Foundation Private-Purpose Trust Fund is used to account separately for gifts or bequests that provide scholarships to students of the District.

Agency Funds Funds that are used to account for assets of others for whom the District acts as an agent.

1. Warrant/Pass-Through Fund is used to account for amounts collected from employees for federal taxes, state taxes, credit unions, and other contributions.

2. Student Body Fund is used to account for the transactions of the associated student body in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*California Education Code,* Sections 48930-48938).

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Governmental Funds:
- General Fund
- Charter Schools Fund

Nonmajor Governmental Funds:
- Adult Education Fund
- Cafeteria Special Revenue Fund
- Building Fund
- Capital Facilities Fund
- County School Facilities Fund
- Special Reserve Capital Projects Fund
- Bond Interest and Redemption Fund
- Tax Override Fund

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus On the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

In the fund financial statements, governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within one year. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Budgets and Budgetary Accounting

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

These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and each major special revenue fund as required supplementary information.

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

Estimates

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

Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code,* Section 41001, the District maintains substantially all of its cash in the Shasta County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code,* Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2017, the fair value of the County pool is 99.83% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code,* Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the year ended June 30, 2017, was $46,220. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2017, was $19,389.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed, but not received, as of June 30, 2017. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated, but has not received, as of June 30, 2017. At June 30, 2017, no allowance for doubtful accounts was deemed necessary.

Balances Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Balances due to/from other funds between funds within governmental activities are eliminated in the statement of net position.

Inventories and Prepaid Expenses

Inventories consist of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventories are valued on the average cost method for purchased supplies and materials. Donated commodities inventory is valued at its fair value at the time of donation. Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. In the governmental funds, these costs are reported as an other financing source when the related liability is incurred.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of $15,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2001.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives in years by type of asset is as follows:

Buildings	50-51
Portable classrooms	25
Site improvements	20-50
Equipment	5-15
Vehicles	8

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Advances From Grantors

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

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

Compensated Absences

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) which will only be recognized as an outflow of resources (expense/expenditures) in the future. District contributions, subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between District contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Equity Classifications

Government-Wide Statements Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted Net Position: Consists of any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements Governmental fund equity is classified as fund balance. Fund balance is further classified and displayed in five components:

Nonspendable Fund Balance: Consists of 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 Fund Balance: Consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation.

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

Assigned Fund Balance: Consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District's Board of Trustees or a designee of the District's Board of Trustees.

Unassigned Fund Balance: Consists of the residual balance in the General Fund that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, equal to no less than 6% of General Fund expenditures and other financing uses.

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

Local Control Funding Formula Grant and Property Tax

The District's local control funding formula (LCFF) grant is received from a combination of local property taxes and state apportionments.

Shasta County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on November 1 and February 1 and become delinquent after December 10 and April 10, respectively.

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

Property taxes are recorded as LCFF sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state's General Fund and is referred to as the state apportionment. The District's LCFF provides a base grant per average daily attendance (ADA), which varies by grade span, plus supplemental and concentration grants that reflect student demographic factors and categorical programs.

Revenue – Nonexchange Transactions

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character:
- Current (further classified by function)
- Debt service
- Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Pensions

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

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

2. CASH AND INVESTMENTS

Cash and Investments

The following is a summary of unrestricted cash and investments:

June 30, 2017	**Maturities**	**Fair Value**
Deposits (1)		$ 589,378
Investments That Are Not Securities (2)		
County treasurer's investment pool (net of overdraft)	15.4 months average	12,477,750
Local Agency Investment Fund (LAIF)	6.4 months average	584
Subtotal		12,478,334
Total Cash and Investments		13,067,712
Less: Trust fund cash and investments		184,769
Less: Agency fund cash and investments		409,915
Total Cash and Investments Per Government-Wide Statement of Net Position (Net of Overdraft in County Treasury)		$ 12,473,028

(1) ***Deposits*** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.

(2) ***Investments That Are Not Securities*** A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. As of June 30, 2017, $42,975 of the District's bank balance of $613,686 was exposed to custodial credit risk as follows:

June 30, 2017	Bank Balance
Uninsured and uncollateralized	$ 42,975

Credit Risk – Investments

California Government Code, Section 53601, limits investments in commercial paper to "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District's investment in the state and County investment pools are unrated.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017:

- County treasurer's investment pool (net of overdraft) of $12,477,750 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

Concentration of Credit Risk – Investments

California Government Code, Section 53635, places the following concentration limits on the County investment pool:

> No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2017	General Fund	Charter Schools Fund	Other Governmental Funds
Other	$ 503,777	$ 12	$ 35,912

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments consisted of the following:

June 30, 2017	General Fund	Charter Schools Fund	Other Governmental Funds
Due From			
Federal government	$ 334,201	$ -	$ 52,318
State government	143,294	23,018	55,897
Local governments	139,251	-	-
Total	$ 616,746	$ 23,018	$ 108,215

5. INTERFUND TRANSACTIONS AND BALANCES

Balances Due To/From Other Funds

Balances due to/from other funds in the fund financial statements are as follows:

Due From Other Funds	Due to Other Funds		Amounts
Adult Education	General	$	7,655
Charter Schools	General		83,638
Cafeteria Special Revenue	General		26,419
General	Cafeteria Special Revenue		39,295
General	Adult Education		8,796
General	Charter Schools		59,032
Total		$	224,835

The specific purposes of the interfund balances are as follows:

Adult education interfund receivable from the General Fund for expense reimbursements;

Charter Schools Fund interfund receivable from the General Fund for revenue transfer and in lieu of property taxes;

Cafeteria Special Revenue Fund interfund receivable from the General Fund for interfund support; and

General Fund interfund receivable from the Adult Education Fund, the Cafeteria Special Revenue Fund, and the Charter Schools Fund for indirect costs.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers are as follows:

Interfund Transfers Out	Interfund Transfers In		Amount
General	Adult Education	$	7,655
General	Cafeteria Special Revenue		36,419
Total		$	44,073

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

There were no transfers that were not routine or inconsistent with the activities of the funds making the transfer.

6. CAPITAL ASSETS

Capital assets activity is as follows:

Year Ended June 30, 2017	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Nondepreciated Capital Assets				
Land	$ 623,359	$ -	$ -	$ 623,359
Construction in progress	32,152	150	23,339	8,963
Total Nondepreciated Capital Assets	655,511	150	23,339	632,322
Depreciated Capital Assets				
Buildings and improvements	52,627,416	41,847	-	52,669,263
Site improvements	10,439,111	13,998	-	10,453,109
Vehicles and equipment	2,275,535	441,728	-	2,717,263
Total Depreciated Capital Assets	65,342,062	497,573	-	65,839,635
Totals at Historical Cost	65,997,573	497,723	23,339	66,471,957
Less: Accumulated Depreciation				
Buildings and improvements	23,276,855	1,229,000	-	24,505,855
Site improvements	2,415,118	305,878	-	2,720,996
Vehicles and equipment	1,800,024	127,883	-	1,927,907
Total Accumulated Depreciation	27,491,997	1,662,761	-	29,154,758
Total Depreciated Capital Assets - Net	37,850,065	(1,165,188)	-	36,684,877
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	$ 38,505,576	$ (1,165,038)	$ 23,339	$ 37,317,199

Depreciation expense was charged to governmental activities as follows:

Year Ended June 30, 2017		
Governmental Activities		
Instruction	$	1,371,478
Instruction-related services		33,709
Pupil services		175,341
Ancillary services		3,980
General administration		59,241
Plant services		19,012
Total Depreciation Expense - Governmental Activities	$	1,662,761

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2017		**General Fund**		**Charter Schools Fund**		**Other Governmental Funds**
Vendors	$	593,174	$	105,154	$	1,734
Salaries and benefits		11,884		12,500		9,007
Other		1,399		256		-
Total	$	606,457	$	117,910	$	10,741

8. DUE TO OTHER GOVERNMENTS

Amounts due to other governments consisted of the following:

June 30, 2017		**General Fund**
Due To		
State government	$	8,508

9. BONDED DEBT

In 2012, the District received authorization through Measure C to issue $12,300,000 of bonds at an election held on November 6, 2012. The bonds are general obligation bonds of the District, and the County is obligated to annually levy ad valorem taxes for the payment of interest on, and the principal of, the bonds. Bond proceeds are to be used to repair leaky roofs; upgrade heating, plumbing, and electrical systems; modernize core infrastructure of West Valley High School; and provide modern classroom technology and facilities.

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2016	Redeemed Current Year	Outstanding June 30, 2017
2013	2% - 5%	2038	$ 5,000,000	$ 4,495,000	$ 150,000	$ 4,345,000
2015	2% - 4%	2040	5,000,000	5,000,000	155,000	4,845,000
Total			$ 10,000,000	$ 9,495,000	$ 305,000	$ 9,190,000

The amount of interest cost incurred during the year ended June 30, 2017, was $358,690, all of which was charged to expenses.

The annual requirements to amortize the general obligation bonds payable are as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 250,000	$ 354,032	$ 604,032
2019	235,000	349,182	584,182
2020	130,000	345,532	475,532
2021	150,000	342,257	492,257
2022	170,000	337,732	507,732
2023-2027	1,225,000	1,581,875	2,806,875
2028-2032	1,980,000	1,317,322	3,297,322
2033-2037	2,970,000	872,991	3,842,991
2038-2040	2,080,000	155,742	2,235,742
Total	$ 9,190,000	$ 5,656,665	$ 14,846,665

10. CAPITAL LEASES

The District leases equipment under agreements which provide for title to pass upon expiration of the lease period. The cost of the equipment is included in vehicles and equipment on the statement of net position as depreciated capital assets and was $1,340,500 at June 30, 2017. Accumulated depreciation of the leased equipment at June 30, 2017, was $281,505. Depreciation of the assets under capital leases is included in depreciation expense and amounted to $26,810 for the year ended June 30, 2017. The amount of interest cost incurred during the year ended June 30, 2017, was $22,352, all of which was charged to expenses. Future minimum lease payments are as follows:

Year Ending June 30	**Lease Payments**
2018	$ 107,408
2019	107,408
2020	107,408
2021	107,408
2022	107,781
Total	537,413
Less: Amount representing interest	55,936
Present Value of Net Minimum Lease Payments	$ 481,477

The District will receive no sublease rental revenues nor pay for any contingent rentals for this equipment.

11. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt:

Year Ended June 30, 2017	Beginning Balance - as Previously Reported	Prior-Period Adjustment	Beginning Balance - as Restated	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities							
Compensated absences	$ 123,804	$ -	$ 123,804	$ -	$ 860	$ 122,944	$ -
General obligation bonds	9,495,000	-	9,495,000	-	305,000	9,190,000	250,000
Bond issue premiums	394,660	-	394,660	-	28,073	366,587	25,463
Capital leases	566,533	-	566,533	-	85,056	481,477	88,579
Other postemployment benefits	25,875	-	25,875	-	11,246	14,629	9,479
Net OPEB obligation	269,096	-	269,096	196,837	-	465,933	-
Net pension liability	12,838,807	1,146,375	13,985,182	2,610,482	-	16,595,664	-
Total	$ 23,713,775	$ 1,146,375	$ 24,860,150	$ 2,807,319	$ 430,235	$ 27,237,234	$ 373,521

12. FUND BALANCES COMPONENTS

Fund balances are composed of the following:

June 30, 2017	General Fund	Charter Schools Fund	Other Governmental Funds
Nonspendable			
Reserved for:			
Revolving cash	$ 9,000	$ -	$ 1,005
Inventories	14,699	-	7,543
Prepaid expenditures	21,269	2,591	-
Total Nonspendable	$ 44,968	$ 2,591	$ 8,548
Restricted			
Restricted for:			
Capital projects	$ -	$ -	$ 1,493,277
Debt service	-	-	541,773
Federal and state categoricals	433,822	217,967	48,709
Total Restricted	$ 433,822	$ 217,967	$ 2,083,759
Assigned			
Assigned for:			
Capital projects	$ -	$ -	$ 8,211
CalWorks	25,507	-	-
Vehicle replacement	50,000	-	-
Deferred maintenance reserve	118,116	-	-
Classroom furniture	50,000	-	-
Special education carryover	2,766	-	-
Compensation	475,165	-	-
CalSTRS/CalPERS liabilities	466,199	-	-
ROP	109,408	-	-
After school program	4,999	-	-
IMFRP	218,714	-	-
GASB 45	374,670	-	-
MAA	55,398	-	-
Athletic carryover	37,959	-	-
Lottery	1,888,913	-	-
WVHS carryover	5,000	-	-
Other assignments	99,902	-	-
Charter schools	-	512,073	-
Total Assigned	$ 3,982,716	$ 512,073	$ 8,211
Unassigned			
Designated for economic uncertainties	$ 5,326,443	$ -	$ -

13. JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): Northern California Schools Insurance Group (NCSIG), Shasta-Trinity Schools Insurance Group (STSIG), California's Valued Trust (CVT), Schools Excess Liability Fund (SELF), and Northern California Regional Liability Excess Fund (ReLiEF). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, health care, workers' compensation, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

14. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

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

15. RISK MANAGEMENT

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint powers agreements for property, liability, workers' compensation, health care, and excess liability coverage.

16. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of CalSTRS, and classified employees are members of CalPERS.

Summary

Net pension liability, deferred outflows or resources, deferred inflows of resources, and pension expense are reported as follows:

June 30, 2017	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	$ 12,132,150	$ 1,959,145	$ 929,771	$ 1,088,071
CalPERS School Employer Pool	4,463,514	1,367,619	134,102	600,612
Total	$ 16,595,664	$ 3,326,764	$ 1,063,873	$ 1,688,683

Net pension liability, deferred outflows of resources, and deferred inflows of resources are reported in the accompanying statement of net position; pension expense is reported in the accompanying statement of activities.

California State Teachers' Retirement System

Plan Description Certificated employees of the District participate in STRP, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available financial reports that can be obtained at www.calstrs.com.

Benefits Provided STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- ***CalSTRS 2% at 60*** CalSTRS 2% at 60 members are eligible for normal retirement at age 60 with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirement after age 60 increases with each quarter year of age to 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4% of final compensation.

- ***CalSTRS 2% at 62*** CalSTRS 2% at 62 members are eligible for normal retirement at age 62 with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4% at age 65 or older.

