NEW ISSUE
DTC BOOK-ENTRY ONLY

S&P Insured Rating "AA"
S&P Underlying Rating: "A+"
See "RATINGS" herein

In the opinion of Parker & Covert LLP, Sacramento, California, Bond Counsel, assuming, among other things, compliance with certain covenants, the Series 2017B Bonds are "qualified zone academy bonds" as defined in Section 54E(a) of the Internal Revenue Code of 1986, as amended. Owners of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Series 2017B Bonds, are entitled to a quarterly federal income tax credit. The amount of the tax credit is treated as interest for federal income tax purposes and is included in gross income for the holders of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Series 2017B Bonds. In the further opinion of Bond Counsel, interest on the Bonds is not excludable from gross income for federal income tax purposes, but is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Bonds. See "LEGAL MATTERS—Tax Matters" herein.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT

$12,840,000
RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
(TEHAMA COUNTY AND SHASTA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2016, SERIES 2017B
(QUALIFIED ZONE ACADEMY BONDS)
(FEDERALLY TAXABLE)

$160,000
RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
(TEHAMA COUNTY AND SHASTA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2016, SERIES 2017C
(FEDERALLY TAXABLE)

DATED: Date of Delivery **DUE: September 15, as shown on the inside cover**

The Red Bluff Joint Union High School District (Tehama County and Shasta County, California) General Obligation Bonds, Election of 2016, Series 2017B (Qualified Zone Academy Bonds) (Federally Taxable) in the aggregate principal amount of $12,840,000 (the "Series 2017B Bonds") and the Red Bluff Joint Union High School District (Tehama County and Shasta County, California) General Obligation Bonds, Election of 2016, Series 2017C (Federally Taxable) in the aggregate principal amount of $160,000 (the "Series 2017C Bonds" and, together with the Series 2017B Bonds, the "Bonds") are being issued by Red Bluff Joint Union High School District (the "District") to (i) finance the rehabilitation of existing school facilities of the District, (ii) fund capitalized interest on the Bonds through September 15, 2018 and (iii) pay costs of issuance of the Bonds. See "THE BONDS—Authority for Issuance" herein.

The Bonds are general obligations of the District payable from *ad valorem* property taxes levied and collected by Tehama County and Shasta County. The Board of Supervisors of Tehama County and the Board of Supervisors of Shasta County are empowered and obligated to annually levy and collect *ad valorem* property taxes without limitation as to rate or amount on all taxable property in the District (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.

The Bonds are being issued as current interest bonds issuable in denominations of $5,000 or any integral multiple thereof. The Bonds mature on September 15 in the years and amounts set forth on the inside cover pages hereof. Interest on the Bonds accrues from the date of delivery and is payable semiannually on March 15 and September 15 of each year, commencing March 15, 2018. The Bonds are subject to redemption prior to their maturity. See "THE BONDS—Payment of Principal and Interest" and "—Redemption Provisions" herein.

The Bonds are being issued as fully registered bonds, without coupons, in book-entry form only. When delivered, the Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), acting as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by ZB, National Association dba Zions Bank as paying agent (the "Paying Agent") to DTC for subsequent disbursement to DTC participants who will remit such payments to the Beneficial Owners. See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

The District has designated the Series 2017B Bonds as "qualified zone academy bonds" under Sections 54A, 54E and 1397E of the Code. Each Series 2017B Bond includes a principal and interest component (the "Principal Component") and a tax credit component (the "Tax Credit Component"). The Tax Credit Component is evidenced by a tax credit certificate (the "Tax Credit Certificate") attached to each Series 2017B Bond. Under the Tax Code, the ownership of the Tax Credit Certificate may be separated (or "stripped") from the Series 2017B Bond, following which the Tax Credit Certificate would be registered separately from the Principal Component as a "Tax Credit Strip," and the Principal Component would then be registered as a principal strip (a "Principal Strip"). Owners of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Series 2017B Bonds, are entitled, subject to the limitations of Section 54A of the Internal Revenue Code of 1986, as amended, to a quarterly federal income tax credit at a credit rate determined as of the date the Bonds are sold, set forth on the inside pages hereof. See "THE BONDS—Qualified Zone Academy Bonds" and "LEGAL MATTERS—Tax Matters" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. See "BOND INSURANCE" herein and "APPENDIX F—SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto.

ASSURED GUARANTY MUNICIPAL

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELEVANT TO AN INVESTMENT IN THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED WILL HAVE THE MEANINGS SET FORTH HEREIN.

MATURITY SCHEDULES
SEE INSIDE COVER

The Bonds are being purchased for reoffering by Raymond James & Associates, Inc. as underwriter of the Bonds (the "Underwriter"). The Bonds are offered when, as and if issued by the District and received by the Underwriter, subject to approval as to legality by Parker & Covert LLP, Sacramento, California, Bond Counsel. Norton Rose Fulbright US LLP, Los Angeles, California, is serving as counsel to the Underwriter. It is anticipated that the Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about December 21, 2017.

This Official Statement is dated December 6, 2017.

RAYMOND JAMES

MATURITY SCHEDULES

$12,840,000
RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
(TEHAMA COUNTY AND SHASTA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2017B
(QUALIFIED ZONE ACADEMY BONDS) (FEDERALLY TAXABLE)

SERIES 2017B TERM BONDS

Maturity Date September 15	Principal Amount	Tax Credit Rate	Interest Rate	Reoffering Yield	Price	CUSIP+ (756372)
2046	$12,840,000	4.01%	1.625%	1.625%	100.000%	AS7

If and after Tax Credit Certificates are stripped from the associated Series 2017B Bonds:

SERIES 2017B PRINCIPAL STRIPS TERM BONDS

Maturity Date September 15	Principal Amount	Interest Rate	CUSIP+ (756372)
2046	$12,840,000	1.625%	FQ6

SERIES 2017B TAX CREDIT STRIPS

Tax Credit Allowance Date March 15	Tax Credit Amount	CUSIP+ (756372)	Tax Credit Allowance Date June 15	Tax Credit Amount	CUSIP+ (756372)	Tax Credit Allowance Date Sept. 15	Tax Credit Amount	CUSIP+ (756372)	Tax Credit Allowance Date Dec. 15	Tax Credit Amount	CUSIP+ (756372)
2018	$120,139.60	AV0	2018	$128,721.00	AW8	2018	$128,721.00	AX6	2018	$128,721.00	AY4
2019	128,721.00	AZ1	2019	128,721.00	BA5	2019	128,721.00	BB3	2019	128,721.00	BC1
2020	128,721.00	BD9	2020	128,721.00	BE7	2020	128,721.00	BF4	2020	127,017.00	BG2
2021	127,017.00	BH0	2021	127,017.00	BJ6	2021	127,017.00	BK3	2021	123,759.00	BL1
2022	123,759.00	BM9	2022	123,759.00	BN7	2022	123,759.00	BP2	2022	120,150.00	BQ0
2023	120,150.00	BR8	2023	120,150.00	BS6	2023	120,150.00	BT4	2023	116,190.00	BU1
2024	116,190.00	BV9	2024	116,190.00	BW7	2024	116,190.00	BX5	2024	111,779.00	BY3
2025	111,779.00	BZ0	2025	111,779.00	CA4	2025	111,779.00	CB2	2025	106,917.00	CC0
2026	106,917.00	CD8	2026	106,917.00	CE6	2026	106,917.00	CF3	2026	101,654.00	CG1
2027	101,654.00	CH9	2027	101,654.00	CJ5	2027	101,654.00	CK2	2027	98,746.00	CL0
2028	98,746.00	CM8	2028	98,746.00	CN6	2028	98,746.00	CP1	2028	95,639.00	CQ9
2029	95,639.00	CR7	2029	95,639.00	CS5	2029	95,639.00	CT3	2029	92,380.00	CU0
2030	92,380.00	CV8	2030	92,380.00	CW6	2030	92,380.00	CX4	2030	88,972.00	CY2
2031	88,972.00	CZ9	2031	88,972.00	DA3	2031	88,972.00	DB1	2031	85,263.00	DC9
2032	85,263.00	DD7	2032	85,263.00	DE5	2032	85,263.00	DF2	2032	81,453.00	DG0
2033	81,453.00	DH8	2033	81,453.00	DJ4	2033	81,453.00	DK1	2033	77,293.00	DL9
2034	77,293.00	DM7	2034	77,293.00	DN5	2034	77,293.00	DP0	2034	73,032.00	DQ8
2035	73,032.00	DR6	2035	73,032.00	DS4	2035	73,032.00	DT2	2035	68,421.00	DU9
2036	68,421.00	DV7	2036	68,421.00	DW5	2036	68,421.00	DX3	2036	63,559.00	DY1
2037	63,559.00	DZ8	2037	63,559.00	EA2	2037	63,559.00	EB0	2037	58,546.00	EC8
2038	58,546.00	ED6	2038	58,546.00	EE4	2038	58,546.00	EF1	2038	53,283.00	EG9
2039	53,283.00	EH7	2039	53,283.00	EJ3	2039	53,283.00	EK0	2039	47,719.00	EL8
2040	47,719.00	EM6	2040	47,719.00	EN4	2040	47,719.00	EP9	2040	41,604.00	EQ7
2041	41,604.00	ER5	2041	41,604.00	ES3	2041	41,604.00	ET1	2041	35,438.00	EU8
2042	35,438.00	EV6	2042	35,438.00	EW4	2042	35,438.00	EX2	2042	28,922.00	EY0
2043	28,922.00	EZ7	2043	28,922.00	FA1	2043	28,922.00	FB9	2043	22,155.00	FC7
2044	22,155.00	FD5	2044	22,155.00	FE3	2044	22,155.00	FF0	2044	15,088.00	FG8
2045	15,088.00	FH6	2045	15,088.00	FJ2	2045	15,088.00	FK9	2045	7,719.00	FL7
2046	7,719.00	FM5	2046	7,719.00	FN3	2046	7,719.00	FP8	--	--	--

+ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

MATURITY SCHEDULES

$160,000
RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
(TEHAMA COUNTY AND SHASTA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2017C
(FEDERALLY TAXABLE)

SERIAL BONDS

Maturity Date September 15	Principal Amount	Interest Rate	Reoffering Yield	Price	CUSIP+
2019	$45,000	2.100%	2.100%	100.000%	756372AT5
2020	115,000	2.250	2.250	100.000	756372AU2

+ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities law of any state.

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

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

Information in Official Statement. The information set forth herein has been furnished by the District and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

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

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves 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 its expectations or events, conditions or circumstances on which such statements are based change.