Contributions Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 9.205% of their salary. The required employer contribution rate for fiscal year 2016-17 was 12.58% of annual payroll. State Teachers' Retirement Law also requires the state to contribute 8.828% of the members' creditable earnings from the fiscal year ending in the prior calendar year. The District's contributions to CalSTRS for the fiscal year ended June 30, 2017, were $994,645.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2017, the District reported a net pension 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:

June 30, 2017		
District's proportionate share of the net pension liability	$	12,132,150
State's proportionate share of the net pension liability associated with the District		4,401,544
Total	$	16,533,694

The District's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. 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 employers and the state, actuarially determined. At June 30, 2017, the District's proportion was .015%.

For the year ended June 30, 2017, the District recognized pension expense of $135,343 and revenue of $135,343 for support provided by the state. At June 30, 2017, 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
Net difference between projected and actual earnings on pension plan investments	$ 964,500	$ -
Difference between expected and actual experience	-	296,025
Changes in proportion and differences between District contributions and proportionate share of contributions	-	633,746
District contributions subsequent to the measurement date	994,645	-
Total	$ 1,959,145	$ 929,771

The $994,645 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2018	$ (138,583)
2019	(138,583)
2020	400,967
2021	202,104
2022	(159,649)
Thereafter	(131,527)
Total	$ 34,729

Actuarial Assumptions The total pension liability in the June 30, 2015, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.60%
Interest on accounts	4.50%
Wage growth	3.75%
Consumer price inflation	3.00%
Post-retirement benefit increases	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS' experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

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 2012 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 geometric real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2016, are summarized in the following table:

	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Asset Class		
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%
Total	100%	

Discount Rate The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers were made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60%) and assumes that contributions, benefit payments, and administrative expenses occurred midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

June 30, 2017	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$ 17,460,900	$ 12,132,150	$ 7,706,400

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalSTRS' separately issued *Comprehensive Annual Financial Report* (CAFR).

California Public Employees' Retirement System

Plan Description Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

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

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employees' Pension Reform Act are required to contribute 6.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2016-17 fiscal year was 13.888%. The District's contributions to CalPERS for the fiscal year ended June 30, 2017, were $386,978.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2017, the District reported a net pension liability of $4,463,514 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was .0226%.

For the year ended June 30, 2017, the District recognized pension expense of $600,612. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 191,974	$ -
Net difference between projected and actual earnings on pension plan investments	692,594	-
Change in assumptions	-	134,102
Changes in proportion and differences between District contributions and proportionate share of contributions	96,073	-
District contributions subsequent to the measurement date	386,978	-
Total	$ 1,367,619	$ 134,102

The $386,978 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2018	$ 148,531
2019	149,023
2020	368,224
2021	180,761
Total	$ 846,539

Actuarial Assumptions The total pension liability in the June 30, 2015, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50%

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. 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.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11-60 years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

	Assumed Asset Allocation	Real Rate of Return Years 1 - 10	Real Rate of Return Years 11+
Asset Class			
Global equity	51%	5.25%	5.71%
Global debt securities	20%	0.99%	2.43%
Inflation assets	6%	0.45%	3.36%
Private equity	10%	6.83%	6.95%
Real estate	10%	4.50%	5.13%
Infrastructure and forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
Total	100%		

Discount Rate The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the CalPERS Board were used. Projections of expected benefit payments and contributions were performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

June 30, 2017	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 6,659,588	$ 4,463,514	$ 2,634,850

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued CAFR.

17. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2016-17, pursuant to *California Education Code,* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The District provides postemployment health care benefits to all certificated employees who retire from the District between the ages of 55 to 65 with at least 15 consecutive years of service in the District. The District provides medical, dental, and vision benefits to certificated retirees and their dependents for a period of five consecutive years after retirement or until age 65, whichever comes first.

The District also provides postemployment health care benefits to all classified employees and their dependents who retire from the District on or after attaining age 55 with 15 consecutive years of service to the District. The classified retirees shall be included in the program until age 65, or until a retiree becomes eligible for other equivalent group medical insurance, whichever comes earlier, for a maximum of 60 months. Management and confidential employees must have at least ten years of service with the District to receive benefits. Management and confidential employees receive benefits until age 65. The District provides these benefits through a single-employer defined benefit health care plan administered by the District that provides for monthly contribution for eligible retirees.

At June 30, 2017, 20 retirees met these eligibility requirements and an estimated 160 participants will be eligible in future years.

For certificated retirees, the District contributes an amount not to exceed $7,200 per fiscal year. For classified retirees who retired prior to June 1, 2012, the District contributes an amount not to exceed $4,980 per fiscal year. For classified retirees who retired between June 1, 2012, and June 30, 2015, the District contributes an amount not to exceed $5,700 per fiscal year. For classified retirees who retire after July 1, 2015, the District contributes an amount not to exceed $6,000 per fiscal year. For management and confidential employees, the District contributes an amount not to exceed $11,856 per fiscal year.

Funding Policy

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District's Board of Trustees through the collective bargaining process. The members receiving benefits contributions vary depending on the level of coverage selected.

Annual Other Postemployment Benefit (OPEB) Cost and Net Obligation

For the year ended June 30, 2017, the District's annual OPEB cost is calculated based on the annual required contribution for the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation:

June 30, 2017		
Annual required contribution	$	329,459
Interest on net OPEB obligation		12,109
Adjustment to annual required contribution		(16,520)
Annual OPEB Cost		325,048
Contributions		128,211
Change in Net OPEB Obligation		196,837
Net OPEB Obligation - Beginning of Year		269,096
Net OPEB Obligation - End of Year	$	465,933

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB Obligation
June 30, 2015	$ 218,692	$ 125,313	57.30%	$ 129,975
June 30, 2016	$ 323,779	$ 184,658	57.03%	$ 269,096
June 30, 2017	$ 325,048	$ 128,211	39.44%	$ 465,933

Funded Status and Funding Progress

As of November 15, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $2,441,954, and the actuarial value of the assets was $-0-, resulting in an unfunded actuarial accrued liability of $2,441,954. The covered payroll (annual payroll of active employees covered by the plan) was $10,541,026, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 23.17%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the District and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the November 15, 2015, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 4%, including a 2.75% inflation assumption. The District's initial unfunded actuarial accrued liability (UAAL) is being amortized using a closed amortization period of 30 years. The remaining amortization period at June 30, 2017, was 23 years. The residual UAAL is amortized using the level percent of payroll method using an open amortization period of 24 years.

19. PRIOR-PERIOD ADJUSTMENT

Net position in the statement of net position as of July 1, 2016, decreased by $1,146,375 as a result of an understatement of net pension liability as of June 30, 2016. This adjustment has no effect on revenue or expenses during the 2016-17 fiscal year, but increased expenses in the statement of activities by $468,124 during the 2015-16 fiscal year and by $678,251 during the 2014-15 fiscal year, respectively.

20. FUTURE GASB IMPLEMENTATION

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. It addresses timing of the measurement of pension or OPEB liabilities and expenditures recognized, recognizing on-behalf payments for pensions of OPEB, presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB, and accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement improves 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's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

Required Supplementary Information

Anderson Union High School District
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year Ended June 30, 2017	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
Revenues				
Property taxes	$ 5,635,455	$ 5,818,223	$ 5,994,449	$ 176,226
Local control funding formula sources	8,974,362	8,909,577	8,773,062	(136,515)
Other state revenue	710,742	1,579,695	1,826,808	247,113
Federal revenue	941,937	1,184,680	1,085,001	(99,679)
Other local revenue	1,327,298	1,427,189	1,702,162	274,973
Total Revenues	17,589,794	18,919,364	19,381,482	462,118
Expenditures				
Certificated salaries	7,245,777	7,532,514	7,544,933	(12,419)
Classified salaries	1,983,574	2,152,569	2,153,881	(1,312)
Employee benefits	3,452,168	3,864,844	3,875,751	(10,907)
Books and supplies	820,117	1,332,823	841,497	491,326
Services and other operating	3,210,768	3,770,524	3,649,509	121,015
Capital outlay	32,000	513,472	425,824	87,648
Other outgo	733,972	713,387	712,163	1,224
Debt service:				
Principal	94,513	94,535	95,454	(919)
Interest and other charges	22,353	22,353	23,200	(847)
Total Expenditures	17,595,242	19,997,021	19,322,212	674,809
Excess (Deficiency) of Revenues Over Expenditures	(5,448)	(1,077,657)	59,270	1,136,927
Other Financing Uses				
Interfund transfers out	(51,596)	(85,847)	(44,073)	41,774
Net Change in Fund Balances	(57,044)	(1,163,504)	15,197	1,178,701
Fund Balances - Beginning of Year	9,772,752	9,772,752	9,772,752	-
Fund Balances - End of Year	$ 9,715,708	$ 8,609,248	$ 9,787,949	$ 1,178,701

See the accompanying notes to this budgetary comparison schedule.

Anderson Union High School District

BUDGETARY COMPARISON SCHEDULE – CHARTER SCHOOLS FUND

Year Ended June 30, 2017	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
Revenues				
Local control funding formula sources	$ 1,785,328	$ 1,556,239	$ 1,596,406	$ 40,167
Other state revenue	78,661	221,777	289,758	67,981
Other local revenue	58,233	61,572	66,791	5,219
Total Revenues	1,922,222	1,839,588	1,952,955	113,367
Expenditures				
Certificated salaries	969,503	977,665	993,716	(16,051)
Classified salaries	99,053	103,875	106,109	(2,234)
Employee benefits	392,701	432,852	446,902	(14,050)
Books and supplies	70,389	104,784	81,538	23,246
Services and other operating	312,604	405,574	371,910	33,664
Total Expenditures	1,844,250	2,024,750	2,000,175	24,575
Net Change in Fund Balances	77,972	(185,162)	(47,220)	137,942
Fund Balances - Beginning of Year	779,851	779,851	779,851	-
Fund Balances - End of Year	$ 857,823	$ 594,689	$ 732,631	$ 137,942

See the accompanying notes to this budgetary comparison schedule.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's Governing Board annually adopts a budget for the General Fund and each major special revenue fund of the District. The budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund and the special revenue fund present actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets, as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations by the following amounts:

June 30, 2017	**General Fund**	**Charter Schools Fund**
Certificated salaries	$ 12,419	$ 16,051
Classified salaries	$ 1,312	$ 2,234
Employee benefits	$ 10,907	$ 14,050
Debt service - principal	$ 919	$ -
Debt service - interest and other charges	$ 847	$ -

These excess expenditures were offset by unexpended appropriations in other categories.

Anderson Union High School District

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

	September 1 2009	September 1 2012	November 15, 2015
Actuarial accrued liability (AAL)	$ 1,525,023	$ 1,694,500	$ 2,441,954
Actuarial value of plan assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 1,525,023	$ 1,694,500	$ 2,441,954
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%	0.00%
Covered payroll (active members)	$ 10,366,988	$ 9,448,272	$ 10,541,026
UAAL as a percentage of covered payroll	14.71%	17.93%	23.17%

See the accompanying notes to the required supplementary information.

Anderson Union High School District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	**2017**	**2016**	**2015**
District's proportion of the net pension liability (asset)	0.015%	0.016%	0.016%
District's proportionate share of the net pension liability (asset)	$ 12,132,150	$ 10,771,840 *	$ 9,349,820 *
State's proportionate share of the net pension liability (asset) associated with the District	4,401,544	3,726,303	3,520,245
Total	$ 16,533,694	$ 14,498,143 *	$ 12,870,065 *
District's covered-employee payroll	$ 7,647,437	$ 7,346,700	$ 7,243,879
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	158.64%	146.62% *	129.07% *
Plan fiduciary net position as a percentage of the total pension liability	70.00%	74.00%	77.00%

**As restated for prior-period adjustment.*

See the accompanying notes to the required supplementary information.

Anderson Union High School District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	**2017**	**2016**	**2015**
Contractually required contribution	$ 994,645	$ 820,570	$ 652,387
Contributions in relation to the contractually required contribution	(994,645)	(820,570)	(652,387)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 7,647,437	$ 7,346,700	$ 7,243,879
Contributions as a percentage of covered-employee payroll	13.01%	11.17%	9.01%

See the accompanying notes to the required supplementary information.

Anderson Union High School District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0226%	0.0218%	0.0218%
District's proportionate share of the net pension liability (asset)	$ 4,463,514	$ 3,213,342 *	$ 2,474,831 *
District's covered-employee payroll	$ 2,707,825	$ 2,409,676	$ 2,276,938
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	164.84%	133.35% *	108.69% *
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.40%	83.50%

**As restated for prior-period adjustment.*

See the accompanying notes to the required supplementary information.

Anderson Union High School District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2017	2016	2015
Contractually required contribution	$ 386,978	$ 320,796	$ 283,643
Contributions in relation to the contractually required contribution	(386,978)	(320,796)	(283,643)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 2,707,825	$ 2,409,676	$ 2,276,938
Contributions as a percentage of covered-employee payroll	14.29%	13.31%	12.46%

See the accompanying notes to the required supplementary information.

1. SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

This schedule provides trend information for the other postemployment benefits plan of the District, displaying actuarial accrued liability, actuarial value of plan assets, and covered payroll for the most recent valuation study and the preceding two studies.

2. CHANGES OF BENEFIT TERMS

California State Teachers' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2016.

California Public Employees' Retirement System

There were no significant changes of benefit terms during the measurement period ended June 30, 2016.

3. CHANGES OF ASSUMPTIONS

California State Teachers' Retirement System

There were no changes in major assumptions during the measurement period ended June 30, 2016.

California Public Employees' Retirement System

There were no changes in major assumptions during the measurement period ended June 30, 2016.

OTHER SUPPLEMENTARY INFORMATION SECTION

The Anderson Union High School District is located in Shasta County and was established in 1908. There were no changes in the boundaries of the District during the current year. The District is currently operating three high schools, one continuation school, one community day school, and one adult education program. The District is the sponsoring local educational agency for one charter school.

GOVERNING BOARD

Name	Office	Term Expires
Ron Brown	President	2018
Chris Carmona	Clerk	2018
Joe Gibson	Member	2018
Butch Schaefer	Member	2020
Cindy Trotter-Hogue	Member	2020

ADMINISTRATION

Tim Azevedo
Superintendent

Donell Evans
Chief Business Official

Charter school sponsored by the District that is included in the audit of the District:

Anderson New Technology High School

See the accompanying note to the other supplementary information.