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

Stabilization of and Changes to Offering Prices. In connection with the offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover pages hereof, and such public offering prices may be changed from time to time by the Underwriter.

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

$12,840,000
RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
(TEHAMA COUNTY AND SHASTA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2016, SERIES 2017B
(QUALIFIED ZONE ACADEMY BONDS)
(FEDERALLY TAXABLE)

$160,000
RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
(TEHAMA COUNTY AND SHASTA COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS
ELECTION OF 2016, SERIES 2017C
(FEDERALLY TAXABLE)

DISTRICT ADMINISTRATION

Todd A. Brose, Superintendent
DeAnn Himes, Director of Fiscal Services
Sara Smith, Director of Educational Services

Red Bluff Joint Union High School District
1525 Douglass Street
Red Bluff, California 96080
(530) 529-8700

MUNICIPAL ADVISOR

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1228 N Street, Suite 13
Sacramento, California 95814
(916) 444-5100

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2520 Venture Oaks Way, Suite 190
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(916) 245-8677

UNDERWRITER'S COUNSEL

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Los Angeles, California 90071
(213) 892-9200

PAYING AGENT

ZB, National Association dba Zions Bank
Corporate Trust Department
550 South Hope Street, Suite 2875
Los Angeles, California 90071
(213) 593-3155

$12,840,000	$160,000
RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT (TEHAMA COUNTY AND SHASTA COUNTY, CALIFORNIA) GENERAL OBLIGATION BONDS ELECTION OF 2016, SERIES 2017B (QUALIFIED ZONE ACADEMY BONDS) (FEDERALLY TAXABLE)	RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT (TEHAMA COUNTY AND SHASTA COUNTY, CALIFORNIA) GENERAL OBLIGATION BONDS ELECTION OF 2016, SERIES 2017C (FEDERALLY TAXABLE)

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OFFICIAL STATEMENT

$12,840,000 RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT (TEHAMA COUNTY AND SHASTA COUNTY, CALIFORNIA) GENERAL OBLIGATION BONDS ELECTION OF 2016, SERIES 2017B (QUALIFIED ZONE ACADEMY BONDS) (FEDERALLY TAXABLE)	$160,000 RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT (TEHAMA COUNTY AND SHASTA COUNTY, CALIFORNIA) GENERAL OBLIGATION BONDS ELECTION OF 2016, SERIES 2017C (FEDERALLY TAXABLE)

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement, which includes the cover page, inside cover pages, table of contents and attached appendices (the "Official Statement"), is to provide certain information concerning the sale and delivery of the Red Bluff Joint Union High School District (Tehama County and Shasta County, California) General Obligation Bonds, Election of 2016, Series 2017B (Qualified Zone Academy Bonds) (Federally Taxable) in the aggregate principal amount of $12,840,000 (the "Series 2017B Bonds") and the Red Bluff Joint Union High School District (Tehama County and Shasta County, California) General Obligation Bonds, Election of 2016, Series 2017C (Federally Taxable) in the aggregate principal amount of $160,000 (the "Series 2017C Bonds" and, together with the Series 2017B Bonds, the "Bonds").

This INTRODUCTORY STATEMENT is not a summary of this Official Statement. It is only a brief description of and guide to this Official Statement. This INTRODUCTORY STATEMENT is qualified by more complete and detailed information contained in this entire Official Statement. A full review of this entire Official Statement should be made by a person interested in investing in the Bonds. The offering of the Bonds to potential investors is made only by means of this entire Official Statement.

Changes to the Preliminary Official Statement

This Official Statement has been updated from the Preliminary Official Statement dated November 29, 2017, to provide additional information regarding the separation of the Tax Credit Certificates from the Series 2017B Bonds to create Principal Strips and Tax Credit Strips. See "THE BONDS" herein.

The District

The Red Bluff Joint Union High School District (the "District"), a political subdivision of the State of California (the "State"), is a high school district established in 1887. Located in the central northern portion of the State approximately 120 miles north of the City of Sacramento, the District encompasses approximately 2,020 square miles in Tehama County and a small portion of Shasta County (together with Tehama County, the "Counties"), serving a population of approximately 42,900 people. The District operates one comprehensive high school and one continuation high school, providing education to approximately 1,630 students in ninth through twelfth grade. The District is governed by a five-member Board of Trustees (the "District Board"). See "THE DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein.

Purpose of Issues

The Bonds are being issued by the District to (i) finance the rehabilitation of existing school facilities of the District (the "Project") to support the establishment and operation of "qualified zone academies" pursuant to Section 54E of the Internal Revenue Code of 1986, as amended (the "Tax Code"), (ii) fund capitalized interest on the Bonds through September 15, 2018 and (iii) pay costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.

Authority for Issuance

The Bonds are being issued by the District under and pursuant to the California Constitution (the "State Constitution"), certain provisions of the California Government Code (the "Government Code") and the California Education Code (the "Education Code"), a resolution adopted by the District Board on November 15, 2017 (the "Resolution"), a Paying Agent Agreement dated May 1, 2017 between the District and ZB, National Association dba Zions Bank as supplemented by a First Supplemental Paying Agent Agreement dated December 1, 2017 between the District and ZB, National Association dba Zions Bank (together, the "Paying Agent Agreement").

Description of the Bonds

The Bonds are being issued as fully registered bonds, without coupons, in book-entry form only. When delivered, the Bonds will be initially registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by the Paying Agent to DTC for subsequent disbursement to DTC participants who will remit such payments to the beneficial owners of the Bonds (the "Beneficial Owners"). See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

The Bonds are being issued as current interest bonds in denominations of $5,000 principal amount, or any integral multiple thereof. The Bonds are dated their date of delivery and mature on September 15 in each of the years and in the amounts set forth on the inside cover pages hereof. Interest on the Bonds is payable semiannually on March 15 and September 15 of each year, commencing March 15, 2018. Interest on the Bonds is computed on the basis of a 360-day year comprised of 12 months of 30 days each. See "THE BONDS—Payment of Principal and Interest" herein.

The Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption Provisions" herein.

Qualified Zone Academy Bonds

The District has designated the Series 2017B Bonds as qualified zone academy bonds ("QZABs") pursuant to Section 54E of the Tax Code. Each Series 2017B Bond includes a principal and interest component (the "Principal Component") and a tax credit component (the "Tax Credit Component"). The Tax Credit Component is evidenced by a tax credit certificate (the "Tax Credit Certificate") attached to each Series 2017B Bond. Under the Tax Code, the ownership of the Tax Credit Certificate may be separated (or "stripped") from the Series 2017B Bond, following which the Tax Credit Certificate would be registered separately from the Principal Component as a "Tax Credit Strip," and the Principal Component would then be registered as a principal strip (a "Principal Strip"). Owners of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Series 2017B Bonds, are entitled to a quarterly federal income tax credit against federal income tax liability, subject to the limitations set forth in Section 54A(c) of the Tax Code. See "THE BONDS—Qualified Zone Academy Bonds" and "LEGAL MATTERS—Tax Matters" herein.

Source of Payment for the Bonds

The Bonds are general obligation bonds of the District payable from *ad valorem* property taxes, which the Board of Supervisors of Tehama County and the Board of Supervisors of Shasta County are empowered and obligated to annually levy and collect, without limitation as to rate or amount, on all taxable property in the District (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.

Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy (the "Policy") to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE" herein and "APPENDIX F—SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto.

Tax Matters

In the opinion of Parker & Covert LLP, Sacramento, California ("Bond Counsel"), assuming, among other things, compliance with certain covenants, the Series 2017B Bonds are "qualified zone academy bonds" as defined in Section 54E(a) of the Tax Code. Owners of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Series 2017B Bonds, are entitled to a quarterly federal income tax credit. The amount of the tax credit is treated as interest for federal income tax purposes and is included in gross income for the holders of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Series 2017B Bonds. In the further opinion of Bond Counsel, interest on the Bonds is not excludable from gross income for federal income tax purposes, but is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Bonds. See "LEGAL MATTERS—Tax Matters" herein. A complete copy of the proposed opinion of Bond Counsel is included with this Official Statement. See "APPENDIX C—FORMS OF OPINIONS OF BOND COUNSEL" attached hereto.

Continuing Disclosure

The District will covenant for the benefit of the Registered Owners (as defined herein) and Beneficial Owners to make available annually certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with Securities and Exchange Commission (the "SEC") Rule 15c2-12(b)(5). The specific nature of the information to be made available annually and of the notices of certain enumerated events are set forth in "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. See also "CONTINUING DISCLOSURE" herein.

Professionals Involved

Government Financial Strategies inc., Sacramento, California, has acted as municipal advisor (the "Municipal Advisor") to the District with respect to the sale and delivery of the Bonds. See "MUNICIPAL ADVISOR" herein. Certain proceedings in connection with the sale and delivery of the Bonds are subject to the approving legal opinion of Parker & Covert LLP, Sacramento, California, Bond Counsel. Norton Rose Fulbright US LLP, California, will act as counsel to the Underwriter. ZB, National Association dba Zions Bank will act as paying agent with respect to the Bonds. Parker & Covert LLP, Norton Rose Fulbright US LLP, and ZB, National Association dba Zions Bank will receive compensation contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement may be considered current only as of its date that has been made a part of the cover page hereof, and the information contained herein is subject to change. A description of the Bonds and the District, together with summaries of certain provisions of the Resolution, the Paying Agent Agreement and other legal documents related to the Bonds are included in this Official Statement. Such summaries do not purport to be comprehensive or definitive, and all references made herein to such documents are qualified in their entirety by reference to such document.

Interested parties may obtain copies of the Resolution, the Paying Agent Agreement, audited financial statements, annual budgets, or any other information which is generally made available to the public by contacting Red Bluff Joint Union High School District, 1525 Douglass Street, Red Bluff, California 96080, (530) 529-8700, Attention: Director of Fiscal Services, telephone (408) 423-2000, or by contacting the Municipal Advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California, 95814-5609, telephone (916) 444-5100.

THE BONDS

Purpose of Issues

The Bonds are being issued by the District to (i) finance the Project to support the establishment and operation of "qualified zone academies" pursuant to Section 54E of the Tax Code, (ii) fund capitalized interest on the Bonds through September 15, 2018 and (iii) pay costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.