Anderson Union High School District

SCHEDULE OF AVERAGE DAILY ATTENDANCE

June 30, 2017

	Originally Reported		Final	
	Second Period Report	Annual Report	Second Period Report	Annual Report
HIGH SCHOOL				
Regular ADA*				
Grades 9 through 12	1,480	1,461	1,480	1,461
Extended-Year Special Education				
Grades 9 through 12	-	2	-	2
Special Education - Nonpublic, Nonsectarian Schools				
Grades 9 through 12	6	6	6	6
Community Day School				
Grades 9 through 12	10	10	10	10
High School Totals	1,496	1,479	1,496	1,479
CLASSES FOR ADULTS				
Adults in correctional facilities	42	44	42	44
ADA Totals	1,538	1,523	1,538	1,523

** Includes opportunity classes, home and hospital, special day classes, and continuation education.*

	Originally Reported		Final	
	Second Period Report	Annual Report	Second Period Report	Annual Report
ANDERSON NEW TECHNOLOGY HIGH SCHOOL				
Regular ADA				
Grades 9 through 12	171	170	171	170
ADA Totals (All Classroom-Based)	171	170	171	170

See the accompanying note to the other supplementary information.

Anderson Union High School District

SCHEDULE OF INSTRUCTIONAL TIME

Year Ended June 30, 2017

	Minutes Requirement	2016-17 Actual Minutes	Traditional Calendar Days	Multitrack Calendar Days	Status
Traditional Schools					
Grade 9	64,800	65,786	180	N/A	Complied
Grade 10	64,800	65,786	180	N/A	Complied
Grade 11	64,800	65,786	180	N/A	Complied
Grade 12	64,800	65,786	180	N/A	Complied

	Minutes Requirement	2016-17 Actual Minutes	Traditional Calendar Days	Multitrack Calendar Days	Status
Anderson New Technology High School					
Grade 9	64,800	65,873	180	N/A	Complied
Grade 10	64,800	65,873	180	N/A	Complied
Grade 11	64,800	65,873	180	N/A	Complied
Grade 12	64,800	65,873	180	N/A	Complied

See the accompanying note to the other supplementary information.

Anderson Union High School District

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

Years Ended June 30	**(Budget) 2018**	**2017**	**2016**	**2015**
General Fund				
Revenues and other financial sources	$ 18,030,711	$ 19,381,482	$ 19,331,024	$ 17,725,638
Expenditures	18,548,743	19,322,212	17,798,274	17,010,309
Other uses and transfers out	439,476	44,073	230,294	72,569
Total Outgo	18,988,219	19,366,285	18,028,568	17,082,878
Change in Fund Balance	(957,508)	15,197	1,302,456	642,760
Ending Fund Balance	$ 8,830,441	$ 9,787,949	$ 9,772,752	$ 8,470,296
Available reserves	$ 4,436,210	$ 5,326,443	$ 5,677,111	$ 4,423,236
Designated for economic uncertainties	$ 4,436,210	$ 5,326,443	$ 5,677,111	$ 4,423,236
Undesignated fund balance	$ -	$ -	$ -	$ -
Available reserves as a percentage of total outgo	23%	28%	31%	26%
Total long-term debt	$ 26,863,713	$ 27,237,234	$ 24,860,150 *	$ 23,622,945 *
Average daily attendance at P-2	1,626	1,667	1,692	1,732

**As restated for prior-period adjustment.*

The General Fund balance has increased by $1,317,653 over the past two years. The fiscal year 2017-18 budget projects a decrease of $957,508 (9.8%). For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating surplus in all of the past three years and anticipates incurring an operating deficit during the 2017-18 fiscal year. Total long-term debt has increased by $3,614,289 over the past two years.

Average daily attendance has decreased by 65 over the past two years. The District anticipates ADA to decline by 41 during fiscal year 2017-18.

See the accompanying note to the other supplementary information.

The fund balances for all funds, as reported in the annual financial and budget report, equal the corresponding balances in the audited financial statements.

See the accompanying note to the other supplementary information.

Anderson Union High School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL PROGRAMS			
U.S. Department of Education			
Passed Through California Department of Education			
Special Education - IDEA Basic Local Assistance	84.027	13379	$ 325,222
Department of Rehabilitation - Workability II, Transition Partnership	84.126	10006	67,586
NCLB - Title I, Part A, Basic Grants	84.010	14329	521,310
NCLB - Title II, Part A, Improving Teacher Quality	84.367	14341	74,978
NCLB - Advanced Placement Test Fee Reimbursement	84.330B	14831	3,382
Vocational Programs - Vocational and Applied Technical Secondary IC, Section 131	84.048	14894	49,696
Adult Education - Adult Secondary Education	84.002	13978	20,110
Direct Program			
Indian Education - Grants to Local Educational Agencies	84.060		23,740
Total U.S. Department of Education			1,086,024
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast	10.553	13390	73,697
National School Lunch	10.555	13391	310,263
Total Child Nutrition Cluster			383,960
Passed Through Shasta County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	8,452
Total U.S. Department of Agriculture			392,412
Total Federal Programs			1,478,436
Nonmonetary Assistance			
Food Donation	10.555		41,137
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,519,573

See the accompanying note to the other supplementary information.

PURPOSE OF SCHEDULES

Schedule of Charter Schools

This schedule lists all charter schools sponsored by the District and indicates whether or not the charter school is included in the audit of the District.

Schedule of Average Daily Attendance

Average daily attendance 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 received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District did not meet or exceed its local control funding formula target. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *California Education Code*, Sections 46201 through 46208.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of each fund, as reported in the annual financial and budget report, to the audited financial statements.

Schedule of Expenditures of Federal Awards

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. 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* (the Uniform Guidance).

Expenditures reported on this schedule are reported on the modified basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

OTHER REPORTS SECTION

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

To the Board of Trustees
Anderson Union High School District
Anderson, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Anderson Union High School District (the District) as of and for the year ended June 30, 2017; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies; and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies (see item 2017-001).

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

Compliance and Other Matters

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

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

KCoe Isom, LLP

December 15, 2017
Redding, California

K·COE ISOM

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

To the Board of Trustees
Anderson Union High School District
Anderson, California

Report on Compliance for Each Major Federal Program

We have audited Anderson Union High School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect, and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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

Purpose of This Report

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.

KCoe Isom, LLP

December 15, 2017
Redding, California

K·COE ISOM

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees
Anderson Union High School District
Anderson, California

Compliance

We have audited the Anderson Union High School District's (the District) compliance with the types of state compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, for the year ended June 30, 2017. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

June 30, 2017	Procedures Performed
Attendance	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Not applicable
Independent study	Yes
Continuation education	No
Instructional time	Yes
Instructional materials	Yes
Ratios of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	No
Gann limit calculation	Yes
School accountability report card	Yes
Juvenile court schools	Not applicable
Middle or early college high schools	Not applicable
K-3 grade span adjustment	Not applicable
Transportation maintenance of effort	Yes
Mental health expenditures	No
Educator effectiveness	Yes
California Clean Energy Jobs Act	Yes
After school education and safety program:	
After school	No
Before school	No
General requirements	No
Proper expenditure of education protection account funds	Yes
Unduplicated local control funding formula pupil counts	Yes
Local control and accountability plan	Yes
Independent study-course based	No
Immunizations	No
Charter schools:	
Attendance	Yes
Mode of instruction	Yes
Nonclassroom-based instruction/independent study for charter schools	No
Determination of funding for nonclassroom-based instruction	No
Annual instructional minutes - classroom based	Yes
Charter school facility grant program	No

Continuation education steps 6a and 6b were not performed because students do not receive apportionment attendance for work experience. Continuation education step 6c was not performed because students do not engage in independent study. Testing was not performed for mental health expenditures because the District did not have any expenditures during 2016-17 from budget item 6100-161-0001, Provision 14 (SACS resource code 6512).

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE
(Continued)

Testing was not performed for immunizations because the District did not include any schools that did not submit immunization assessment reports to the California Department of Public Health or that reported a high number of conditionally enrolled students.

Since the District did not participate in the following programs during 2016-17, all steps related to them were not performed:

Early retirement incentive
After school education and safety program
Independent study-course based

Since the District did not sponsor any charter schools that offered nonclassroom-based instruction during 2016-17, all steps related to the following were not performed:

Nonclassroom-based instruction/independent study for charter schools
Determination of funding for nonclassroom-based instruction

Since the District did not sponsor any charter schools that received the charter school facility grant program funding, the step related to the charter school facility grant program was not performed.

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the state compliance requirements referred to above that are required to be reported in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* which are described in the accompanying schedule of findings and questioned costs as items 2017-002, 2017-003, and 2017-004. Our opinion on state compliance is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

KCoe Isom, LLP

December 15, 2017
Redding, California

FINDINGS AND QUESTIONED COSTS SECTION

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	Yes
Is any noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
CFDA No. 84.027 Special Education - Grants to States (IDEA, Part B)	
Threshold for distinguishing types A and B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Compliance over state programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for state programs:	Unmodified

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL (Student Body)
30000 (2017-001)

Significant Deficiency

Condition Our tests over the student body accounts resulted in the following:

1. Four out of 17 deposits tested were not made in a timely manner.

Criteria Internal controls should be in place to ensure all deposits are made on a timely basis to ensure that student funds are safeguarded.

Effect Without strengthening internal controls over cash receipts, student body assets may not be properly safeguarded and expended for valid student body purposes.

Cause Due to the decentralized nature of student body account management, accounting policies and procedures were not strictly followed.

Recommendation We recommend that procedures be implemented to strengthen internal controls over student body funds and accounting records.

Response The District's administration will implement procedures during the 2017-18 fiscal year to ensure proper documentation of student body transactions and safeguarding of student body funds.

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

STATE COMPLIANCE (Local Control and Accountability Plan)
62000 (2017-002)

State Compliance

Condition The District did not maintain supporting documents that the local control and accountability plan or approved annual update was presented to the parent advisory committee in accordance with *California Education Code*, Section 52062(a)(1).

Criteria *California Education Code*, Section 52062(a)(1) requires that the District shall present the local control and accountability plan or approved annual update to the parent advisory committee for review and comment.

Effect The District is not in compliance with the requirements established by *California Education Code*, Section 52062(a)(1).

Cause The District did not have meeting minutes or other supporting documents for the presentation to the parent advisory committee. The sign-in sheet at the meeting was not maintained.

Recommendation We recommend that the District maintain documentation to support the presentation of the local control and accountability plan or approved annual update to the parent advisory committee to support compliance with *California Education Code*, Section 52062(a)(1).

Response The District's administration will adopt procedures during fiscal year 2017-18 to comply with recommendations.

STATE COMPLIANCE (Unduplicated Local Control Funding Formula Pupil Counts)

40000 (2017-003)

State Compliance

Condition During our testing over compliance of the unduplicated Local Control Funding Formula (LCFF) pupil counts, using a random sample to achieve a high level of assurance for each population, we identified the following:

Two out of four English Learner students selected for testing did not have a parent or guardian signed notification letter or a qualifying California English Language Development Test (CELDT) on file. In addition, there was no documentation on file to support a District-determined English Learner status.

The above students did not qualify for the unduplicated LCFF pupil count as of the October 5, 2016, census date, however, they were included in the California Longitudinal Pupil Achievement Data System (CalPADS) 1.18 – FRPM/English Learner/Foster Youth – Student List.

Results of testing and extrapolation of the identified errors to each population are as follows:

June 30, 2017	FRPM	EL	FRPM and EL	Totals
District-Wide Schedule of Unduplicated Pupil Counts				
Certified total unduplicated pupil count	818	19	24	861
County office of education adjustment - district funded county program students				4
Audit adjustment:				
Known error	-	(2)	-	(2)
Extrapolation	-	(2)	-	(2)
Adjusted Total Unduplicated Pupil Counts	818	15	24	861
Certified enrollment count				1,630
County office of education adjustment				5
Total Enrollment Count				1,635

Criteria Pursuant to *California Education Code*, Section 42238.02(b)(2), the District shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English Learner pupil-level records for enrolled pupils using CalPADS. All support for these designations must be kept on file.

Effect The unduplicated LCFF pupil count reported in the CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List was overstated by four students. As a result, the District's 2016-17 second principal apportionment was overstated by $1,187, calculated as follows:

June 30, 2017		
Effect of Unduplicated Pupil Count Adjustments on State Aid		
Certified unduplicated pupil percentage		0.5056
Adjusted unduplicated pupil percentage		0.5048
Target supplemental grant funding as originally reported	$	1,337,979
Audit adjustment		(2,117)
Adjusted Target Supplemental Grant Funding	$	1,335,862
Target concentration grant funding as originally reported	$	-
Audit adjustment		-
Adjusted Target Concentration Grant Funding	$	-
Total audit adjustments	$	2,117
2016-17 statewide gap funding rate		0.560767998
Overstatement of 2016-17 Second Principal Apportionment	$	1,187

The District is required to return funding totaling $1,187 from the second principal apportionment to the California Department of Education.

Cause The cause for the misstatements in the reported CalPADS data is unknown.

Recommendation We recommend that funding totaling $1,187 be returned to the California Department of Education. We also recommend that the District review the annual CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List as of the census date to determine that the unduplicated pupil count is accurate and properly supported by underlying documentation prior to submitting this data to CalPADS.

Response The District's administration will adopt procedures during the 2017-18 fiscal year to comply with the recommendation, and will return funding totaling $1,187 to the California Department of Education.

STATE COMPLIANCE (Unduplicated Local Control Funding Formula Pupil Counts)

40000 (2017-004)

State Compliance

Condition During our testing over compliance of the unduplicated Local Control Funding Formula (LCFF) pupil counts for the Anderson New Technology High School (the Charter School), using a random sample to achieve a high level of assurance for each population, we identified the following:

One of three English Learner students selected for testing did not have a parent or guardian signed notification letter or a qualifying California English Language Development Test (CELDT) on file. In addition, there was no documentation on file to support a Charter School-determined English Learner status.

The above students did not qualify for the unduplicated LCFF pupil count as of the October 5, 2016, census date, however, they were included in the California Longitudinal Pupil Achievement Data System (CalPADS) 1.18 – FRPM/English Learner/Foster Youth – Student List.

We tested 100% of students designated as English Learners; therefore, extrapolation does not apply. Results of testing are as follows:

June 30, 2017	**FRPM**	**EL**	**FRPM and EL**	**Totals**
Anderson New Technology High School				
Schedule of Unduplicated Pupil Counts				
Certified total unduplicated pupil count	99	3	-	102
County office of education adjustment - district funded county program students				-
Audit adjustment:				
Known error	-	(1)	-	(1)
Extrapolation	-	-	-	-
Adjusted Total Unduplicated Pupil Counts	99	2	-	101
Certified enrollment count				182
County office of education adjustment				-
Total Enrollment Count				182

Criteria Pursuant to *California Education Code*, Section 42238.02(b)(2), the Charter School shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English Learner pupil-level records for enrolled pupils using CalPADS. All support for these designations must be kept on file.

Effect The unduplicated LCFF pupil count reported in the CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List was overstated by one student. As a result, the Charter School's 2016-17 second principal apportionment was overstated by $389, calculated as follows:

June 30, 2017

Effect of Unduplicated Pupil Count Adjustments on State Aid		
Certified unduplicated pupil percentage		0.5056
Adjusted unduplicated pupil percentage		0.5033
Target supplemental grant funding as originally reported	$	152,358
Audit adjustment		(693)
Adjusted Target Supplemental Grant Funding	$	151,665
Target concentration grant funding as originally reported	$	-
Audit adjustment		-
Adjusted Target Concentration Grant Funding	$	-
Total audit adjustments	$	693
2016-17 statewide gap funding rate		0.560767998
Overstatement of 2016-17 Second Principal Apportionment	$	389

The Charter School is required to return funding totaling $389 from the second principal apportionment to the California Department of Education.

Cause The cause for the misstatements in the reported CalPADS data is unknown.

Recommendation We recommend that funding totaling $389 be returned to the California Department of Education. We also recommend that the Charter School review the annual CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List as of the census date to determine that the unduplicated pupil count is accurate and properly supported by underlying documentation prior to submitting this data to CalPADS.

Response The Charter School's administration will adopt procedures during the 2017-18 fiscal year to comply with the recommendation, and will return funding totaling $389 to the California Department of Education.

Not applicable: there are no current-year findings related to federal awards.

INTERNAL CONTROL (Student Body)

30000 (2016-001)

Significant Deficiency

Condition Our tests over the student body accounts resulted in the following:

1. Four out of 16 deposits tested at Anderson Union High School, West Valley High School, and Anderson New Technology High School were not made in a timely manner. We were unable to determine timeliness of one out of the 16 deposits since supporting documents were not available for such determination.

2. Five out of 16 disbursements tested at Anderson Union High School, West Valley High School, and Anderson New Technology High School were for questionable expenses. For these disbursements, student body accounts were used as revolving fund accounts.

Criteria Internal controls should be in place to provide for the following:

1. All deposits should be made on a timely basis to ensure that student funds are safeguarded. Supporting documents should be kept to provide an audit trail regarding the source of the funds, from whom it was received, and when it was received.

2. Student body funds should only be expended to promote the students' general welfare, morale, and educational experiences. Student body accounts should not be used as revolving fund accounts.

Cause Due to the decentralized nature of student body account management, accounting policies and procedures were not strictly followed.

Effect Without strengthening internal controls over cash receipts and disbursements, student body assets may not be properly safeguarded and expended for valid student body purposes.

Recommendation We recommend that procedures be implemented to strengthen internal controls over student body funds and accounting records.

Current Status See current-year finding in the schedule of findings and questioned costs (item 2017-001).

INTERNAL CONTROL (Attendance)

10000 (2016-002)

Significant Deficiency

Condition Although the District's procedures require attendance registers to be signed weekly, attendance registers were signed monthly at West Valley High School and Anderson New Technology High School. Additionally, we noted numerous instances at West Valley High School where teachers did not take attendance each period and student absences were verified through exception reports ran at the end of the day by the attendance office staff. Since students attend multiple classes in any given day, we were able to verify student attendance for the sampled classes by using reports showing all students with a combination of present/absent status.

Criteria Pursuant to *California Education Code*, Section 44809 and *California Code of Regulations*, Title 5, Sections 400-401, schools must maintain records of pupil attendance. These written attendance records should be prepared daily and signed weekly by the teacher who instructed the students. The attendance records should be properly stored to ensure that the records are available to support attendance days claimed.

Cause Staff turns over regularly at school offices. During transitions, certain policies and procedures were lost in training.

Effect Without strengthening internal controls over attendance reporting, average daily attendance may not be accurately reported to the California Department of Education.

Recommendation We recommend that the District maintain written records of attendance that are prepared daily and signed weekly by the teacher who instructed the students. The records should be properly stored to ensure that records are available to support attendance days claimed. We recommend that the District adopt procedures to ensure teachers are taking daily attendance to minimize absence verification performed via end of day exceptions reports.

Current Status Fully implemented.

STATE COMPLIANCE (Unduplicated Local Control Funding Formula Pupil Counts)

40000 (2016-003)

State Compliance

Condition During our testing over compliance of the unduplicated Local Control Funding Formula (LCFF) pupil counts, using a random sample to achieve a high level of assurance for each population, we identified the following:

Nine of 70 free and reduced price meal (FRPM) students selected for testing did not have a National School Lunch Program (NSLP) eligibility application, or other documentation, to support the students' eligibility for the designation on file.

The above students did not qualify for the unduplicated LCFF pupil count as of the October 7, 2015, census date; however, they were included in the California Longitudinal Pupil Achievement Data System (CalPADS) 1.18 – FRPM/English Learner/Foster Youth – Student List.

Upon initial discovery of an exception, District chose to have 100% of the population where the error was found tested.

Results of testing and the identified errors to each population are as follows:

June 30, 2016	FRPM	EL	FRPM and EL	Totals
District-Wide Schedule of Unduplicated Pupil Counts				
Certified total unduplicated pupil count	780	7	25	812
California Department of Education adjustment				-
County Office of Education adjustment - district funded county program students				-
Audit adjustment:				
Known error	(9)	-	-	(9)
Adjusted Total Unduplicated Pupil Counts	771	7	25	803
Certified enrollment count				1,631
County Office of Education adjustment				4
Total Enrollment Count				1,635

Criteria Pursuant to *California Education Code*, Section 42238.02(b)(2), the District shall annually submit its enrolled free and reduced-price meal eligibility, foster youth, and English Learner pupil-level records for enrolled pupils using CalPADS. All support for these designations must be kept on file.

Effect The unduplicated LCFF pupil count reported in the CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List was overstated by nine students. As a result, the District's 2015-16 second principal apportionment was overstated by $2,428, calculated as follows:

June 30, 2016		
Effect of Unduplicated Pupil Count Adjustments on State Aid		
Certified unduplicated pupil percentage		0.5203
Adjusted unduplicated pupil percentage		0.5186
Target supplemental grant funding as originally reported	$	1,413,962
Audit adjustment		(4,620)
Adjusted Target Supplemental Grant Funding	$	1,409,342
Target concentration grant funding as originally reported	$	-
Audit adjustment		-
Adjusted Target Concentration Grant Funding	$	-
Total audit adjustments	$	4,620
2015-16 statewide gap funding rate		0.52557616
Overstatement of 2015-16 Second Principal Apportionment	$	2,428

The District is required to return funding totaling $2,428 from the second principal apportionment to the California Department of Education.

Cause The database from which the pupil data was pulled was not properly updated to reflect the current pupil FRPM eligibility status. These pupils do not participate in the national school lunch program.

Recommendation We recommend that funding totaling $2,428 be returned to the California Department of Education. We also recommend that the District review the annual CalPADS 1.18 – FRPM/English Learner/Foster Youth – Student List as of the census date to determine that the unduplicated pupil count is accurate and properly supported by underlying documentation prior to submitting this data to CalPADS.

Current Status See current-year finding in the schedule of findings and questioned costs (item 2017-003).

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF SHASTA AND THE CITY OF ANDERSON

The following information regarding economic activity within the County of Shasta (the "County") and the City of Anderson (the "City") are provided as background information only to describe the general economic health of the region. However, the Series C Bonds are not an obligation of the County or the City. In addition, the Series C Bonds will be payable from an ad valorem property tax levied on all taxable property within the District.

General

The County is located in the northern portion of California's Sacramento Valley. Shasta County is famous for Mt. Shasta, Shasta Dam, Shasta Lake, and is a popular tourist destination for those with a love of the outdoors.

Population

The following table summarizes population estimates of the City, County and State from 2005 through 2017.

POPULATION ESTIMATES
City of Anderson, County of Shasta and State of California
2005–2017

	City of Anderson		County of Shasta		State of California	
Year[(1)]	Population	Annual % Change	Population	Annual % Change	Population	Annual % Change
2005	9,955	—	177,717	—	36,676,931	—
2006	9,999	0.4%	179,259	0.8%	37,087,005	1.1%
2007	9,919	(0.8)	180,666	0.9	37,463,609	1.0
2008	9,846	(0.7)	182,236	(3.0)	37,871,509	1.1
2009	9,969	1.2	176,756	0.3	38,255,508	1.0
2010[(2)]	9,932	(0.4)	177,223	0.4	37,253,956	(2.6)
2011	9,982	0.5	177,516	0.2	37,427,946	0.5
2012	10,212	2.3	178,107	0.3	37,668,804	0.6
2013	10,287	0.7	178,953	0.5	37,984,138	0.8
2014	10,361	0.7	179,412	0.3	38,340,074	0.9
2015	10,494	1.3	179,312	(0.1)	38,915,880	1.5
2016	10,423	(0.7)	178,232	(0.6)	39,189,035	0.7
2017	10,450	0.3	178,605	0.2	39,523,613	0.9

(1) As of January 1 State estimate.
(2) As of April 1 Census count.
Source: California State Department of Finance, Demographic Research Unit.

Employment

The following table summarizes the labor force, employment and unemployment figures from 2011 through 2016 for the City, County and State.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
City of Anderson, Shasta County and the State of California
2011-2016[1]

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate
2011	City of Anderson	4,500	3,700	800	18.3%
	County of Shasta	82,500	70,200	12,300	14.9
	State of California	18,417,900	16,249,600	2,168,300	11.7
2012	City of Anderson	4,400	3,700	700	16.4%
	County of Shasta	81,600	70,800	10,800	13.3
	State of California	18,519,000	16,589,700	1,929,300	10.5
2013	City of Anderson	4,300	3,800	600	13.6%
	County of Shasta	80,900	72,100	8,800	10.9
	State of California	18,596,800	16,933,300	1,663,500	8.9
2014	City of Anderson	4,100	3,700	500	11.5%
	County of Shasta	75,400	68,100	7,300	9.7
	State of California	18,811,500	17,397,140	1,430,973	8.9
2015	City of Anderson	4,100	3,700	400	9.2%
	County of Shasta	74,300	68,600	5,800	7.7
	State of California	18,893,200	17,723,300	1,169,900	6.2
2016	City of Anderson	4,100	3,800	300	8.2%
	County of Shasta	74,700	69,500	5,200	6.9
	State of California	19,102,700	18,065,000	1,037,700	5.4

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[1] The unemployment rate is computed from unrounded data and may differ from rates computed from rounded figures.
Source: California Employment Development Department. March 2016 Benchmark.

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Industry

The following table summarizes wage and salary employment in the County from 2012 to 2016.

ANNUAL AVERAGE INDUSTRY EMPLOYMENT
County of Shasta

2012–2016

	2012	2013	2014	2014	2015	2016
Farm	800	900	900	900	900	900
Mining, Logging and Construction	2,700	2,800	2,800	2,800	3,000	3,200
Manufacturing	2,200	2,200	2,300	2,300	2,400	2,500
Wholesale Trade	1,500	1,500	1,500	1,500	1,700	1,700
Retail Trade	8,600	8,700	8,800	8,800	9,200	9,400
Transportation, Warehousing and Utilities	1,700	1,700	1,800	1,800	1,800	1,800
Information	600	700	700	700	700	700
Financial Activities	2,400	2,500	2,500	2,500	2,600	2,600
Professional and Business Services	5,000	5,400	6,000	6,000	6,300	6,800
Education and Health Services	12,400	13,700	14,300	14,300	14,400	14,900
Leisure and Hospitality	6,300	6,400	6,600	6,600	6,700	6,700
Other Services	2,500	2,500	2,400	2,400	2,300	2,300
Government	12,500	12,500	12,600	12,600	12,700	12,900
Total All Industries	59,200	61,400	63,300	63,300	64,500	66,100

Note: Data may not add up due to rounding. March 2016 Benchmark.
Source: California Employment Development Department.

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Largest Employers

The largest employers in the County are listed in the following table in alphabetical order without regard to the number of employees.

LARGEST EMPLOYERS
County of Shasta
2017

Employer	Location	Industry
Ave's Audio Visual Equipment	Redding	Audio-Visual Equipment & Supls (Whls)
Bethel Church	Redding	Churches
Blue Shield of California	Redding	Insurance
Forest Service	Redding	Fire Departments
Home Depot	Redding	Home Centers
JF Shea Construction Inc	Redding	Building Contractors
Lassen Canyon Nursery	Redding	Nurserymen
Mayers Memorial Hosp-Burney	Burney	Clinics
Mayers Memorial Hospital	Fall River Mills	Hospitals
Mercy Medical Ctr Redding	Redding	Hospitals
North State Groc Inc-Main Ofc	Cottonwood	Grocers-Retail
Redding Lumber Transport Inc	Redding	Trucking
Shascade Community Svc	Redding	Social Service & Welfare Organizations
Shasta College	Redding	Schools-Universities & Colleges Academic
Shasta Community Health Ctr	Redding	Clinics
Shasta County Admin Office	Redding	Government Offices-County
Shasta Nursery	Anderson	Nurserymen
Shasta Regional Medical Ctr	Redding	Hospitals
State Compensation Ins Fund	Redding	Government Offices-State
Transportation Department	Redding	Government Offices-State
US Post Office	Redding	Post Offices
Vibra Hospital of Northern Ca	Redding	Hospitals
Victor Treatment Ctr	Redding	Residential Care Homes
Walmart Supercenter	Redding	Department Stores
Win-River Resort & Casino	Redding	Casinos

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*Employer information is provided by Infogroup. In some instances, the company shown here may have its headquarters in the County, but the employees are actually located throughout the State.
Source: Employment Development Department Labor Market Information.

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The largest employers in the City are listed in the following table.

LARGEST EMPLOYERS
City of Anderson
2016

Employer	Employees
Walmart Supercenter	303
Oak River (Rehab Specialties) Inn	205
Anderson Union High School District	200
Cascade Union Elementary School District	122
Safeway	113
Pre-Employ.com	87
City of Anderson	56
Voorwood Company	47
Steiner's RV	43
Byerly's Restaurant, Inc.	41

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*Employer information is provided by City business license records and the California Employment Development Department. In some instances, the company shown here may have its headquarters in the County, but the employees are actually located throughout the State.
Source: City of Anderson, Comprehensive Annual Financial Report for year ending June 30, 2016.