Authority for Issuance

The Bonds are being issued by the District under and pursuant to the provisions of Article XIIIA, Section 1 and Article XVI, Section 18 of the State Constitution, the provisions of Government Code Section 53506 *et seq*., and all laws amendatory to or supplemental thereof, the provisions of Education Code Section 15100 *et seq*., and all laws amendatory to or supplemental thereof, and pursuant to the provisions of the Resolution and the Paying Agent Agreement. The District may incur bonded indebtedness upon the vote of 55 percent or more of the qualified electors of the District voting on the proposition pursuant to Article XIIIA, subject to the debt limitations set forth in Article XVI of the State Constitution and the Education Code.

General Obligation Bond Election of 2016. Pursuant to provisions of State law, the District Board adopted a resolution calling for an election to authorize the issuance of $26 million in aggregate principal amount of general obligation bonds for authorized school purposes. On November 8, 2016, at an election duly held pursuant to the law (the "2016 Election"), more than 55 percent of the votes received from qualified voters within the boundaries of the District approved "Measure J" as follows:

> *"To improve student safety and upgrade classrooms/career technology by upgrading classrooms and technology for 21st century learning; improving science labs/facilities for agriculture, nursing, and special education; repairing wiring, plumbing, and restrooms; improving disabled student access; and acquiring, constructing, and modernizing facilities and equipment, shall Red Bluff Joint Union High School District issue $26 million of bonds at legal interest rates, with citizen oversight, independent audits, and no money for administrators' salaries?"*

The Tehama County Registrar of Voters and the Shasta County Registrar of Voters certified the results of the election as follows:

General Obligation Bond Election of 2016
Red Bluff Joint Union High School District

County	Yes Votes	No Votes
Tehama	9,356	7,210
Shasta	73	46
Total	9,429 (56.5%)	7,256 (43.5%)

Source: Tehama County Registrar of Voters and Shasta County Registrar of Voters.

On May 16, 2017, the District issued the first series of bonds authorized by the 2016 Election, the Red Bluff Joint Union High School District (Tehama County and Shasta County, California) General Obligation Bonds, Election of 2016, Series 2017 (the "Series 2017 Bonds") in the aggregate principal amount of $13,000,000. The Bonds represent the second and third series of general obligation bonds to be issued under the authorization of the 2016 Election. Upon the issuance of the Bonds, the District will have no unissued authorization remaining under the 2016 Election. See "DISTRICT FINANCIAL INFORMATION—Long-Term Borrowings" herein. The Project is an authorized expenditure under the 2016 Election.

Form and Registration

Pursuant to the Paying Agent Agreement, the Paying Agent will keep and maintain for and on behalf of the District, at the principal office of the Paying Agent, registration books (the "Bond Register") for recording the owners of the Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) (the "Registered Owners"), the transfer, exchange, and replacement of the Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped), and the payment of the principal of and interest on the Bonds (and Principal Strips should the Series 2017B Bonds be stripped) to the Registered Owners.

The Bonds will be initially executed and delivered as one fully registered bond without coupons for each maturity in the name of Cede & Co. as nominee of DTC acting as securities depository for the Bonds. Purchases of Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) under the DTC book-entry system must be made by or through a DTC participant, in the principal amount of $5,000 and integral multiples thereof for each maturity of Bonds (and Principal Strips should the Series 2017B Bonds be stripped) and in authorized denominations and integral multiples thereof for each Tax Credit Strip should the Series 2017B Bonds be stripped, and ownership interests in Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) 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 Bonds, purchasers of the Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) (the "Beneficial Owners") will not receive physical certificates representing their ownership interests in the Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped).

So long as the Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) are registered in the name of Cede & Co., as nominee for DTC, references in this Official Statement to the Registered Owners mean Cede & Co., and do not mean the purchasers or Beneficial Owners of the Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped).

Payment of Principal and Interest

The Bonds (and Principal Strips should the Series 2017B Bonds be stripped) are dated their date of delivery and mature on September 15 in each of the years and in the amounts set forth on the inside cover pages hereof. Interest on the Bonds (and Principal Strips should the Series 2017B Bonds be stripped) is computed from their dated date on the basis of a 360-day year comprised of 12 months of 30 days each. Interest on the Bonds (and Principal Strips should the Series 2017B Bonds be stripped) is payable semiannually on March 15 and September 15 of each year (each, an "Interest Payment Date"), commencing March 15, 2018, at the annual interest rates shown on the inside cover pages hereof.

Each Bond (and Principal Strips should the Series 2017B Bonds be stripped) bears interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated as of a day during the period after the first day of the calendar month immediately preceding an Interest Payment Date (the "Regular Record Date") to that Interest Payment Date, both dates inclusive, in which event it will bear interest from such Interest Payment Date, or (ii) it is authenticated on or before March 1, 2018, in which event it bears interest from its date of delivery, provided, that if, at the time of authentication of a Bond (and Principal Strips should the Series 2017B Bonds be stripped), interest is in default thereon, such Bond (and Principal Strips should the Series 2017B Bonds be stripped) bears interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

The principal or redemption price of and interest on the Bonds (and Principal Strips should the Series 2017B Bonds be stripped) is payable in lawful money of the United States of America by wire transfer on each payment date to Cede & Co., so long as Cede & Co. is the sole Registered Owner. In the event the book-entry system is no longer in use, the principal or redemption price of the Bonds (and Principal Strips should the Series 2017B Bonds be stripped) is payable upon surrender thereof at maturity or earlier redemption at the principal office of the Paying Agent, and payments of interest will be made on each Interest Payment Date by check of the Paying Agent sent to the Registered Owner thereof, provided however, that payment of interest may be by wire transfer of immediately available funds to any Registered Owner in the aggregate principal amount of $1,000,000 or more who has provided the Paying Agent with wire transfer instructions to an account within the United States of America as of the close of business on the Regular Record Date.

Qualified Zone Academy Bonds

The District has designated the Series 2017B Bonds as "qualified zone academy bonds" ("QZABs"), a type of qualified tax credit bond, pursuant to Section 54A of the Tax Code. Each Series 2017B Bond includes a Principal Component and Tax Credit Components. The Tax Credit Components are evidenced by a Tax Credit Certificate attached to each Series 2017B Bond. Owners of Tax Credit Certificates (whether held as Tax Credit Strips or as part of the Series 2017B Bonds) as of March 15, June 15, September 15 and December 15 of any tax year (each, a "Credit Allowance Date"), beginning with the first Credit Allowance Date on March 15, 2018, are entitled to a federal income tax credit (the "Tax Credit") subject to the limitations of Section 54A(c) of the Tax Code. The amount of the Tax Credit is equal to 100 percent of the product of the published credit rate (the "Tax Credit Rate") for the date on which the Series 2017B Bonds are sold (being 4.01 percent per year), multiplied by the outstanding principal amount of Series 2017B Bonds associated with the Tax Credit Certificate on the relevant Credit Allowance Date, divided by four. The Tax Credit allowed for the first Credit Allowance Date of March 15, 2018, is the ratable portion of the Tax Credit otherwise allowed on such date based on an initial issuance date of December 21, 2017. If a Tax Credit Certificate (whether held as a Tax Credit Strip or as part of a Series 2017B Bond) is redeemed or matures on a date other than a Credit Allowance Date, the associated Tax Credit will be a ratable portion of the Tax Credit otherwise allowed based on the redemption date.

The District has received an allocation from the California Department of Education (the "CDE") authorizing the issuance of QZABs. As required by federal law for the issuance of QZABs, the District reasonably expects that at least 35 percent of students attending the "qualified zone academies" established by the District pursuant to Section 54E of the Tax Code (the "Academies") will be eligible for free or reduced lunch established under the federal National School Lunch Act. In addition, the curriculum at the Academies has been designed in cooperation with business to enhance the academic curriculum, increase graduation and employments rates and better prepare students for the rigors of college and the increasingly complex workforce. In compliance with the requirements for QZABs pursuant to the Tax Code, as of the date of issuance of the Series 2017B Bonds, the District (i) reasonably expects to expend 100 percent of the "available project proceeds" (the proceeds from the sale of the Series 2017B Bonds less costs of issuance of the Series 2017B Bonds, not to exceed two percent of the proceeds) for a "qualified purpose" (the rehabilitation or repair of a public school facility in which the academy is established; the acquisition of equipment, or development of course materials, to be used in, or teacher training for, such facility) within the period ending three years after the date of the execution and delivery of the Series 2017B Bonds or such later date if extended by the IRS (the "Expenditure Period"); (ii) will secure a binding commitment from a third party to spend at least 10 percent of such available project proceeds within the first six months from the date of the execution and delivery of the Series 2017B Bonds; and (iii) has obtained written assurances of qualified contribution, pursuant to Section 54E(d)(4) of the Tax Code, from one or more private business entity that, as of the date of the execution and delivery of the Series 2017B Bonds, has a present value of at least 10 percent of the proceeds of the sale of the Series 2017B Bonds.

Tax Credit Stripping

The District will designate the Series 2017B Bonds as qualified tax credit bonds for which the tax credits may be "stripped" pursuant to provisions of IRS Notice 2010-28 entitled "Stripping Transactions for Qualified Tax Credit Bonds" dated April 12, 2010. Ownership of the Tax Credit Certificate may be separated (or "stripped") from the Principal Component, following which the Tax Credit Certificate would be registered separately from the Principal Component as a Tax Credit Strip, and the Principal Component would then be registered as a Principal Strip. The Registered Owner of a Series 2017B Bond may, by written request to the Paying Agent, direct the Paying Agent to authenticate and deliver separately the Principal Strip and the Tax Credit Strip related to such Series 2017B Bond in exchange for such Series 2017B Bond. Any Registered Owner of a Series 2017B Bond after such exchange may elect to transfer all or a portion of the Tax Credits evidenced by the associated Tax Credit Strips. If and to the extent that any Series 2017B Bonds are separated into Principal Strips and Tax Credit Strips, the Registered Owners of the Principal Strips and Tax Credit Strips shall have the same rights and remedies granted to the Registered Owners of Series 2017B Bonds, and shall receive all notices required to be sent to Owners of the Series 2017B Bonds. Any purchaser or holder of the Series 2017B Bonds who wishes to "strip" the tax credits related to the Series 2017B Bonds should seek advice based on the rules and regulations in effect at the time of the prospective "stripping" transaction from an independent tax advisor.

Redemption Provisions

Optional Redemption. The Series 2017B Bonds maturing on or before September 15, 2027 are not subject to optional redemption prior to maturity. The Series 2017B Bonds maturing on or after September 15, 2028 are subject to redemption, at the option of the District, as a whole, from any source of available funds, on any date on or after September 15, 2027, at a redemption price equal to the principal amount of the Series 2017B Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

The Series 2017C Bonds are not subject to optional redemption.