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Personal Income

The following table shows of per capita personal income for the County, State of California and the United States from 2006 through 2016.

PER CAPITA PERSONAL INCOME[1]
County of Shasta, State of California, and United States
2006–2016

Year	County of Shasta	State of California	United States
2006	$33,810	$41,623	$38,127
2007	35,258	43,152	39,804
2008	35,139	43,608	40,873
2009	34,547	41,587	39,379
2010	35,249	42,282	40,144
2011	36,805	44,749	42,332
2012	37,938	47,505	44,200
2013	38,780	48,434	44,765
2014	38,511	51,344	46,494
2015	41,044	54,718	48,451
2016	42,411	56,374	49,246

[1] Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Retail Sales

The following tables summarize taxable sales in the County and the City between 2009 and 2015.

TAXABLE SALES
County of Shasta
2009–2015
(Dollars in Thousands)

Year	Retail Permits	Retail and Food Service Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2009	3,428	$1,611,868	5,373	$2,307,100
2010	1,887	1,298,331	2,989	1,614,608
2011	1,922	1,384,632	3,014	1,730,651
2012	3,821	1,915,713	5,773	2,642,280
2013	4,653	2,007,897	6,569	2,804,362
2014	4,945	2,025,336	6,904	2,816,992
2015	5,433	2,041,727	8,021	2,867,816

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

TAXABLE SALES
City of Anderson
2009–2015
(Dollars in Thousands)

Year	Retail Permits	Retail and Food Service Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2009	271	$151,628	414	$186,291
2010	279	151,916	421	180,488
2011	282	159,941	429	193,886
2012	318	171,845	467	201,060
2013	490	175,546	638	208,593
2014	604	178,829	768	213,412
2015	705	185,333	915	221,184

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

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

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

[Date of Delivery]

Anderson Union High School District
Anderson, California

Anderson Union High School District
(Shasta County, California)
Election of 2012 General Obligation Bonds, Series C
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Anderson Union High School District (the "District"), which is located in the County of Shasta (the "County"), in connection with the issuance by the District of $2,300,000 aggregate principal amount of bonds designated as "Anderson Union High School District (Shasta County, California) Election of 2012 General Obligation Bonds, Series C" (the "Series C Bonds"), representing part of an issue in the aggregate principal amount of $12,300,000 authorized at an election held in the District on November 6, 2012. The Series C Bonds are issued under and pursuant to a resolution of the Board of Trustees of the District adopted on January 16, 2018 (the "Resolution").

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series C Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series C Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series C Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated February 6, 2018, or other offering material relating to the Series C Bonds and express no opinion with respect thereto.

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

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

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

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

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

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Anderson Union High School District (the "District") in connection with the issuance of $2,300,000 aggregate principal amount of Anderson Union High School District (Shasta County, California) Election of 2012 General Obligation Bonds, Series C (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on January 16, 2018 (the "Resolution"). The District covenants and agrees as follows:

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

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

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

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

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

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

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

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

"Official Statement" shall mean the Official Statement, dated February 6, 2018 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. <u>Provision of Annual Reports</u>. (a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the fiscal year ends on June 30), commencing with the report for the 2017-2018 Fiscal Year (which is due not later than April 1, 2019), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

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

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

(ii) (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

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

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

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

(i) State funding received by the District for the last completed fiscal year;

(ii) Average daily attendance of the District for the last completed fiscal year;

(iii) Outstanding indebtedness, as of the last completed fiscal year;

(iv) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(v) Information regarding total assessed valuation of taxable properties within the District for the then-current fiscal year as shown on the most recent equalized assessment role, if and to the extent provided to the District by the County of Shasta (the "County");

(vi) If the County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections, and delinquencies for the District for the most recently completed fiscal year; and

(vii) Information regarding the twenty taxpayers with the greatest combined ownership of taxable properties in the District for the then-current fiscal year, as measured by secured assessed valuation, including the amount of their respective taxable value and their percentage of total secured assessed value of properties within the District, if and to the extent provided to the District by the County; and

(c) In addition to any of the information expressly required to be provided under subsections (a) and (b) hereof, 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.

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

Section 5. Reporting of Significant Events. (a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

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

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

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

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

(vi) tender offers;

(vii) defeasances;

(viii) rating changes; or

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

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

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

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

(ii) modifications to rights of Bond Holders;

(iii) optional, unscheduled or contingent Bond calls;

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

(v) non-payment related defaults;

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

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

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

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the District shall determine if such event would be material under applicable federal securities laws.

(e) If the District learns of the occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e) hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Sonoma or in U.S. District Court in or nearest to the County of Sonoma. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Dated: February 21, 2018

ANDERSON UNION HIGH SCHOOL DISTRICT

By: ________________________________

ACCEPTED AND AGREED TO:

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

By: ________________________________
Managing Principal

EXHIBIT A

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

Name of Issuer:	ANDERSON UNION HIGH SCHOOL DISTRICT
Name of Issue:	Anderson Union High School District (Shasta County, California) Election of 2012 General Obligation Bonds, Series C
Date of Issuance:	February 21, 2018

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated February 21, 2018. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

ANDERSON UNION HIGH SCHOOL DISTRICT

APPENDIX F

SHASTA COUNTY STATEMENT OF INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT

The following information has been furnished by the Office of the Treasurer and Tax Collector, County of Shasta. It describes (i) the policies applicable to investment of District funds, including bond proceeds and tax levies, and funds of other agencies held by the Treasurer and Tax Collector and (ii) the composition, carrying amount, market value and other information relating to the investment pool. Further information may be obtained directly from the Treasurer and Tax Collector, County of Shasta, 1450 Court Street, Suite 227, Redding, California 96001.

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Investment Policy Statement

of the
Shasta County Treasurer

2013-14

INVESTMENT POLICY STATEMENT

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INVESTMENT POLICY STATEMENT

of the

SHASTA COUNTY TREASURER

APPLICATION AND SCOPE

The principles, parameters and/or restrictions contained in this policy apply to all activities of the treasurer relating to the management, investment and/or deposit of investable funds in the possession or under the control of the treasurer.

As used in this policy, "treasurer" includes the person elected to the office of Shasta County Treasurer-Tax Collector-Public Administrator, the Chief Deputy Treasurer-Public Administrator, Treasury Cashiers, and all other persons acting in their capacity as deputies or agents of the treasurer. The term "department head" means the person elected to the office of Shasta County Treasurer-Tax Collector-Public Administrator. The term "Investment Officer" means the person elected to office of the Shasta County Treasurer-Tax Collector-Public Administrator and/or the Chief Deputy Treasurer-Public Administrator.

Funds resulting from various statutorily authorized forms of financing may be subject to unique requirements imposed by statute or as incorporated in the debt instruments or documents authorizing the issuance thereof as approved by the authorizing legislative body. In the event of a conflict between any provision of this policy and any provision relating to the financing, the provision specific to the financing will prevail.

TERM

This policy is effective July 1, 2013, and shall remain in effect until it is amended or replaced by the Shasta County Treasurer-Tax Collector-Public Administrator and the new or amended policy has been submitted to and approved by the Shasta County Board of Supervisors and the Shasta County Treasury Oversight Committee.

ELIGIBILITY AND CONTINUING EDUCATION

The Board of Supervisors enacted Ordinance SCC97-1 relating to eligibility and continuing education requirements for the office of Treasurer-Tax Collector. Said requirements are hereby applied to the position of Chief Deputy Treasurer-Public Administrator except that any certifications required to be filed by the Treasurer-Tax Collector with the State Controller shall in the case of the Chief Deputy Treasurer-Public Administrator be filed with the Treasurer-Tax Collector-Public Administrator.

PRUDENT INVESTOR

Government Code 53600.3. Except as provided in subdivision (a) of Section 27000.3, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of alike character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

OVERVIEW

Unless otherwise stated, all references to statutes contained herein are to provisions of the Government Code of the State of California.

The Shasta County Treasurer-Tax Collector-Public Administrator is responsible for the operation of a cash management and investment program pursuant to the provisions of Section 53635 et seq. of the Government Code. If the Shasta County Board of Supervisors enacts an ordinance pursuant to the provisions of Section 27000.1 delegating the Board's authority to invest or re-invest the funds of the County and the funds of other depositors in the County treasury, pursuant to Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5, the treasurer shall thereafter assume full responsibility for those transactions until the Board of Supervisors, by ordinance, revokes its delegation of authority. During the term of any such delegation, should that occur, the provisions of this policy shall apply to any investments made under such delegated authority.

The cash management and investment program is conducted on a "pooled" basis. The "pool" consists of "investable" funds belonging to the County of Shasta and a multitude of other local agencies, primarily school districts and special districts. Investable funds exist when the treasury balance exceeds the daily cash flow requirements of the treasury. The legislature has found and declared that by pooling deposits from local agencies and other participants, county treasuries operate in the public interest when they consolidate banking and investment activities, reduce duplication, achieve economies of scale, and carry out coherent and consolidated investment strategies.

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objective of the County Treasurer shall be to safeguard the principal of the funds under his or her control. The secondary objective shall be to meet the liquidity needs of the depositor. The third objective shall be to achieve a return on the funds under his or her control. This policy is constructed to meet those objectives.

AUTHORIZED INVESTMENT INSTRUMENTS

By statute (Section 53635), the following instruments are eligible for inclusion in the investment portfolio. For purposes of this policy, the term "investment portfolio" means all investments which produce earnings that are apportioned to pool participants based on the participants average daily balances in the treasury during the apportionment period. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Investments in these instruments are subject to the limitations, restrictions or parameters contained in the policy language following each description:

A. Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency or by a department, board, agency or authority of the local agency.

   Policy: *For purposes of this policy, the term "local agency" means the County of Shasta. Shall not exceed two years remaining to maturity and the total invested in instruments of this type shall not exceed 5% of the portfolio. Each investment of this type shall have specific written authorization of the department head.*

B. United States Treasury notes, bills, bonds or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

   Policy: *Except for treasury bills, which may be acquired without limit, investments of this type shall not exceed five years remaining to maturity.*

C. Registered state warrants or treasury notes or bonds of this state, 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.

Policy: *Shall not exceed two years remaining to maturity, and the total invested in instruments of this type shall not exceed 10% of the portfolio. Each investment of this type shall have specific written authorization of the department head. Any such written authorization relating to registered warrants shall contain a statement that the department head expects, based on circumstances then present, that the warrants will be redeemed within one year.*

D. Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency or by a department, board, agency or authority of the local agency.

Policy: *For purposes of this policy, the term "any local agency within this state" means local agencies other than the County of Shasta whose funds are deposited in the Shasta County Treasury. Shall not exceed one year remaining to maturity, and the total invested in instruments of this type shall not exceed 10% of the portfolio. Each investment of this type shall have specific written authorization of the department head.*

E. Obligations issued by federal home loan banks, the Federal Home Loan Bank, the Tennessee Valley Authority, 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 guaranteed portions of Small Business Administration notes; or in obligations, participations, or other instruments of, or issued by, a federal agency or a United States government-sponsored enterprise.

Policy: *Shall not exceed five years remaining to maturity and the total invested in instruments of this type shall not exceed 80% of the portfolio and no single issuer shall exceed 20% of the portfolio. No investment shall be made in Small Business Administration notes.*

F. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. Purchases of banker's acceptances may not exceed 180 days maturity or 40 percent of the agency's surplus funds, which may be invested pursuant to this section. However, no more than 30 percent of the agency's surplus funds may be invested in the banker's acceptances of any one commercial bank pursuant to this section.

Policy: *The total invested in instruments of this type shall not exceed 35% of the portfolio, and no single issuer shall exceed 10% of the portfolio. The issuer must have a minimum long-term credit rating of A from Standard & Poor's Corporation and A2 from Moody's Investor Service, Inc. If the issuer is a branch of a foreign bank, the investment must meet the credit standard and have the specific written authorization of the department head.*

G. Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical rating organization (NRSRO). 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 ($500,000,000) and having an "A-1" or higher rating by an NRSRO. Purchase of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 40 percent of the agency's surplus money which may be invested pursuant to this section.

Policy: *Shall not exceed 270 days remaining to maturity and shall not exceed 20% of the portfolio. No single issuer shall exceed 4% of the portfolio.*

H. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, federally chartered branch of foreign banks (yankee banks), or by a federally licensed or state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed 30 percent of the agency's surplus money, that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. For purposes of this section, the legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from depositing or investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or an employee of the Administrative Officer, Manager's Office, budget office, Auditor-Controller's Office or Treasurer's Office of the local agency also serves on the board of directors, or any committee appointed by the board of directors or the credit committee or supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

Policy: *Shall not exceed one year remaining to maturity and shall not exceed 20% of the portfolio, provided, however, that the 20% limit may be exceeded if the transaction exceeding the 20% limit is of a duration of 30 days or less. No single issuer shall exceed 5% of the portfolio.*

I. (1) Investments in repurchase agreements or reverse repurchase agreements of any securities authorized by this section, so long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

(2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlie a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102% no later than the next business day.

(3) Reverse repurchase agreements may be utilized only when all of the following conditions are met:

(a) The security to be sold on reverse repurchase agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale, the total of all reverse repurchase agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio, and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

(4) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counter party by way of a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement, unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period

between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security. Reverse repurchase agreements specified in subparagraph (B) of paragraph (3) may not be entered into unless the percentage restrictions specified in that subparagraph are met.

(5) Investments in reverse repurchase agreements or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security, may only be made upon prior approval of the governing body of the local agency, and shall only be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency.

(6) (a) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(b) "Securities", for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity.

(c) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date, and includes other comparable agreements.

(d) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements or other similar borrowing methods.

(e) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

Policy: *Reverse repurchase agreements or similar investments are prohibited. Repurchase agreements shall not exceed 10% of the portfolio, and the term of the agreement shall not exceed 5 days. The 10% limit may be exceeded if the total invested in the repurchase agreement does not exceed 20% of the portfolio and the term of the agreement does not extend beyond the next county business day.*

J. Medium-term notes defined as all corporate and depository institution debt securities with a maximum of five years' maturity 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 under this subdivision shall be rated in a rating category of "A" or better by an NRSRO. Purchases of medium-term notes may not exceed 30 percent of the agency's surplus money which may be invested pursuant to this section.

Policy: *The total invested in instruments of this type shall not exceed 20% of the portfolio and no single issuer shall exceed 3% of the portfolio. Each investment of this type shall have the specific written approval of the department head.*

K. Shares of beneficial interest issued by diversified management companies investing in the securities and obligations as authorized by subdivisions (a) to (K), inclusive, of this section and which comply with the investment restrictions of this article (Article 2) and Article 1 (commencing with Section 53600). To be eligible for investment pursuant to this subdivision, these companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or (2) have an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience investing in the securities and obligations as authorized by subdivisions (a) to (m), inclusive, of this section and with assets under management in excess of five hundred million dollars ($500,000,000). The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 % of the agency's surplus money, which may be invested pursuant to this section. No more than 10% of the agency's funds may be invested in shares of beneficial interest of any one mutual fund (money market, LIR).

Policy: The total investment in instruments of this type shall not exceed 5% of the portfolio.

L. Notes, bonds or other obligations which are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

Policy: Investments of this type are prohibited.

M. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

Policy: Investments of this type are prohibited.

N. Inactive deposits made in accordance with the provisions of Article 2 (commencing with Section 53630) of Chapter 4 of Part 1 of Division 2 of Title 5.

Policy: No such deposits will be made in any institution that is not rated A or higher. The amount deposited in any single institution shall not exceed 7.5% of the portfolio.

O. Deposits to the Local Agency Investment Fund of the State of California pursuant to Resolution No. 77-98 of the Shasta County Board of Supervisors dated April 18, 1977.

Policy: Notwithstanding any other provision of this policy, deposits to L.A.I.F. may be made, subject only to the limitations thereon imposed by the State Treasurer.

P. Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

SELECTION CRITERIA

Brokers/Dealers and Depositories

The treasury shall maintain a list of qualified institutions with which the treasury will execute investment transactions. Only dealers that are licensed to do business in California and the investment departments of major California banks rated "AA" or higher and total assets in excess of $5,000,000,000 will be considered for inclusion on the list of qualified institutions. The department head will decide whether or not an institution should be placed on the list based on the length of time it has been in existence, its demonstrated ability to successfully maintain relationships with other municipal investors and its reputation for a commitment to maintaining a high level of professionalism and to meeting industry standards of ethical behavior. The foregoing criteria is intended to result in a list of well known institutions of the highest quality.

No broker, brokerage, dealer or securities firm shall be placed on or remain on the list if it has, within any consecutive 48 month period made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Shasta County Treasurer, any member of the Shasta County Board of Supervisors, any candidate for those offices, or any member of the Shasta County Treasury Oversight Committee.

The department head will periodically review each institution on the list and make a determination whether or not, in the opinion of the department head, it is in the best interests of the pool participants that the institution remain on the list.

The Investment Officer may remove an institution from the list at any time, and the fact that an institution is on the list does not create an obligation to execute investment transactions with a listed institution. The Investment Officer will furnish a copy of the current Statement of Investment Policy to each listed institution, who will then sign and return a receipt showing receipt and compliance to the policy.

Representatives of Qualified Institutions

Individuals who represent qualified institutions in securities transactions with the treasury must be registered with the National Association of Securities Dealers, Inc., as having passed the General Securities Representative Examination (Series 7) and the Uniform Securities Agent State Law Examination (Series 63). Each representative:

- Shall have expertise and significant experience in institutional sales.
- Shall supply references consisting of the names of individuals at three California public agencies with whom they have executed investment transactions.

The Investment Officer shall maintain a list of authorized representatives of qualified institutions with whom the treasury may execute investment transactions.

INVESTMENTS

Investments will be made by selection of instruments from the list of authorized investments only and the selection is further limited by the following in order to assure adequate liquidity while minimizing credit and market risks.

Prohibited Investment Types and Restrictions Applicable to All Investments

Pursuant to Section 53631.5, any investment in inverse floaters, range notes or interest-only strips that are derived from a pool of mortgages, or any security that could result in zero interest accrual if held to maturity is prohibited.

Further, no investment shall be made in any security that, absent default on the part of the issuer, contains any provision, index or structure that would introduce any element of uncertainty in regard to the amount or rate of earnings if held to maturity or the amount of principal returned if held to maturity.

No investment shall be made in any security that has a maturity in excess of 5 years from the date of purchase.

Except for Repurchase Agreements, Sweep Account and Treasury Bills, the amount invested in a single issue shall not exceed 4% of the portfolio.

Notwithstanding the provisions of Section 53601.1 of the Government Code, no investments in financial futures or financial option contracts are allowed under this policy.

Maturity Scheduling

Market risks and cash flow problems will be reduced by a "hold to maturity" policy. This policy requires that the maturity of the instrument selected conform to anticipated cash flow requirements. In other words, no investment will be made knowing that the instrument will have to be sold prior to maturity. Securities may be liquidated prior to maturity if the sale is to meet unanticipated cash flow requirements or market conditions so warrant and the sale has department head approval. No securities may be exchanged or traded for other securities. No securities will be purchased that have a maturity in excess of three years from the date of purchase without department head approval. The dollar-weighted average days to maturity of the portfolio shall not exceed 1095 days.

CREDIT ASSESSMENT

In determining the creditworthiness of an issuer, counter party or depository, the Investment Officer shall utilize the ratings of Standard and Poor's Corporation, Moody's Investor Services, Inc., Fitch, GFI Bank Rating Services, or nationally recognized statistical rating organization (NRSRO)

DIVERSIFICATION

Both market risk and credit risk can be reduced by constructing an investment portfolio that contains a broad mix of types of investments and issuers. The policy or statutory limitations that are contained in the section of this policy which sets forth permissible investments are to be measured against the portfolio at the time of the transaction subject to the limitation occurs.

YIELD

Investments meeting all other requirements of this policy shall be chosen based on yield. A minimum of three quotes for investment options meeting the maturity scheduling requirements shall be obtained for each transaction having a term in excess of five days and a written record of the quotes shall be retained by the Investment Officer until after the next subsequent compliance audit conducted pursuant to the provisions of Section 27134. Yield shall always be the last consideration, and if the quotes obtained are not for the same instrument, issues of safety, liquidity and diversity shall be given greater consideration than yield.

SAFEKEEPING

Securities purchased from brokers and/or dealers shall be held in third party safekeeping by the trust department of the County's bank or other designated third party trust, in the County's name or control. All investment transactions subject to "delivery vs. payment" shall be conducted on that basis.

CALCULATING AND APPORTIONING THE COSTS

The manner of calculating and apportioning the costs of investing, depositing, banking, auditing, reporting or otherwise handling or managing funds is as follows:

A. Total earnings for all funds will be accounted for and accumulated. All costs incurred as described in Government Code Sections 27013, 17133 and 27135 will be accounted for and paid out of earnings.

B. All costs will be spread at the same time and as part of the process of apportioning earnings so that each participant's share is in proportion to its earnings.

CRITERIA FOR CONSIDERING REQUESTS TO WITHDRAW FOR INVESTMENT PURPOSES

The County Treasurer shall provide a form to agencies requesting withdrawal of funds for investment purposes.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the county treasury will be based on the following criteria:

1. Size of withdrawal.

2. Size of remaining balances of:
   (a) Pool
   (b) Agency
3. Current market condition.
4. Duration of withdrawal.
5. Effect on predicted cash flows.
6. A determination if there will be sufficient balances remaining to cover costs.
7. Adequate information, including the statutory authority that allows the funds to be invested outside the treasury pool, has been supplied to the County Treasurer in order to make a proper finding that other pool participants will not be adversely affected.

Requests for withdrawals for the purpose of investing or depositing funds outside the pool shall be made at least ten (10) business days in advance of the proposed withdrawal date. Notice in writing of at least five (5) business days shall be required for withdrawals in excess of $250,000.00 for loan repayments, capital expenditures and any expenditure not in the ordinary course of operations.

TERMS AND CONDITIONS FOR NON-STATUTORY COMBINED POOL PARTICIPANTS

All entities qualifying under Government Code Section 27133(g), may deposit funds for investment purposes providing all of the following have been accomplished:

1. The agency's administrative body has requested the privilege, has agreed to terms and conditions of an investment agreement as prescribed by the County Treasurer, and has by resolution identified the authorized officer acting on behalf of the agency.
2. The County Board of Supervisors approves the investment agreement.
3. The County Auditor-Controller has prescribed the appropriate accounting procedures.

LIMITS ON RECEIPT OF HONORARIA, GIFTS AND GRATUITIES

No member of the staff of the Treasurer's Office or member of the Shasta County Treasury Oversight Committee may accept any honoraria, gift or gratuity from advisors, brokers, dealers, bankers or other persons with whom the county treasury conducts business. Excepted from the foregoing are ordinary desk-top promotional items of advertising, such as calendars, planners, etc., which are clearly identifiable as such. This prohibition is in addition to any other limit or prohibition set by the County of Shasta, the members' own agency, or by the Fair Political Practices Commission.

REPORTING

The County Treasurer will submit a copy of the Report of Investments required by Section 53646(b)(1) to the Shasta County Treasury Oversight Committee at the same time said report is submitted to the Board of Supervisors. The report shall be submitted within 30 days of the quarter, or month at the option of the Board of Supervisors, following the end of the period covered by the report.

DATE:____________________

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LORI J. SCOTT
Treasurer-Tax Collector-Public Administrator

GLOSSARY

Banker's Acceptances

Banker's acceptances (BAs) are another form of money market instruments issued by banks. BAs arise from transactions involving the import, export, transit, or storage of goods. The underlying transaction that gives rise to a BA is almost completely irrelevant to the credit quality or the liquidity of the instrument; the actual BA is created at a late stage in the underlying transaction when a back accepts its obligation to pay the holder of the *unconditional* obligation of the accepting bank.

From an investor's point of view, a BA is a bank obligation that has at least the *same* credit strength as any CD issued by the same bank. BAs are typically stronger that CDs because in addition to the credit strength of the accepting bank, they are backed by the credit strength of a drawer; an endorsing bank, if one is involved in the transaction; and usually by the pledge of documents representing ownership of the trade goods and insurance on the goods. BAs do not carry federal deposit insurance.

The *term* of a BA may be for an even 90, 180, or 270 days when it is created but is often for an odd number of days by the time an investor purchases it.

BAs meeting certain Federal Reserve regulations are called eligible BAs. Eligible BAs cannot exceed 180 days and are not subject to reserve requirements.
Like Treasury bills, BAs do not pay interest. Instead, they are bought and sold on a discount basis. For larger BAs created by creditworthy banks, there is an active secondary market.

Broker

A middleman who brings buyers and sellers together and handles their orders, generally charging a commission for his services. The broker does not own or take a position in the security.

Commercial Paper

Commercial paper is an unsecured, short-term promissory note issued by corporations for specific amounts and with specific maturity dates. Typical issuers are firms that need large amounts of short-term working capital or firms with fluctuating requirements for short-term funds.

Commercial paper is relatively safe but not the same quality as U.S. Treasury or agency obligations. Major credit rating agencies provide published credit ratings for commercial paper issues. Issuers without strong credit ratings, as well as smaller and less well known companies, often can only find buyers for their commercial paper if it is backed by a letter of credit from a commercial bank or guaranteed by the issuer's parent company.

Commercial paper can be sold at a discount or can be interest bearing; however, most commercial paper is issued at a discount. Terms can be as short as 1 day and usually do not exceed 270 days. Minimum sizes are determined by each issuer. They are often $100,000 but may be smaller.

CUSIP Number

A nine-digit letter and number combination established by the Committee on Uniform Securities Identification Procedures that is used to identify publicly traded securities. Each publicly traded security receives a unique CUSIP number when the security is issued.

Discount

The amount by which the price for a security is less than its par.

Federal Farm Credit Bank Securities

The Federal Farm Credit Banks (FFCBs) issue two types of short-term securities. Debentures are issued for terms of 3, 6 and 12 months. Interest on the debentures is paid at maturity.

The FFCBs also sell discount notes. Like Treasury bills, FFCB discount notes pay interest at maturity since they are sold at a discount, but redeemed at par. The discount notes are issued with original maturities ranging from 5 to 365 days.

Minimum size for both debentures and discount notes is $5,000. Obligations of the FFCBs are not guaranteed by the U.S. government, but are considered to have implied backing.

Federal Home Loan Bank Notes

The Federal Home Loan Bank (FHLB) issues discount notes. Like Treasury bills, these pay interest at maturity since they are sold at a discount but redeemed at par. The discount notes are issued with original maturities ranging from 5 to 365 days. These discount notes can be called before maturity. The minimum size is $5,000.

Obligations of the FHLB are not guaranteed by the U.S. government but are considered to have implied backing.

Federal Home Loan Mortgage Corporation Discount Notes

The Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) also issues discount notes. The discount notes are issued with original maturities ranging from 1 to 360 days. Minimum size is $25,000. These discount notes are not guaranteed by the U.S. government but are considered to have implied backing.

Federal National Mortgage Association Residential

The Federal National Mortgage Association (FNMA or Fannie Mae) issues unsecured obligations called residential financing securities or REFs. REFs are issued with original maturities of six months, one year, and two years. Interest on the one-and-two year notes is paid semiannually. Minimum size is $10,000. REFs are not guaranteed by the U.S. government but are considered to have implied backing.

Maturity

The date on which the principal or last principal payment on a debt is due and payable.

Par

The value of a security as expressed on its face without consideration to any premium or discount.

Repurchase Agreement

Repurchase agreements (repos) involve selling a security subject to an agreement for the seller to buy it back (repurchase it) from the buyer. A repo is a type of short-term secured loan. The security that is sold is usually a U.S. Treasury obligation; however, agency securities are also used. Typical maturities may be as short as overnight or as long as six months.

Treasury Notes and Bonds

Treasury notes and bonds, the long-term debt obligations of the U.S. government, bear coupons and thus resemble municipal bonds. Interest is payable every six months at a rate of one-half the annual coupon.

Treasury coupon securities trading are conducted by the same securities dealers who trade T-bills. Notes are issued for original maturities of one to 10 years and carry that label only because of federal statutory language. Bonds are issued with original maturities of more than 10 years.

U.S. Treasury Bills

U.S. Treasury bills are the shortest term obligations issued by the U.S. Treasury. Bills are issued for maturities of one year or less. Usually, the Treasury issues bills in three maturities: 13 weeks, 26 weeks, and 52 weeks. Occasionally, the Treasury sells bills with different maturities, usually to match expected tax receipts. Those bills are referred to as cash management bills.