Mandatory Sinking Fund Redemption. The Series 2017B Bonds maturing by their term on September 15, 2046 (the "2046 Term Bonds") are subject to sinking fund redemption commencing on September 15, 2020 and on each September 15 thereafter at a redemption price equal to the principal amount of the Series 2017B Bonds so redeemed, without premium, together with accrued interest thereon to the date of redemption, in accordance with the following sinking fund schedule, which amounts will be reduced proportionately by the principal amount of such 2046 Term Bonds redeemed in part.

Mandatory Sinking Fund Redemption Schedule
Series 2017B 2046 Term Bonds

Redemption Date (September 15)	Principal Amount	Redemption Date (September 15)	Principal Amount
2020	$170,000	--	--
2021	325,000	2034	$425,000
2022	360,000	2035	460,000
2023	395,000	2036	485,000
2024	440,000	2037	500,000
2025	485,000	2038	525,000
2026	525,000	2039	555,000
2027	290,000	2040	610,000
2028	310,000	2041	615,000
2029	325,000	2042	650,000
2030	340,000	2043	675,000
2031	370,000	2044	705,000
2032	380,000	2045	735,000
2033	415,000	2046 [1]	770,000

[1]Indicates maturity of the $12,840,000 Series 2017B 2046 Term Bonds.

Extraordinary Optional Redemption Due to Extraordinary Event. The Series 2017B Bonds are subject to extraordinary optional redemption prior to maturity, at the option of the District, upon the occurrence of an Extraordinary Event (as defined herein), in whole, at any time, at the "Make-Whole Redemption Price" (a price equal to the greater of (i) 100 percent of the principal amount of the Series 2017B Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2017B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2017B Bonds are to be redeemed, discounted to the date on which the Series 2017B Bonds are to be redeemed on a semiannual basis at the Treasury Rate (as defined herein) plus 100 basis points plus accrued interest on the Series 2017B Bonds to be redeemed to the redemption date. An Extraordinary Event will have occurred if the District determines that a material adverse change has occurred or is likely to occur to Section 54A or Section 54E of the Tax Code (as in effect on the date of issuance of the Series 2017B Bonds) or there is any guidance published by the IRS or the Unites States Treasury with respect to such Sections of the Tax Code which determination is not the result of an act or omission by the District to satisfy the requirements to maintain the Series 2017B Bonds as qualified tax credit bonds issued as QZABs. The District is required to provide written notice to the Paying Agent at least five business days prior to the date of such extraordinary optional redemption date at the Make-Whole Redemption Price. The "Treasury Rate" means with respect to any redemption date for a particular Series 2017B Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) (the "Statistical Release") that has become publicly available at least two business days prior to the redemption date (excluding inflation-indexed securities) (or, if the Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2017B Bonds to be redeemed; provided, however, that, if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

The Series 2017C Bonds are not subject to extraordinary optional redemption due to Extraordinary Event.

Extraordinary Mandatory Redemption From Unexpended Proceeds. In the event and to the extent that the District fails to expend all of the proceeds of the Series 2017B Bonds for a qualified purpose pursuant to Section 54E(a)(1) and (d)(3) of the Tax Code within the period ending three years after the date of the execution and delivery of the Series 2017B Bonds or such later date if extended by the IRS (the "Expenditure Period"), the District shall notify the Paying Agent that the Series 2017B Bonds are subject to extraordinary mandatory redemption, in whole or in part, on any date that is not more than 90 days following the Expenditure Period, at a redemption price equal to 100 percent of the principal amount of the outstanding Series 2017B Bonds to be redeemed, together with accrued interest thereon to the redemption date, without premium. The redemption price of any Series 2017B Bonds to be redeemed under this Section is payable solely from the amounts held by the Treasurer of Tehama County (the "County Treasurer") on behalf of the District in the Building Fund (as defined herein) and transferred for deposit with the Paying Agent at the expiration of the Expenditure Period. See "PLAN OF FINANCE" herein.

The Series 2017C Bonds are not subject to extraordinary mandatory redemption from unexpended proceeds.

Selection of Bonds for Redemption. In the case of any redemption at the election of the District of less than all the outstanding Series 2017B Bonds, the District will, at least 45 days prior to the date fixed for redemption (unless a shorter notice is satisfactory to the Paying Agent) notify the Paying Agent in writing of such redemption date and of the principal amount of Series 2017B Bonds to be redeemed. If less than all the outstanding Series 2017B Bonds of any maturity are to be redeemed, not more than 60 days prior to the redemption date, the Paying Agent will select the particular Series 2017B Bonds to be redeemed from the outstanding Series 2017B Bonds of such maturity that have not previously been called for redemption, in minimum amounts of $5,000 principal amount, by lot in any manner that the Paying Agent in its sole discretion deems appropriate and fair. For purposes of such selection, each $5,000 principal amount will be deemed to be a separate Series 2017B Bond.

Notice of Redemption. The Paying Agent will mail notice of redemption not fewer than 30 nor more than 60 days prior to the redemption date by first-class mail, postage prepaid, to the respective Registered Owners of any Series 2017B Bonds designated for redemption at their addresses appearing on the Bond Register and will file such notice on the same day with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") website. Each notice of redemption will contain: (i) the date of such notice; (ii) the series designation of the Series 2017B Bonds and date of issue of the Series 2017B Bonds; (iii) the redemption date; (iv) the redemption price; (v) the place or places of redemption (including the name and appropriate address or addresses of the Paying Agent); (vi) the CUSIP number (if any) of the maturity or maturities; and (vii) if less than all of any such maturity, the distinctive certificate numbers of the Series 2017B Bonds of such maturity to be redeemed and, in the case of Series 2017B Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each notice will either (i) explicitly state that the proposed redemption is conditioned on there being on deposit on the redemption date sufficient money to pay in full the redemption price of the Series 2017B Bonds or portions thereof to be redeemed; or (ii) be sent only if sufficient money to pay in full the redemption price of the Series 2017B Bonds or portions thereof to be redeemed is on deposit. Each such notice will also (i) state that on said date there will become due and payable on each of said Series 2017B Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Series 2017B Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption; (ii) state that from and after such redemption date interest thereon shall cease to accrue; and (iii) require that such Series 2017B Bonds be then surrendered at the address or addresses of the Paying Agent specified in the redemption notice. Neither the District nor the Paying Agent has any responsibility for any defect in the CUSIP number that appears on any Series 2017B Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the District nor the Paying Agent is liable for any inaccuracy in such numbers.

Defects in Notice or Procedure. Failure by the Paying Agent to file notice with the MSRB or failure of any Registered Owner to receive notice, or any defect in any such notice, will not affect the sufficiency of the proceedings for redemption. Failure by the Paying Agent to mail or otherwise deliver notice to any one or more of the respective Registered Owners of any Series 2017B Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Registered Owner or Owners to whom such notice was mailed or delivered.

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 Registered Owners of the Series 2017B Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the fund held by the Paying Agent for the payment of principal of and interest on the Series 2017B Bonds to the Bondholders (the "Debt Service Fund") or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2017B Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the Registered Owner of any Series 2017B Bond of notice of such rescission is not a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Deposit of Redemption Price. Prior to any redemption date, the District will deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the Series 2017B Bonds that are to be redeemed on that date. Such money will be held for the benefit of the persons entitled to such redemption price.

Effect of Redemption. When notice of redemption has been given substantially as provided by the Paying Agent Agreement and moneys for payment of the redemption price of the Series 2017B Bonds called for redemption are held by the Paying Agent, on the redemption date designated in such notice (i) the Series 2017B Bonds so to be redeemed will become due and payable at the redemption price specified in such notice; (ii) interest on such Series 2017B Bonds will cease to accrue; (iii) such Series 2017B Bonds will cease to be entitled to any benefit or security under the Paying Agent Agreement; and (iv) the Registered Owners of such Series 2017B Bonds will have no rights in respect thereof except to receive payment of said redemption price. Upon surrender of any such Series 2017B Bond for redemption in accordance with said notice, such Series 2017B Bond will be paid by the Paying Agent at the redemption price. If a Series 2017B Bond is redeemed on a date other than a Credit Allowance Date, the associated Tax Credit will be a ratable portion of the Tax Credit otherwise allowed based on the redemption date.

Bonds Redeemed in Part. In the event of extraordinary mandatory redemption from unexpended proceeds and less than all of the Series 2017B Bonds, and upon surrender of any Series 2017B Bond redeemed in part only, the District will execute and the Paying Agent will authenticate, if required, and deliver to the Registered Owner thereof, at the expense of the District, a new Series 2017B Bond or Series 2017B Bonds of the same series of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Series 2017B Bond surrendered.

Redemption of Series 2017B Bonds after Stripping. In the event that the Series 2017B Bonds have been exchanged for Principals Strips and Tax Credit Strips (in whole or in part) pursuant to the Paying Agent Agreement, the Principal Strips shall be called for redemption on the same terms and conditions and in the same manner as the Series 2017B Bonds, and the associated Tax Credit Strips will expire on the date the Principal Strips are so redeemed. In the further event that the Series 2017B Bonds have been redeemed in part pursuant to extraordinary mandatory redemption from unexpended proceeds, upon surrender of any Principals Strips redeemed in part only, the District will execute and the Paying Agent will authenticate, if required, and deliver to the Registered Owner thereof, at the expense of the District, new Principals Strips of the same series of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Principal Strips surrendered, and upon surrender of any associated Tax Credit Strips that have partially expired, the District will execute and the Paying Agent will authenticate, if required, and deliver to the Registered Owner thereof, at the expense of the District, new Tax Credit Strips of the same series of authorized denominations, and of the same maturity, equal in aggregate amount to the unexpired portion of the Tax Credit Strips surrendered.

Transfer and Exchange

If the book-entry system as described herein is no longer used with respect to the Bonds, the provisions in the Paying Agent Agreement summarized below will govern the registration, transfer, and exchange of the Bonds. See "APPENDIX E—DTC BOOK-ENTRY ONLY SYSTEM" attached hereto.

Upon surrender of a Bond (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) for transfer at the Paying Agent's office, the District will execute and, if required, the Paying Agent will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) of the same series, tenor, and maturity and for an equivalent aggregate principal amount.

Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) may be exchanged for an equivalent aggregate principal amount of Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) of other authorized denominations of the same series, tenor, and maturity upon surrender of the Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) for exchange at the Paying Agent's office. Upon surrender of Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) for exchange, the District will execute and, if required, the Paying Agent will authenticate and deliver the Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) that the holder making the exchange is entitled to receive.