Bills are sold by the Treasury at weekly auctions. New 13-week and 26-week bills are issued each week. The auctions for 13-week and 26-week bills are held on Mondays. Bills purchased at an auction settle on the following Thursday, and they mature on Thursdays. If a Thursday is a bank holiday, the Friday is used. The Treasury usually issues 52-week bills only once each month. Bill transactions tend to be large. Even though the minimum size is only $10,000, a round Lot is considered to be $1 million. Buyer of bills in amounts less than a round Lot receive slightly higher prices (i.e., lower yields) than buyers of round Lots.

The owner of a Treasury bill earns a return because the bills are sold at a discount and redeemed at par.

Example. A one-year bill may be sold at a price of 94 and redeemed at the end of the year at par, or 100. In the example, the owner of a $100,000 bill would pay $94,000 and receive $100,000 a year later. The difference of $6,000 is the amount of the discount. The discount rate in the example is 6 percent.

Investors need to be aware that the yield they receive from Treasury bills is not the same as the discount rate.

Yield

The rate of annual income return on an investment, expressed as a percentage.

Shasta County Treasurer
Disaster/Business Continuity Plan
Banking and Investment Functions

Scope

The Shasta County Treasurer's banking and investment functions are mission critical and as such, the office must have a Disaster/Business Continuity Plan in place. In the event we are unable to operate from our office, the plan shall be activated. Periodically, the plan shall be tested.

The plan's goal is to protect and account for all funds on deposit with the county treasurer and to be able to continue our banking and investment functions for all participants in the event of occurrence (earthquake, fire, pandemic, or other event) which disrupts normal operations.

Chain of Command

The chain of command shall be in order of:

- Treasurer,
- Chief Deputy Treasurer
- Chief Deputy Tax Collector

Continuity Procedure

In the event we are unable to conduct normal business operations, the authorized persons shall interact with one another by home phone, email or cellular phone to decide on the alternate location. If unable to contact one another, the authorized persons shall through the county's office of emergency services establish contact with one another.

Functions & Tasks to be Performed

Recognizing we may be operating in less than optimal conditions, the primary functions are to protect and continue to account for all funds on deposit with the county treasurer. While normal processes may be modified, the investment policy shall be strictly followed.

Tasks to be performed include:

- Daily cash work up
- Investment of maturing securities and any daily deposits after making an allowance for checks/wires expected to clear
- Daily cash and bank reconciliation
- For deposits, the treasurer's office will notify county departments, special districts and schools of any changes to their deposit location. Deposits to any account other than those established by the treasurer is prohibited.
- Disbursement activity will be coordinated with the county Auditor-Controller.

Equipment and Emergency Packets

The "authorized persons" in the treasurer's office including support staff upon an occurrence are official disaster workers and are assigned to support our Disaster/Business Recover Plan. Each shall have on their possession their County of Shasta Identification Card.

The level of disruption and assigned work location will be determined by the Treasurer, Chief Deputy Treasurer or Chief Deputy Tax Collector. All related costs shall be absorbed by the Treasurer's office and reimbursed pursuant to Government Code section 27013.

In all cases, the safety of treasury personnel is paramount. In no event should our alternate location or alternate procedure be employed if doing such will endanger any one.

Offsite Locations

Failing the ability to operate from our office, our operations will relocate in the following order of priority:

- Location determined by the County Office of Emergency Services or County Administrator
- Treasurer's home
- Chief Deputy Treasurer's home
- One of our banks operations centers which may be outside Shasta County in a worst case scenario

SHASTA COUNTY POOLED INVESTMENT
December 29, 2017

PURCHASE DATE	SECURITY TYPE	PAR AMOUNT	COST AMOUNT	% OF TOTAL	DISC	PREM	ACCRUED INTEREST	MATURITY	CUSIP	S&P / MOODY'S RATING	INT/DISC RATE	YIELD	BROKER	DAYS TO MAT	DAYS*COST	MARKET VALUE	UNREALIZED GAIN/LOSS	AVERAGE MATURITY	UBOC VS. TREAS
	Local Agency Investment Fund (max 65,000)	62,000,000.00	62,000,000.00	11.91%				01/02/18		not rated	1.07	1.07	LAIF	4	248,000,000.00	62,188,308.28	N/A	0.01	
	Repo Agreement (10% max 20% limit)	50,000,000.00	50,000,000.00	9.60%				01/02/18			1.36	1.36	UBS		0.00	50,000,000.00	N/A	0.00	
	LIR Treasury Fund -Mutual Fund (5.00% max)		0.00	0.00%				01/02/18			1.06	1.06	UBS		0.00		N/A	0.00	
*****	Total Inactive Public Deposits (7.5% limit)	0.00	0.00	0.00%												0.00			
04/12/16	US Treasury Note	5,000,000.00	5,000,000.00					05/31/18	912828VE7	NA/Aaa	1.00	0.75	Wedbush	153	765,000,000.00	4,989,850.00	(10,150.00)	0.14	(26,171.88)
12/11/17	US Treasury Note	5,000,000.00	4,933,711.11		(66,288.89)			10/11/18	912796NZ8	NA/NA	1.57	1.61	UBS	286	1,411,041,377.46	4,934,800.00	1,088.89	0.26	
12/07/17	US Treasury Note	5,000,000.00	4,942,502.59		(60,156.25)		2,658.84	05/15/19	912828R44	NA/Aaa	0.88	1.72	UBS	502	2,481,136,300.18	4,934,200.00	(8,302.59)	0.46	2,658.84
*****	Total Treasury Bill (50% limit)	15,000,000.00	14,876,213.70	2.86%								1.36				14,858,850.00	(17,363.70)		
*****	Total Negotiable Cert of Deposit (20% limit)	0.00	0.00	0.00%												0.00	0.00		
07/20/15	Bank of NY Medium Term Note	5,000,000.00	5,000,000.00			0.00		08/01/18	06406HCL1	A+/A1	2.10	1.61	UBS	215	1,075,000,000.00	5,004,750.00	4,750.00	0.15	(72,150.00)
01/25/16	US Bank Medium Term Note	5,000,000.00	5,000,000.00			0.00	0.00	04/25/19	91159HHH6	A+/A1	2.20	1.70	UBS	482	2,410,000,000.00	5,014,150.00	14,150.00	0.33	(76,700.00)
10/20/16	JP Morgan Medium Term Note	5,000,000.00	5,000,000.00			0.00	0.00	09/23/19	48215LRG9	A+/Aa3	1.65	1.54	UBS	633	3,165,000,000.00	4,957,800.00	(42,200.00)	0.44	(15,650.00)
04/17/17	Toyota Motor Credit Medium Term Note	5,000,000.00	5,000,000.00			0.00		04/17/20	89236TDU6	AA-/Aa3	1.95	1.80	Union Banc	840	4,200,000,000.00	4,979,850.00	(20,150.00)	0.58	(21,750.00)
*****	Total Medium Term Notes (20% limit/3% ea)	20,000,000.00	20,000,000.00	3.84%								1.66				10,018,900.00	18,900.00		
04/10/17	BNPFNY CP	5,000,000.00	4,947,712.50		(52,287.50)			01/02/18	09659KA26	A-1/P-1	1.41	1.43	UBS	4	19,790,850.00	5,000,000.00	52,287.50	0.00	
11/20/17	Abbey Natl N America CP	5,000,000.00	4,989,945.83		(10,054.17)			01/16/18	00280PAG0	A-1/P-1	1.27	1.27	ubs	18	89,819,024.94	4,997,000.00	7,054.17	0.00	
04/28/17	JP Morgan CP	5,000,000.00	4,950,500.00		(49,500.00)			01/23/18	46640QAP6	A-1/P-1	1.32	1.33	UBS	25	123,762,500.00	4,995,450.00	44,950.00	0.00	
11/30/17	Union Banc CP	5,000,000.00	4,987,061.11		(12,938.89)			02/06/18	62478YB64	A-1/P-1	1.37	1.37	Union Bank	39	194,495,383.29	4,992,150.00	5,088.89	0.01	
05/19/17	Natxny CP	5,000,000.00	4,949,750.00		(50,250.00)			02/13/18	63873KBD8	A-1/P-1	1.34	1.35	UBS	46	227,688,500.00	4,990,600.00	40,850.00	0.01	
12/06/17	Bank of Toyko Mit CP	5,000,000.00	4,979,722.22		(20,277.78)			03/16/18	06538CCG4	A-1/P-1	1.46	1.46	UBS	77	383,438,610.94	4,983,150.00	3,427.78	0.01	
11/03/17	Union Banc CP	5,000,000.00	4,974,700.00		(25,300.00)			03/21/18	62478YCM8	A-1/P-1	1.32	1.33	Union Bank	82	407,925,400.00	4,982,000.00	7,300.00	0.01	
11/02/17	Union Banc CP	5,000,000.00	4,966,750.00		(33,250.00)			05/01/18	62478YE12	A-1/P-1	1.33	1.36	Union Bank	123	610,910,250.00	4,972,050.00	5,300.00	0.02	
12/01/17	Abbey Natl N America CP	5,000,000.00	4,960,000.00		(40,000.00)			05/30/18	00280PEW1	A-1/P-1	1.60	1.61	UBS	152	753,920,000.00	4,964,450.00	4,450.00	0.03	
09/08/17	Bank Tokyo -Mit CP	5,000,000.00	4,945,079.17		(54,920.83)			06/04/18	06538CF48	A-1/P-1	1.47	1.48	UBS	157	776,377,429.69	4,962,200.00	17,120.83	0.03	
10/18/17	Credit Swiss NY CP	5,000,000.00	4,945,438.89		(54,561.11)			06/19/18	2254EBFK2	A-1/P-1	1.61	1.63	UBS	172	850,615,489.08	4,958,450.00	13,011.11	0.03	
11/02/17	Natxny CP	5,000,000.00	4,947,012.50		(52,987.50)			07/02/18	63873KG27	A-1/P-1	1.57	1.59	UBS	185	915,197,312.50	4,953,500.00	6,487.50	0.03	
10/31/17	GE Cap Treasury CP	5,000,000.00	4,944,213.89		(55,786.11)			07/24/18	36164KGQ8	A-1/P-1	1.51	1.53	UBS	207	1,023,452,275.23	4,947,850.00	3,636.11	0.04	
11/10/17	Bank of Toyko Mit CP	5,000,000.00	4,942,090.28		(57,909.72)			08/06/18	06538CH61	A-1/P-1	1.55	1.56	UBS	220	1,087,259,861.60	4,942,700.00	609.72	0.04	
12/13/17	JP Morgan CP	5,000,000.00	4,929,277.78		(70,722.22)			09/07/18	46640QJ77	A-1/P-1	1.90	1.93	ubs	252	1,242,178,000.56	4,934,200.00	4,922.22	0.04	
12/12/17	JP Morgan CP	5,000,000.00	4,930,508.33		(69,491.67)			09/07/18	46640QJ77	A-1/P-1	1.86	1.88	UBS	252	1,242,488,099.16	4,934,200.00	3,691.67	0.04	
*****	Total Comm Paper (20% limit)	80,000,000.00	79,289,762.50	15.23%								1.51				79,509,950.00	220,187.50		
10/22/15	Federal Farm Credit Bond(Callable)	5,000,000.00	5,000,000.00					01/22/18	3133EFKL0	AA+ /Aaa	0.84	0.84	UBS	24	120,000,000.00	4,998,750.00	(1,250.00)	0.01	
12/15/15	Federal Farm Credit Bank	5,000,000.00	5,000,000.00			0.00	0.00	06/14/18	3133EFSH1	AA+ /Aaa	1.17	1.16	Wedbush	167	835,000,000.00	4,990,000.00	(10,000.00)	0.04	(600.00)
10/26/15	Federal Farm Credit Bond(Callable)	5,000,000.00	5,000,000.00					10/26/18	3133EFKW6	AA+ / AAA	1.01	1.01	UBS	301	1,505,000,000.00	4,968,000.00	(32,000.00)	0.06	
08/06/15	Federal Farm Credit Bond	5,000,000.00	5,000,000.00					11/06/18	3133EE6F2	AA+ /Aaa	1.25	1.20	Union Banc	312	1,560,000,000.00	4,980,650.00	(19,350.00)	0.07	(6,900.00)
12/14/15	Federal Farm Credit Bank	5,000,000.00	5,000,000.00					12/14/18	3133EFSJ7	AA+/Aaa	1.30	1.30	Union Banc	350	1,750,000,000.00	4,974,400.00	(25,600.00)	0.07	
03/31/16	Federal Farm Credit Bond (Callable)	5,000,000.00	5,000,000.00				0.00	12/28/18	3133EFT49	AA+/Aaa	1.19	1.19	UBS	364	1,820,000,000.00	4,968,250.00	(31,750.00)	0.08	
03/29/16	Federal Farm Credit Bond (Callable)	5,000,000.00	5,000,000.00					03/29/19	3133EFV38	AA+/Aaa	1.25	1.25	UBS	455	2,275,000,000.00	4,961,000.00	(39,000.00)	0.10	
03/02/16	Federal Farm Credit Bond (Callable)	5,000,000.00	5,000,000.00					03/02/20	3133EFH59	AA+/Aaa	1.38	1.38	UBS	794	3,970,000,000.00	4,928,300.00	(71,700.00)	0.17	
10/26/16	Federal Farm Credit Bank (Callable)	5,000,000.00	4,995,000.00		(5,000.00)		0.00	04/06/20	3133EGXN0	AA+/Aaa	1.24	1.27	UBS	829	4,140,855,000.00	4,907,300.00	(87,700.00)	0.18	
08/03/16	Federal Farm Credit Bank (Callable)	5,000,000.00	5,000,000.00					08/03/20	3133EGPP4	AA+/Aaa	1.36	1.36	UBS	948	4,740,000,000.00	4,904,550.00	(95,450.00)	0.20	
11/03/16	Federal Farm Credit Bond (Callable)	5,000,000.00	5,000,000.00				0.00	11/02/20	3133EGC29	AA+/Aaa	1.35	1.35	UBS	1039	5,195,000,000.00	4,891,750.00	(108,250.00)	0.22	
02/27/17	Federal Farm Credit Bank (Callable)	5,000,000.00	4,998,500.00		(1,500.00)		0.00	11/16/20	3133EG7E9	AA+/Aaa	1.87	1.87	UBS	1053	5,263,420,500.00	4,939,350.00	(59,150.00)	0.22	
12/14/16	Federal Farm Credit Bank (Callable)	5,000,000.00	5,000,000.00					12/14/20	3133EGU37	AA+/Aaa	1.83	1.83	UBS	1081	5,405,000,000.00	4,962,250.00	(37,750.00)	0.23	
*****	Total Federal Farm Credits (20% limit)	65,000,000.00	64,993,500.00	12.48%								1.31				64,374,550.00	(158,950.00)		
10/18/16	Federal Home Loan Bank Bond	5,000,000.00	5,000,000.00			0.00	0.00	06/08/18	313379DT3	AA+/Aaa	0.84	0.84	Wedbush	161	805,000,000.00	4,992,950.00	(7,050.00)	0.03	(41,490.00)
12/27/16	Federal Home Loan Bank Bond	5,000,000.00	5,000,000.00			0.00	0.00	06/08/18	313379DT3	AA+/Aaa	1.25	1.14	Wedbush	161	805,000,000.00	4,992,950.00	(7,050.00)	0.03	
11/22/16	Federal Home Loan Bank Bond	5,000,000.00	4,989,650.00		(10,350.00)		0.00	06/29/18	3130A8BD4	AA+/NA	0.88	1.00	Wedbush	182	908,116,300.00	4,981,500.00	(8,150.00)	0.03	
07/16/15	Federal Home Loan Bank Bond	5,000,000.00	4,983,900.00		(16,100.00)			07/10/18	3130A5WY1	AA+ /Aaa	1.00	1.11	Wedbush	193	961,892,700.00	4,984,500.00	600.00	0.04	
07/20/15	Federal Home Loan Bank Bond	5,000,000.00	4,994,100.00		(5,900.00)			07/20/18	3130A5VS5	AA+ /Aaa	1.10	1.14	UBS	203	1,013,802,300.00	4,982,500.00	(11,600.00)	0.04	
08/30/16	Federal Home Loan Bank Bond	5,000,000.00	5,000,000.00					08/28/18	3130A9BX8	Aaa/AA+	1.00	1.00	UBS	242	1,210,000,000.00	4,973,500.00	(26,500.00)	0.04	
12/07/17	Federal Home Loan Bank	5,000,000.00	4,998,679.17		(25,800.00)		24,479.17	01/16/19	3130AAE46	AA+/Aaa	1.25	1.72	Union Banc	383	1,914,494,122.11	4,968,600.00	(30,079.17)	0.07	24,479.17
02/24/16	Federal Home Loan Bank Bond	5,000,000.00	5,000,000.00			0.00	0.00	03/08/19	313378QK0	AA+ /Aaa	1.88	1.03	Wedbush	434	2,170,000,000.00	5,000,450.00	450.00	0.08	(126,075.00)
09/11/17	Federal Home Loan Bank Bond	5,000,000.00	5,005,860.42			0.00	5,860.42	06/14/19	313379EE5	AA+/Aaa	1.63	1.31	Union Banc	532	2,663,117,743.44	4,980,100.00	(25,760.42)	0.09	(20,989.58)
10/25/16	Federal Home Loan Bank Bond	5,000,000.00	5,000,000.00			0.00	0.00	06/21/19	3130A8DB6	AA+/Aaa	1.13	1.00	Wedbush	539	2,695,000,000.00	4,946,300.00	(53,700.00)	0.10	(16,300.00)
04/06/17	Federal Home Loan Bank	5,000,000.00	5,000,000.00					07/15/19	3130AB3Q7	AA+/Aaa	1.40	1.40	Mutual Securities	563	2,815,000,000.00	4,960,750.00	(39,250.00)	0.10	
06/03/16	Federal Home Loan Bank Bond(Callable)	5,000,000.00	5,000,000.00					03/03/20	3130A87M9	AA+/Aaa	1.47	1.47	UBS	795	3,975,000,000.00	4,915,600.00	(84,400.00)	0.15	
04/20/16	Federal Home Loan Bank Bond(Callable)	5,000,000.00	5,000,000.00					04/20/20	3130A7RP2	AA+/Aaa	1.38	1.38	UBS	843	4,215,000,000.00	4,928,450.00	(71,550.00)	0.16	
11/02/17	Federal Home Loan Bank	5,000,000.00	5,000,000.00					06/12/20	313383HU8	AA+/Aaa	1.75	1.70	UBS	896	4,480,000,000.00	4,966,150.00	(33,850.00)	0.17	(6,300.00)
12/06/16	Federal Home Loan Bank Bond (Callable)	5,000,000.00	5,000,000.00					12/06/21	3130AACM8	AA+/Aaa	2.05	2.05	UBS	1438	7,190,000,000.00	4,941,100.00	(58,900.00)	0.27	
*****	Total Federal Home Loans (20% limit)	75,000,000.00	74,972,189.59	14.40%								1.29				74,515,400.00	(456,789.59)		
04/30/13	Federal National Mtge Note-Callable	5,000,000.00	5,000,000.00					04/30/18	3135G0WN9	AA+ /Aaa	1.00	1.00	Morgan Stanley	122	610,000,000.00	4,991,850.00	(8,150.00)	0.02	
05/15/13	Federal National Mtge Note-Callable	5,000,000.00	5,000,000.00					05/15/18	3136G1LE7	AA+ /Aaa	1.01	1.01	UBS	137	685,000,000.00	4,990,200.00	(9,800.00)	0.03	
05/25/13	Federal National Mtge Note-Callable	5,000,000.00	5,000,000.00					05/25/18	3135G0XK4	AA+ / AAA	1.05	1.05	Union Banc	147	735,000,000.00	4,989,800.00	(10,200.00)	0.03	
10/28/16	Federal National Mtge Note-Callable	5,000,000.00	4,987,500.00		(12,500.00)		0.00	07/27/18	3135G0L68	AA+/Aaa	0.75	0.89	Mutual Securities	210	1,047,375,000.00	4,974,250.00	(13,250.00)	0.04	
12/09/16	Federal National Mtge Note-Callable	5,000,000.00	4,973,300.00		(26,700.00)		0.00	07/27/18	3135G0L68	AA+/Aaa	0.75	1.08	UBS	210	1,044,393,000.00	4,974,250.00	950.00	0.04	
11/17/15	Federal National Mtge Note	5,000,000.00	5,000,000.00			0.00	0.00	09/18/18	3135G0YM9	AA+ /Aaa	1.88	1.19	Wedbush	263	1,315,000,000.00	5,004,350.00	4,350.00	0.05	(95,200.00)
12/06/17	Federal National Mrge Note	5,000,000.00	4,985,593.75		(21,750.00)		7,343.75	10/19/18	3135G0E58	AA+/N/A	1.13	1.63	Wedbush	294	1,465,764,562.50	4,974,900.00	(10,693.75)	0.05	7,343.75
03/30/16	Federal National Mtge Note	5,000,000.00	4,999,350.00		(650.00)		0.00	02/26/19	3135G0J53	AA+ / N/A	1.00	1.00	Wedbush	424	2,119,724,400.00	4,952,750.00	(46,600.00)	0.08	
08/30/16	Federal National Mtge Note	5,000,000.00	4,980,600.00		(19,400.00)		0.00	08/02/19	3135G0N33	AA+/Aaa	0.88	1.01	Wedbush	581	2,893,728,600.00	4,919,850.00	(60,750.00)	0.11	