Every Bond (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) presented or surrendered for transfer or exchange must be accompanied by a written instrument of transfer, in a form satisfactory to the Paying Agent, that is duly executed by the Registered Owner or by his attorney duly authorized in writing. All fees and costs of any transfer or exchange of Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) will be paid by the holder requesting such transfer or exchange.

All Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) issued upon any transfer or exchange of Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) will be the valid obligations of the District, evidencing the same debt, and entitled to the same security and benefits under the Paying Agent Agreement, as the Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) surrendered upon such transfer or exchange. All Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) surrendered upon any exchange or transfer will be promptly cancelled by the Paying Agent.

The Paying Agent is not required to transfer or exchange (i) Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) during the period established by the Paying Agent for the selection of Bonds (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) for redemption; or (ii) any Bond (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) that has been selected for redemption in whole or in part, except the unredeemed portion of such Bond (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) selected for redemption in part, from and after the day that such Bond (and Principal Strips and Tax Credit Strips should the Series 2017B Bonds be stripped) has been selected for redemption in whole or in part.

Defeasance

Upon the deposit with the Paying Agent, escrow agent, or other fiduciary, at or before maturity, of money or Defeasance Securities (as defined herein) in the necessary amount as provided in the Paying Agent Agreement to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given or provision satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Bond will cease, terminate, and be completely discharged, except that thereafter (i) the Registered Owner thereof will be entitled to payment of the principal amount or redemption price of and interest on such Bond by the District and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent, escrow agent, or other fiduciary for their payment; and (ii) the Registered Owner thereof will retain its rights of transfer or exchange of Bonds. Defeasance Securities means (i) cash; (ii) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (iv) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (v) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

Notwithstanding anything in the Paying Agent Agreement to the contrary, the District will not cause all or a portion of the Series 2017B Bonds to be defeased and paid, unless, prior thereto, the District obtains a ruling from the IRS to the effect that such defeasance of Series 2017B Bonds will not cause a loss of the associated Tax Credits.

Unclaimed Moneys

Subject to applicable escheatment laws, any moneys held by the Paying Agent for the payment of the principal amount or redemption price of or interest on any Bonds and remaining unclaimed for three years after the date when such Bonds have become due and payable (whether at maturity or upon call for redemption), if such moneys were so held at such date, or three years after the date of deposit of such moneys if deposited after the date when such Bonds became due and payable, will be repaid to the District. Thereafter, Registered Owners will look solely to the District for the payment of such funds and the Paying Agent will have no further liability for such funds.

Paying Agent

ZB, National Association dba Zions Bank will act as the transfer agent, bond registrar, authenticating agent and paying agent for the Bonds. As long as Cede & Co or a successor nominee or DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC participant or of any DTC participant to notify any Beneficial Owner of any such notice and its content or effect will not effect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice. The Paying Agent, the District and the Underwriter have no responsibility or liability for any aspects of the records relating to, or payments made on account of, beneficial ownership, or for maintaining, supervising, or reviewing any records relating to beneficial ownership of interests in the Bonds.

PLAN OF FINANCE

The Project

The Project consists of the rehabilitation of existing school facilities of the District to support the establishment and operation of three "qualified zone academies" pursuant to Section 54E of the Tax Code. The Project is estimated to cost $12,976,440. In the event that costs are higher than estimated, the District intends to use available moneys in the District's capital facilities funds to cover the additional costs. The District expects that the Project will be completed within three years. Any amounts remaining from the proceeds of the Series 2017B Bonds on deposit in the Building Fund at the end of the Expenditure Period will be applied to the extraordinary mandatory prepayment of the Series 2017B Bonds. See "THE BONDS—Redemption Provisions" herein.

Application and Investment of Bond Proceeds

Series 2017B Bonds. A portion of the proceeds of the sale of the Series 2017B Bonds, not to exceed two percent of the proceeds of the Series 2017B Bonds, will be used to pay costs of issuance associated with the issuance of the Series 2017B Bonds. The remaining proceeds of the Series 2017B Bonds will be transferred to the Tehama County Treasurer (the "County Treasurer") for deposit in the Red Bluff Joint Union High School District, General Obligation Bonds, Election of 2016, Series 2017B Building Fund (the "Building Fund") created and established in the Tehama County Treasury (the "County Treasury") pursuant to Education Code Section 15146 and used solely to pay for the Project.

Series 2017C Bonds. A portion of the proceeds of the sale of the Series 2017C Bonds, exclusive of any premium, will be used to pay costs of issuance associated with the issuance of the Bonds. The remaining portion of the proceeds of the sale of the Series 2017C Bonds will be transferred to the County Treasurer for deposit in the Red Bluff Joint Union High School District Tax Collection Fund (the "Tax Collection Fund") maintained by the County Treasurer in the County Treasury pursuant to Education Code Section 15251, to be applied to the payment of the interest on the Bonds through September 15, 2018.

Sources and Uses of Funds

The sources and uses of funds in connection with the sale and delivery of the Bonds are set forth in the following table.

Sources and Uses of Funds
Series 2017B Bonds and Series 2017C Bonds

	Series 2017B Bonds	Series 2017C Bonds	Total
SOURCES OF FUNDS			
Par Amount of Bonds	$12,840,000.00	$160,000.00	$13,000,000.00
TOTAL SOURCES OF FUNDS	$12,840,000.00	$160,000.00	$13,000,000.00
USES OF FUNDS			
Building Fund	$12,646,537.21	$0.00	$12,646,537.21
Tax Collection Fund	0.00	155,600.50	155,600.50
Costs of Issuance[1]	138,892.79	3,719.50	142,612.29
Underwriter's Discount	54,570.00	680.00	55,250.00
TOTAL USES OF FUNDS	$12,840,000.00	$160,000.00	$13,000,000.00

[1]Costs of Issuance Fund include fees and expenses of Bond Counsel, the Municipal Advisor, the Paying Agent, and the rating agency as well as the premium for the Policy and certain other expenses related to the issuance of the Bonds.

Investment of Moneys

Under State law, the District is generally required to deposit all moneys received from any source into the County Treasury to be held on behalf of the District. All funds held by the County Treasurer in the Building Fund and the Tax Collection Fund are expected to be invested at the sole discretion of the County Treasurer, on behalf of the District, in such investments as are authorized by Government Code Sections 16429.1, 53601 and 53635 and by the Tehama County Investment Policy (the "County Investment Policy") as either may be amended or supplemented from time to time. See "TEHAMA COUNTY INVESTMENT POOL" herein and "APPENDIX D—TEHAMA COUNTY INVESTMENT POLICY" attached hereto for a description of the permitted investments under the County Investment Policy.

Debt Service Schedules

Scheduled debt service on the Bonds (without regard to optional redemption) is shown in the following table.

Debt Service Schedule
Series 2017B Bonds and Series 2017C Bonds

Interest Payment Date	Series 2017B Bonds Principal	Interest	Semiannual Debt Service	Series 2017C Bonds Principal	Interest	Semiannual Debt Service	Total
March 15, 2018	--	$48,685.00	$48,685.00	--	$824.25	$824.25	$49,509.25
September 15, 2018	--	104,325.00	104,325.00	--	1,766.25	1,766.25	106,091.25
March 15, 2019	--	104,325.00	104,325.00	--	1,766.25	1,766.25	106,091.25
September 15, 2019	--	104,325.00	104,325.00	$45,000.00	1,766.25	46,766.25	151,091.25
March 15, 2020	--	104,325.00	104,325.00	--	1,293.75	1,293.75	105,618.75
September 15, 2020	$170,000.00	104,325.00	274,325.00	115,000.00	1,293.75	116,293.75	390,618.75
March 15, 2021	--	102,943.75	102,943.75	--	--	--	102,943.75
September 15, 2021	325,000.00	102,943.75	427,943.75	--	--	--	427,943.75
March 15, 2022	--	100,303.13	100,303.13	--	--	--	100,303.13
September 15, 2022	360,000.00	100,303.13	460,303.13	--	--	--	460,303.13
March 15, 2023	--	97,378.13	97,378.13	--	--	--	97,378.13
September 15, 2023	395,000.00	97,378.13	492,378.13	--	--	--	492,378.13
March 15, 2024	--	94,168.75	94,168.75	--	--	--	94,168.75
September 15, 2024	440,000.00	94,168.75	534,168.75	--	--	--	534,168.75
March 15, 2025	--	90,593.75	90,593.75	--	--	--	90,593.75
September 15, 2025	485,000.00	90,593.75	575,593.75	--	--	--	575,593.75
March 15, 2026	--	86,653.13	86,653.13	--	--	--	86,653.13
September 15, 2026	525,000.00	86,653.13	611,653.13	--	--	--	611,653.13
March 15, 2027	--	82,387.50	82,387.50	--	--	--	82,387.50
September 15, 2027	290,000.00	82,387.50	372,387.50	--	--	--	372,387.50
March 15, 2028	--	80,031.25	80,031.25	--	--	--	80,031.25
September 15, 2028	310,000.00	80,031.25	390,031.25	--	--	--	390,031.25
March 15, 2029	--	77,512.50	77,512.50	--	--	--	77,512.50
September 15, 2029	325,000.00	77,512.50	402,512.50	--	--	--	402,512.50
March 15, 2030	--	74,871.88	74,871.88	--	--	--	74,871.88
September 15, 2030	340,000.00	74,871.88	414,871.88	--	--	--	414,871.88
March 15, 2031	--	72,109.38	72,109.38	--	--	--	72,109.38
September 15, 2031	370,000.00	72,109.38	442,109.38	--	--	--	442,109.38
March 15, 2032	--	69,103.13	69,103.13	--	--	--	69,103.13
September 15, 2032	380,000.00	69,103.13	449,103.13	--	--	--	449,103.13
March 15, 2033	--	66,015.63	66,015.63	--	--	--	66,015.63
September 15, 2033	415,000.00	66,015.63	481,015.63	--	--	--	481,015.63
March 15, 2034	--	62,643.75	62,643.75	--	--	--	62,643.75
September 15, 2034	425,000.00	62,643.75	487,643.75	--	--	--	487,643.75
March 15, 2035		59,190.63	59,190.63	--	--	--	59,190.63
September 15, 2035	460,000.00	59,190.63	519,190.63	--	--	--	519,190.63
March 15, 2036	--	55,453.13	55,453.13	--	--	--	55,453.13
September 15, 2036	485,000.00	55,453.13	540,453.13	--	--	--	540,453.13
March 15, 2037	--	51,512.50	51,512.50	--	--	--	51,512.50
September 15, 2037	500,000.00	51,512.50	551,512.50	--	--	--	551,512.50
March 15, 2038	--	47,450.00	47,450.00	--	--	--	47,450.00
September 15, 2038	525,000.00	47,450.00	572,450.00	--	--	--	572,450.00
March 15, 2039	--	43,184.38	43,184.38	--	--	--	43,184.38
September 15, 2039	555,000.00	43,184.38	598,184.38	--	--	--	598,184.38
March 15, 2040	--	38,675.00	38,675.00	--	--	--	38,675.00
September 15, 2040	610,000.00	38,675.00	648,675.00	--	--	--	648,675.00
March 15, 2041	--	33,718.75	33,718.75	--	--	--	33,718.75
September 15, 2041	615,000.00	33,718.75	648,718.75	--	--	--	648,718.75
March 15, 2042	--	28,721.88	28,721.88	--	--	--	28,721.88
September 15, 2042	650,000.00	28,721.88	678,721.88	--	--	--	678,721.88
March 15, 2043	--	23,440.63	23,440.63	--	--	--	23,440.63
September 15, 2043	675,000.00	23,440.63	698,440.63	--	--	--	698,440.63
March 15, 2044	--	17,956.25	17,956.25	--	--	--	17,956.25
September 15, 2044	705,000.00	17,956.25	722,956.25	--	--	--	722,956.25
March 15, 2045	--	12,228.13	12,228.13	--	--	--	12,228.13
September 15, 2045	735,000.00	12,228.13	747,228.13	--	--	--	747,228.13
March 15, 2046	--	6,256.25	6,256.25	--	--	--	6,256.25
September 15, 2046	770,000.00	6,256.25	776,256.25	--	--	--	776,256.25
Total	$12,840,000.00	$3,719,316.38	$16,559,316.38	$160,000.00	$8,710.50	$168,710.50	$16,728,026.88

Upon issuance of the Bonds, scheduled debt service on the District's outstanding general obligation bond debt (without regard to optional redemption) is shown in the following table. See "DISTRICT FINANCIAL INFORMATION—Long-Term Borrowings" for more information on the District's outstanding bonded debt.

Outstanding General Obligation Bond Debt Service
Red Bluff Joint Union High School District

Year Ended June 30	Series 2017 Bonds	Series 2017B Bonds	Series 2017C Bonds	Total General Obligation Bond Debt Service
2018	$358,231	$48,685	$824	$407,740
2019	881,113	208,650	3,533	1,093,295
2020	705,863	208,650	48,060	962,573
2021	475,238	377,269	116,294	968,800
2022	475,238	528,247	--	1,003,484
2023	475,238	557,681	--	1,032,919
2024	475,238	586,547	--	1,061,784
2025	475,238	624,763	--	1,100,000
2026	475,238	662,247	--	1,137,484
2027	475,238	694,041	--	1,169,278
2028	699,488	452,419	--	1,151,906
2029	717,238	467,544	--	1,184,781
2030	741,313	477,384	--	1,218,697
2031	766,938	486,981	--	1,253,919
2032	781,663	511,213	--	1,292,875
2033	810,166	515,119	--	1,325,284
2034	827,088	543,659	--	1,370,747
2035	857,250	546,834	--	1,404,084
2036	875,797	574,644	--	1,450,441
2037	897,738	591,966	--	1,489,703
2038	926,300	598,963	--	1,525,263
2039	956,400	615,634	--	1,572,034
2040	979,400	636,859	--	1,616,259
2041	980,800	682,394	--	1,663,194
2042	1,030,000	677,441	--	1,707,441
2043	1,061,300	702,163	--	1,763,463
2044	1,094,900	716,397	--	1,811,297
2045	1,125,700	735,184	--	1,860,884
2046	1,158,600	753,484	--	1,912,084
2047	1,193,400	776,256	--	1,969,656
Total	$23,753,343	$16,559,316	$168,711	$40,481,370

SECURITY AND SOURCE OF PAYMENT

Introduction

The Bonds are general obligation bonds of the District, payable from *ad valorem* property taxes levied and collected by Tehama County and Shasta County for the payment of principal of and interest on the Bonds. The Board of Supervisors of Tehama County (the "County Board") and the Board of Supervisors of Shasta County are 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) in order to provide sufficient funds for repayment of principal of and interest on the Bonds when due. Although the Counties are obligated to levy and collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of either of the Counties.

The proceeds of such *ad valorem* tax, when collected, will be placed in the Tax Collection Fund, which *ad valorem* taxes, together with the amounts on deposit in the Tax Collection Fund, are irrevocably pledged for the payment of principal of and interest on the Bonds when and as the same fall due. The Counties will levy such *ad valorem* tax in accordance with Education Code Section 15250 *et seq.* and cause the proceeds from such levy to be deposited into the Tax Collection Fund to pay the principal of and interest on the Bonds when due. The District will direct the County Treasurer to transfer, at least one business day prior to each Interest Payment Date, from the Tax Collection Fund to the Paying Agent for deposit in the Debt Service Fund an amount sufficient to pay the principal and interest becoming due and payable on the next succeeding Interest Payment Date. Any moneys remaining in the Tax Collection Fund after the principal of and interest on the Bonds have been paid will be used to pay other general obligation bonds of the District or, if there are no other general obligation bonds of the District outstanding, will be transferred to the general fund of the District (the "General Fund") pursuant to Education Code Section 15234.

Various officers of the Counties are responsible for the performance of each function in the property taxation system. Property tax revenues result from the application of the appropriate tax rate to the total net assessed value of taxable property in the District. All property, including real, personal and intangible property, is taxable, unless granted an exemption by the State 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 California Legislature (the "State Legislature") may create additional exemptions for personal property, but not for real property. Taxes on property located in a school district with boundaries extending into more than one county are administered separately by each county in which the property is located (the District is located in both Tehama County and Shasta County). In such school districts, the rate of tax is determined by the school district's primary county (the District's primary county is Tehama County), and the primary county directs the secondary county to place the tax on the tax rolls. Taxes collected by the secondary county are sent to the primary county.

Taxes on real property located within the District are assessed and collected by Tehama County and Shasta County in the same manner, at the same time, and in the same installments as other *ad valorem* taxes on real property located in Tehama County and Shasta County, respectively. In addition to general obligation bonds issued by the District, other entities with jurisdiction in or overlapping with the District may issue debt payable from *ad valorem* taxes also levied on parcels in the District. Such taxes have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency as *ad valorem* taxes levied for the payment of the Bonds and other general obligation bonds of the District.

In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Bonds from any source of funds other than *ad valorem* taxes. However, nothing in the Resolution or the Paying Agent Agreement prevents the District from making advances of its moneys, howsoever derived, to any use or purpose permitted by law.

Statutory Lien on *Ad Valorem* Tax Revenues (Senate Bill 222)

All general obligation bonds issued and sold by or on behalf of a local agency in the State, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax pursuant to Education Code Section 15251 and Government Code Section 53515, which became effective as of January 1, 2016 pursuant to Senate Bill 222. The lien automatically arises without the need for any action or authorization by the local agency or its governing board and is valid and binding from the time the bonds are executed and delivered. In addition, the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will automatically attach to the revenues and be effective, binding, and enforceable against the local agency, such as the District, as applicable, 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 tax.

Assessed Valuation of Property

The county assessor of Tehama County and the county assessor of Shasta County (together, the "County Assessors") must annually assess all taxable property in Tehama County and Shasta County, respectively (except for "utility" property, assessed by the State), to the person, business or legal entity owning, claiming, possessing or controlling the property on January 1, the lien date. Property assessed by the County Assessors is subject to the reappraisal provisions set forth in the State Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES—Article XIIIA of the State Constitution" herein. The duties of the County Assessors are to discover all assessable property, to inventory and list all taxable property, to value the property, and to enroll the property on the local assessment roll. Locally assessed taxable property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The secured roll contains real property sufficient, in the opinion of the County Assessors, to secure the payment of the taxes as a lien on real property. All other property is unsecured and assessed on the unsecured roll. The District can make no predictions as to the changes in assessed values that might result from pending or future appeals of assessed valuation by taxpayers or temporary reductions in assessed valuation allowed under the State Constitution. Any reduction in aggregate District assessed valuation will cause the tax rate necessary to repay the Bonds to increase accordingly. Any refund of paid taxes triggered by a successful assessment appeal will be debited against all taxing agencies receiving tax revenues, including the District.

The secured roll also includes certain "utility" property, entered on the utility roll, located in Tehama County and Shasta County but assessed by the State Board of Equalization (the "SBE") rather than the County Assessors. Such property includes property owned or used by State-regulated transportation and communications utilities such as railways, telephone and telegraph companies, companies transmitting or selling gas or electricity, and pipelines, flumes, canals and aqueducts lying within two or more counties. Property assessed by the SBE is not subject to the provisions of Proposition 13 (1978) and is annually reappraised at its market value as of January 1 and then allocated by formula among all the taxing jurisdictions in Tehama County and Shasta County respectively, including the District. The growth or decline in the assessed valuation of utility property is shared by all jurisdictions in Tehama County and Shasta County respectively. The District can make no predictions regarding the impact of the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies on the amount of tax revenue collected. 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 taxing jurisdictions in Tehama County and/or Shasta County; the transfer of property located and taxed in the District to a State-assessed utility will, in general, reduce the assessed value in the District, as the value is shared among the other jurisdictions in Tehama County and/or Shasta County.

The greater the total assessed value of all taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. Shown in the following table are 10 years of the District's historical assessed valuation. Total secured assessed value includes net local secured, secured homeowner exemption, and utility value. Total unsecured assessed value include net local unsecured and unsecured homeowner exemption value.

Historical Total Secured and Unsecured Assessed Valuation
Red Bluff Joint Union High School District

Year Ended June 30	Total Secured Assessed Value	Total Unsecured Assessed Value	Total Assessed Value	Percentage Change
2009	$3,474,890,466	$103,901,446	$3,578,791,912	--
2010	3,258,716,421	109,696,930	3,368,413,351	(5.88%)
2011	3,095,523,860	99,056,062	3,194,579,922	(5.16)
2012	3,071,368,536	99,828,115	3,171,196,651	(0.73)
2013	2,942,272,758	103,774,377	3,046,047,135	(3.95)
2014	3,021,510,572	115,838,254	3,137,348,826	3.00
2015	3,073,300,730	112,856,971	3,186,157,701	1.56
2016	3,276,667,397	119,278,442	3,395,945,839	6.58
2017	3,347,413,808	147,253,743	3,494,667,551	2.91
2018	3,494,364,635	123,967,764	3,618,332,399	3.54

Source: Tehama County Assessor and Shasta County Assessor.