02/26/16	Federal National Mtge Note-Callable	5,000,000.00	5,000,000.00					11/26/19	3136G2YA9	AA+ /Aaa	1.40	1.40	UBS	697	3,485,000,000.00	4,928,150.00	(71,850.00)	0.13	
12/09/16	Federal National Mtge Note-Callable	5,000,000.00	5,000,000.00				0.00	11/26/19	3136G4JE4	AA+/Aaa	1.50	1.49	Union Banc	697	3,485,000,000.00	4,955,350.00	(44,650.00)	0.13	
04/14/16	Federal National Mtge Note-Callable	5,000,000.00	5,000,000.00					01/14/20	3136G3JJ5	AA+ /Aaa	1.36	1.36	Wedbush	746	3,730,000,000.00	4,923,700.00	(76,300.00)	0.14	
04/06/17	Federal National Mtge Note	5,000,000.00	5,000,000.00				0.00	02/28/20	3135GOT29	AA+/Aaa	1.50	1.50	Union Banc	791	3,955,000,000.00	4,948,100.00	(51,900.00)	0.15	
04/19/17	Federal National Mtge	5,000,000.00	5,000,000.00			0.00	0.00	06/22/20	3135GOD75	AA+/Aaa	1.50	1.42	Wedbush	906	4,530,000,000.00	4,940,700.00	(59,300.00)	0.17	(12,340.00)
10/31/16	Federal National Mtge Note-Callable	5,000,000.00	5,000,000.00					07/28/20	3136G4GK3	AA+/Aaa	1.35	1.35	UBS	942	4,710,000,000.00	4,895,300.00	(104,700.00)	0.17	
#####	Total Federal National Mtge. (20% limit)	75,000,000.00	74,926,343.75	14.39%								1.23				74,363,500.00	(562,843.75)		
04/18/17	Federal Home Loan Mtge	5,000,000.00	4,957,777.78		(42,222.22)			02/16/18	313397TD3	AA+/Aaa	1.00	1.02	UBS	49	242,931,111.22	4,991,750.00	33,972.22	0.01	
11/03/15	Federal Home Loan Mtge CP	5,000,000.00	4,999,000.00		(1,000.00)		0.00	03/07/18	3137EADP1	AA+ /Aaa	0.88	0.88	UBS	68	339,932,000.00	4,995,700.00	(3,300.00)	0.01	
10/16/17	Federal Home Loan Mtge	5,000,000.00	4,937,047.22		(62,952.78)			09/27/18	313397H46	AA+/Aaa	1.31	1.34	UBS	272	1,342,876,843.84	4,940,450.00	3,402.78	0.05	
10/29/15	Federal Home Loan Mtge CP	5,000,000.00	5,000,000.00					10/29/18	3134G72V2	AA+/AAA	1.10	1.10	Union Banc	304	1,520,000,000.00	4,970,300.00	(29,700.00)	0.05	
05/31/16	Federal Home Loan Mtge CP-Callable	5,000,000.00	4,995,000.00		(5,000.00)		0.00	12/21/18	3134G9MS3	AA+/AAA	1.10	1.14	UBS	357	1,783,215,000.00	4,966,550.00	(28,450.00)	0.06	
04/11/17	Federal Home Loan Mtge	5,000,000.00	5,000,000.00			0.00	0.00	05/30/19	3137EADG1	AA+/Aaa	1.75	1.32	Wedbush	517	2,585,000,000.00	4,992,650.00	(7,350.00)	0.09	(44,600.00)
12/30/16	Federal Home Loan Mtge CP-Callable	5,000,000.00	5,000,000.00					06/28/19	3134GAE42	AA+/Aaa	1.50	1.50	UBS	546	2,730,000,000.00	4,967,950.00	(32,050.00)	0.10	
11/01/17	Federal Home Loan Mtge	5,000,000.00	5,000,534.17		(18,945.00)		19,479.17	08/15/19	3137EAEH8	AA+/NA	1.38	1.59	Wedbush	594	2,970,317,296.98	4,957,100.00	(43,434.17)	0.10	19,479.17
04/07/17	Federal Home Loan Mtge CP-Callable	5,000,000.00	5,000,000.00				0.00	09/09/19	3134GA7A6	AA+/Aaa	1.50	1.50	UBS	619	3,095,000,000.00	4,957,150.00	(42,850.00)	0.11	
04/17/17	Federal Home Loan Mtge	5,000,000.00	4,991,550.00		(8,450.00)		0.00	10/02/19	3137EADM8	AA+/Aaa	1.25	1.32	UBS	642	3,204,575,100.00	4,940,450.00	(51,100.00)	0.11	
10/26/17	Federal Home Loan Mtge	5,000,000.00	4,998,375.69		(1,624.31)			10/25/19	3134GBHT2	AA+/Aaa	1.63	1.64	Union Banc	665	3,323,919,833.85	4,971,600.00	(26,775.69)	0.12	225.69
12/14/17	Federal Home Loan Mtge	5,000,000.00	4,991,805.00		(38,820.00)		30,625.00	01/17/20	3137EAEE5	AA+/Aaa	1.50	1.88	Wedbush	749	3,738,861,945.00	4,952,700.00	(39,105.00)	0.13	30,625.00
04/06/17	Federal Home Loan Mtge CP	4,976,830.00	4,976,830.00				0.00	05/01/20	3137EADR7	AA+/Aaa	1.38	1.53	Wedbush	854	4,250,212,820.00	4,925,250.00	(51,580.00)	0.15	
04/07/16	Federal Home Loan Mtge CP-Callable	4,800,000.00	4,800,000.00					10/07/20	3134G8YQ6	AA+/Aaa	1.53	1.53	Union Banc	1013	4,862,400,000.00	4,679,856.00	(120,144.00)	0.17	
12/13/17	Federal Home Loan Mtge -Callable	5,000,000.00	5,002,361.11		(1,250.00)		3,611.11	02/26/21	3134GB3B6	AA+/Aaa	2.00	2.01	UBS	1155	5,777,727,082.05	4,989,500.00	(12,861.11)	0.20	3,611.11
04/20/17	Federal Home Loan Mtge(Callable)	5,000,000.00	5,000,000.00					10/20/21	3134GBJB9	AA+/Aaa	2.00	2.00	UBS	1391	6,955,000,000.00	4,963,150.00	(36,850.00)		
#####	Total Fed HM LN Mtge. Corp Disc Note (20%)	79,776,830.00	79,650,280.97	15.30%								1.46				79,162,106.00	(488,174.97)		
#####	Total Gov't. National Mtge. Assn. (60% limit)	0.00	0.00	0.00%												0.00	0.00		
	TOTAL	521,776,830.00	520,708,290.51	100.00%	(1,162,596.95)	0.00	94,057.46									508,991,564.28			-494793.73

Cost of Investments	520,708,290.51	459,203,084.24	UBOC					
Cash in Treasury	1,491,125.09	62,000,000.00	LAIF		94,057.46	TOTAL DAYS *COST		186,638,149,925.62
Return Checks			REPO			TOTAL COST AMOUNT		520,708,290.51
Shasta Lake LAIF	256,921.36		LIR			WEIGHTED AVERAGE MATURITY	DAYS	358.43
Active Deposits	16,657,419.39		GNMA			WEIGHTED AVERAGE MATURITY	YEARS	1.00
Adjustments		521,203,084.24						
Balance in Treasury	539,113,756.35			(494,793.73)				

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series C Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series C Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series C Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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