The District may not issue bonds in excess of 1.25 percent of the assessed valuation of taxable property within its boundaries. The District's gross bonding capacity in fiscal year 2017-18 is approximately $45.2 million. Upon issuance of the Bonds, the District will have remaining bonding capacity of approximately $19.2 million.

Set forth in the following table is the historical assessed valuation by county for the District.

Historical Total Assessed Valuation by County
Red Bluff Joint Union High School District

Year Ended June 30	Tehama County Assessed Value	Percent of Total	Shasta County Assessed Value	Percent of Total	Total Assessed Value
2009	$3,534,103,336	98.8%	$44,688,576	1.2%	$3,578,791,912
2010	3,323,149,181	98.7	45,264,170	1.3	3,368,413,351
2011	3,152,051,681	98.7	42,528,241	1.3	3,194,579,922
2012	3,131,271,314	98.7	39,925,337	1.3	3,171,196,651
2013	3,007,245,765	98.7	38,801,370	1.3	3,046,047,135
2014	3,100,000,195	98.8	37,348,631	1.2	3,137,348,826
2015	3,148,760,096	98.8	37,397,605	1.2	3,186,157,701
2016	3,356,906,090	98.9	39,039,749	1.1	3,395,945,839
2017	3,452,440,308	98.8	42,227,243	1.2	3,494,667,551
2018	3,574,218,496	98.8	44,113,903	1.2	3,618,332,399

Source: Tehama County Assessor and Shasta County Assessor.

Shown in the following table is a distribution of taxable real property located in the District by principal purpose for which the land is used along with the local secured assessed valuation (excludes homeowners' exemption) and number of parcels for each use for fiscal year 2017-18.

Assessed Valuation and Parcels by Land Use
Red Bluff Joint Union High School District

Non-Residential:	2017-18 Assessed Valuation[1]	Percent of Total	Number of Parcels	Percent of Total
Agricultural/Rural	$620,594,030	17.77%	5,454	18.20%
Commercial/Office	178,395,194	5.11	394	1.31
Vacant Commercial	46,211,559	1.32	257	0.86
Industrial	200,084,805	5.73	215	0.72
Vacant Industrial	8,975,599	0.26	68	0.23
Recreational	90,937,130	2.60	1,339	4.47
Government/Social/Institutional	8,612,233	0.25	1,369	4.57
Miscellaneous	1,552,544	0.04	540	1.80
Subtotal Non-Residential	$1,155,363,094	33.08%	9,636	32.15%
Residential:				
Single-Family Residence	$1,944,799,749	55.69%	12,308	41.06%
Condominium	5,086,543	0.15	45	0.15
Mobile Home	95,637,215	2.74	2,521	8.41
Mobile Home Park	31,077,458	0.89	53	0.18
Hotel/Motel	34,500,870	0.99	25	0.08
2-4 Residential Units	58,454,219	1.67	398	1.33
5+ Residential Units/Apartments	36,092,763	1.03	64	0.21
Vacant Residential	131,280,432	3.76	4,922	16.42
Subtotal Residential	$2,336,929,249	66.92%	20,336	67.85%
Total	$3,492,292,343	100.00%	29,972	100.00%

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

The following table sets forth the assessed valuation of single-family homes within the District's boundaries for fiscal year 2017-18.

Per-Parcel Assessed Valuation of Single-Family Homes
Red Bluff Joint Union High School District

	Number of Parcels	2017-18 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	12,308	$1,944,799,749	$158,011	$141,396

2017-18 Assessed Valuation	Number of Parcels[1]	Percent of Total	Cumulative Percent of Total	Total Valuation	Percent of Total	Cumulative Percent of Total
$0 - $24,999	217	1.763%	1.763%	$3,751,412	0.193%	0.193%
$25,000 - $49,999	776	6.305	8.068	30,636,505	1.575	1.768
$50,000 - $74,999	1,145	9.303	17.371	72,393,056	3.722	5.491
$75,000 - $99,999	1,432	11.635	29.006	125,075,369	6.431	11.922
$100,000 - $124,999	1,560	12.675	41.680	175,769,061	9.038	20.960
$125,000 - $149,999	1,501	12.195	53.876	205,632,884	10.573	31.533
$150,000 - $174,999	1,429	11.610	65.486	231,898,857	11.924	43.457
$175,000 - $199,999	1,137	9.238	74.724	212,361,647	10.919	54.377
$200,000 - $224,999	837	6.800	81.524	177,098,451	9.106	63.483
$225,000 - $249,999	602	4.891	86.415	142,578,923	7.331	70.814
$250,000 - $274,999	405	3.291	89.706	106,170,802	5.459	76.274
$275,000 - $299,999	327	2.657	92.363	93,790,754	4.823	81.096
$300,000 - $324,999	230	1.869	94.231	71,599,105	3.682	84.778
$325,000 - $349,999	183	1.487	95.718	61,571,136	3.166	87.944
$350,000 - $374,999	151	1.227	96.945	54,716,330	2.813	90.757
$375,000 - $399,999	110	0.894	97.839	42,600,925	2.191	92.948
$400,000 - $424,999	81	0.658	98.497	33,303,892	1.712	94.660
$425,000 - $449,999	44	0.357	98.854	19,288,934	0.992	95.652
$450,000 - $474,999	28	0.227	99.082	12,911,442	0.664	96.316
$475,000 - $499,999	33	0.268	99.350	16,039,377	0.825	97.141
$500,000 and greater	80	0.650	100.000	55,610,887	2.859	100.000
	12,308	100.000%		$1,944,799,749	100.000%	

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

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed one percent of the property's full cash value, plus the amount necessary to make annual payments due on general obligation bonds or other indebtedness incurred prior to July 1, 1978, any bonded indebtedness for the acquisition or improvement or real property approved by a two-thirds majority of voters on or after July 1, 1978, and certain bonded indebtedness for school facilities approved by 55 percent of the voters. The Tehama County Auditor-Controller (the "County Auditor-Controller") computes the additional rate of tax necessary to pay such scheduled debt service, presents the tax rates for all taxing jurisdictions in Tehama County to the County Board and directs the Shasta County Auditor-Controller to place the tax on the tax rolls in Shasta County.

The tax rate necessary to pay debt service in a given year largely depends on the net assessed value of taxable property in that year. The net assessed value of taxable property may be affected by several factors, such as a general market decline in land values, reclassification of property to a class exempt from taxation, such as property owned by State and local agencies, or property used for certain educational, hospital, charitable or religious purposes, or the destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, drought, toxic dumping, *etc*. Any of these instances could cause a reduction in the net assessed value of taxable property within the District, necessitating a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The following table shows *ad valorem* property tax rates per $100 of assessed value for the last five years in two typical tax rate areas of the District (TRA 2-001 and TRA 63-000). The fiscal year 2017-18 assessed valuation of TRA 2-001 is $659,073,377, approximately 18.21 percent of the total assessed value of taxable property in the District. The fiscal year 2017-18 assessed valuation of TRA 63-000 is $471,937,987, approximately 13.04 percent of the total assessed value of taxable property in the District.

Typical Total Tax Rates per $100 of Assessed Valuation
TRA 2-001 and TRA 63-000
Red Bluff Joint Union High School District

	TRA 2-001				
	2013-14	2014-15	2015-16	2016-17	2017-18
General Tax Rate	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Red Bluff Joint Union High School District	--	--	--	--	0.029400
Shasta-Tehama-Trinity Community College District	0.008800	0 .010700	0.005100	0.005700	0.026700
Total Tax Rate	$1.008800	$1.010700	$1.005100	$1.005700	$1.056100
	TRA 63-000				
	2013-14	2014-15	2015-16	2016-17	2017-18
General Tax Rate	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Red Bluff Joint Union High School District	--	--	--	--	0.029400
Shasta-Tehama-Trinity Community College District	0.008800	0.010700	0.005100	0.005700	0.026700
Evergreen Union School District	0.024900	0.021100	0.024600	0.024100	--
Total Tax Rate	$1.033700	$1.031800	$1.029700	$1.029800	$1.056100

Source: California Municipal Statistics, Inc.

The more property (by assessed value) that is owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and their ability or willingness to pay property taxes. In fiscal year 2017-18, no single taxpayer owned more than 2.66 percent of the total secured taxable property in the District. However, each taxpayer listed is a unique name on the tax rolls. The District cannot determine from assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the list of largest taxpayers identified in the following table.

The 20 taxpayers in the District with the greatest combined secured assessed valuation of taxable property on the fiscal year 2017-18 tax roll own property that comprises 11.47 percent of the local assessed valuation of secured property in the District. These taxpayers, ranked by aggregate assessed value of taxable property as shown on the fiscal year 2017-18 secured tax roll and the amount of each owner's assessed valuation for all taxing jurisdictions within the District are shown in the following table.

Largest Taxpayers
Red Bluff Joint Union High School District

	Property Owner	Land Use	2017-18 Assessed Valuation	Percent of Total[1]
1.	Charles R Crain. Jr.	Food Processing	$92,919,389	2.66%
2.	Wal-Mart Stores East LP	Warehouse/Distribution	91,813,933	2.63
3.	Sierra Pacific Industries	Lumber Production	33,879,038	0.97
4.	Agreserves Inc.	Agricultural/Rural	23,136,199	0.66
5.	Nine Mile Hill Investment Co.	Residential Land	16,814,636	0.48
6.	Louisiana - Pacific Corp.	Lumber Production	15,177,559	0.43
7.	California Power Holdings LLC	Industrial	14,510,636	0.42
8.	Pactiv LLC	Industrial	13,467,617	0.39
9.	Belle Mill Retail Partners LLC	Shopping Center	12,047,000	0.34
10.	R-Wild Horse Ranch	Recreational	11,762,774	0.34
11.	Charles A. Orwick Living Trust	Agricultural/Rural	9,747,580	0.28
12.	Haleakala Ranch	Agricultural/Rural	9,357,867	0.27
13.	Pawan and Priti Kumar	Hotel/Motel	9,263,359	0.27
14.	Home Depot USA Inc.	Commercial	8,078,990	0.23
15.	Red Bluff Hotel LLC	Hotel/Motel	7,688,970	0.22
16.	Lindauer River Ranch LLC	Agricultural/Rural	7,044,870	0.20
17.	Assisted Living Facilities	Apartments	6,177,574	0.18
18.	Rio Vista MH Park LP	Mobile Home Park	6,079,561	0.17
19.	Raley's	Supermarket	5,902,663	0.17
20.	Tehama Medical Arts LLC	Medical Offices	5,825,597	0.17
			$400,695,812	11.47%

[1]Fiscal year 2017-18 local secured assessed valuation: $3,492,292,343.
Source: California Municipal Statistics, Inc.

Another factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the number of other taxes already imposed by other taxing jurisdictions in which a property is included. Contained within the District's boundaries are numerous overlapping local entities providing public services which may have outstanding long-term obligations in the form of general obligation, lease revenue and special assessment bonds. Such obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The following table shows long-term obligations sold in the public credit markets by the public agencies listed. The first column in the table names each public agency which has outstanding debt as of November 1, 2017 and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (not shown) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District. Property owners within the District may be subject to other special taxes and assessments levied by other taxing authorities providing services within the District. Such non-*ad valorem* special taxes and assessments (which are not levied to fund debt service) are not represented in the statement of direct and overlapping bonded debt.

The statement of direct and overlapping bonded debt relating to the District set forth below was prepared by California Municipal Statistics, Inc. It has been included for general information purposes only. The District has not reviewed the statement for completeness or accuracy and makes no representations in connection with the statement.

Statement of Direct and Overlapping Bonded Debt (As of November 1, 2017)
Red Bluff Joint Union High School District

2017-18 Assessed Valuation: $3,618,332,399	Percent Applicable	Debt as of November 1, 2017
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Shasta-Tehama-Trinity Community College District	14.727%	$10,692,044
Red Bluff Union High School District	**100.000**	**13,000,000** [1]
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$23,692,044
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Shasta County General Fund Obligations	0.260%	$82,187
Tehama County Certificates of Participation	69.381	8,110,639
Shasta-Tehama-Trinity Community College District Certificates of Participation	14.727	1,098,659
Red Bluff Union High School District Certificates of Participation	**100.000**	**5,795,000**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$15,086,485
COMBINED TOTAL DEBT		$38,778,529 [2]

Ratios to 2017-18 Assessed Valuation:
Direct Debt ($13,000,000)..0.36%
Combined Direct Debt ($18,795,000)..........................0.52%
Total Overlapping Tax and Assessment Debt.................0.65%
Combined Total Debt..1.07%

[1]Excludes the Bonds to be sold.
[2]Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Tax Collections and Delinquencies

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction assessed as of January 1, at which time the tax lien attaches. The tax collector of Tehama County and the tax collector of Shasta County (together, the "County Tax Collectors") are each presented with a tax roll created from the combined rolls of the respective county assessor and the SBE. The County Tax Collectors prepare and mail tax bills to taxpayers and collect the taxes.

In both Tehama County and Shasta County, property taxes on the regular secured roll are due in two equal installments. The annual tax bill is mailed by November 1; the first installment is delinquent after December 10 and the second installment is due on April 10. In Tehama County, delinquent taxes due in the first installment are subject to a 10 percent penalty; delinquent taxes due in the second installment are subject to a 10 percent penalty and an added $20 cost. In Shasta County, delinquent taxes due in the first installment are subject to a 10 percent penalty; delinquent taxes due in the second installment are subject to a 10 percent penalty and an added $10 cost. If taxes remain unpaid by July 1, the tax is deemed to be in default. After five years, the Counties generally have the power to sell tax-defaulted property that is not redeemed; proceeds from such sale are applied to the payment of the delinquent taxes.

Property taxes on the unsecured roll are due annually. The bill is mailed during July; taxes on the unsecured roll are due and, if unpaid, are delinquent on August 31, and thereafter subject to a 10 percent penalty. In addition, if unpaid after October 31, added monthly penalties of 1.5 percent as well as additional lien or collection fees will accrue each month on the principal amount of unpaid delinquent unsecured taxes. Upon delinquency, the Counties may use the following collection methods:

filing of liens, filing of summary judgments, seizure and sale of personal property, or seizure of State tax refunds or State lottery winnings.

As long as the Teeter Plan, discussed below, remains in effect in the Counties, the District will be credited with the full amount of the tax levy no matter the delinquency rate within the District. See "—Alternative Method of Tax Apportionment" herein.

Alternative Method of Tax Apportionment

The Board of Supervisors of Tehama County and the Board of Supervisors of Shasta County have both approved implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") pursuant to the California Revenue and Taxation Code (the "Revenue and Taxation Code") Section 4701 *et seq*. The Teeter Plan guarantees distribution to each local agency in each county an amount equal to 100 percent of the taxes levied on their behalf on the secured roll within such county, with such county retaining all penalties and interest affixed upon delinquent properties and redemptions of subsequent collections.

The cash position of the treasurer of each county is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In any given fiscal year, when the amount in the Tax Loss Reserve Fund exceeds a specified amount as prescribed by law, such excess amounts may be credited for the remainder of that fiscal year to the respective county's general fund. Amounts required to be maintained in the Tax Loss Reserve Fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect in a county unless the board of supervisors of such county orders its discontinuance or unless, prior to the commencement of any fiscal year of the county (which commences on July 1), the board of supervisors 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 procedures 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 three percent of the total of all taxes and assessments levied on the secured rolls in that agency.

If the Teeter Plan were discontinued in either or both Tehama County and Shasta County, only those secured property taxes actually collected in that county would be allocated to political subdivisions, including the District. Further, the District's tax revenues would be subject to taxpayer delinquencies, and the District would realize the benefit of interest and penalties collected from delinquent taxpayers, pursuant to law.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its municipal bond insurance policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as "APPENDIX F" to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On June 26, 2017, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Capitalization of AGM. At September 30, 2017:

- The policyholders' surplus of AGM was approximately $2,322 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,371 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately $1,681 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017);
- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017);
- the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (filed by AGL with the SEC on August 3, 2017); and
- the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (filed by AGL with the SEC on November 3, 2017).

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

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

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

TEHAMA COUNTY INVESTMENT POOL

This section provides a summary description of Tehama County's investment policy and current portfolio. Certain information has been obtained from the County Treasurer for inclusion in this Official Statement and is believed to be reliable. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the County of Tehama, Office of the Treasurer/Tax Collector, 444 Oak Street, Room D, Red Bluff, California 96080, telephone (530) 529-8700.

The County Treasurer manages the Tehama County Investment Pool (the "County Pool") in which certain funds of Tehama County and certain funds of other participating entities are invested pending disbursement. General participants are those government agencies within Tehama County, including the District, for which the County Treasurer is statutorily designated as the custodian of such funds. The County Treasurer is the *ex officio* treasurer of each of these participating entities, and such entities are legally required to deposit their cash receipts and revenues in the Tehama County treasury. Under State law, withdrawals are allowed only to pay for expenses that have become due. The governing board of each school district and special district within Tehama County may allow, by appropriate board resolution, certain withdrawals of non-operating funds for purposes of investing outside the County Pool. Some districts have from time to time authorized the County Treasurer to purchase specified investments for certain district funds to mature on predetermined future dates when cash would be required for disbursements. Other local agencies, such as special districts and cities for which the County Treasurer is not the statutory designated fund custodian, may participate in the County Pool. Such participation is subject to the consent of the County Treasurer and must be in accordance with State law.

Funds held in the County Pool are invested by the County Treasurer in accordance with State law and the County Investment Policy, which is prepared by the County Treasurer and approved by the County Board annually. A copy of the current investment policy is attached hereto as "APPENDIX D." The County Investment Policy sets forth the County Treasurer's investment objectives of, in order of priority, safety, liquidity and yield. In addition, the County Investment Policy describes the instruments eligible for inclusion in the County Pool and the limitations applicable to each type. A treasury oversight committee regularly monitors the investment activity of the County Pool and reviews investment reports. The County Treasurer neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District will maintain or cause to be maintained detailed records with respect to the applicable proceeds.

A summary description of the composition of the County Pool from the investment report as of June 30, 2017 is provided in the following table.

Tehama County Investment Pool
As of June 30, 2017

Investment Type	Par Value	Book Value	Market Value	Percent of Portfolio
Corporate Obligations	$28,590,000	$28,686,082	$28,645,895	19.27%
Certificates of Deposit	16,158,000	16,158,000	16,148,017	10.86
Government Obligations	68,775,000	68,946,063	68,778,428	43.32
MUFG Institutional Trust Deposit Account	43,349	43,349	43,349	0.03
State of California LAIF	33,000,000	33,000,000	33,000,000	1.35
Cornerstone Community Bank	2,005,041	2,005,041	2,005,041	22.17
Total	$148,571,390	$148,838,535	$148,620,731	100.00%

Source: Tehama County Treasurer.

Neither the District nor the Underwriter has made an independent investigation of the investments in the County Pool and has made no assessment of the current County Investment Policy. The value of the various investments in the County Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, upon the approval by the County Board, may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the County Pool will not vary significantly from the values described therein.

CITY AND COUNTY ECONOMIC PROFILE

The information in this section concerning the economy of the City of Red Bluff and the County of Tehama is provided as supplementary information only, and is not intended to be an indication of security for the Bonds. The Bonds are payable from the proceeds of an ad valorem *tax, approved by the voters of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied by Tehama County and Shasta County on all taxable property in the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

General Information

Tehama County, founded in 1856, is located in the central northern region of the State approximately halfway between Sacramento and the State's northern border. Tehama County encompasses approximately 2,962 square miles of primarily agricultural and ranch lands and nature preserves with urban development in small cities and communities along the Interstate 5 central corridor. Based on data compiled by CoreLogic, Inc., the median sale price of a single-family home in Tehama County was $205,000 in October 2017, an increase of approximately 14.5 percent from $179,000 in October 2016.

The City of Red Bluff, incorporated in 1876, is the largest city in and the seat of government of Tehama County. Located approximately 130 miles north of the City of Sacramento, the City encompasses approximately 7.7 square miles. Based on data compiled by CoreLogic, Inc., the median sale price of a single-family home in the City was $195,000 in October 2017, an increase of approximately 23.8 percent from $157,500 in October 2016.

Population

The following table displays estimated population as of January 1 for the past five years for the City, Tehama County and the State.

Historical Population
City of Red Bluff, Tehama County and the State of California

	2013	2014	2015	2016	2017
City of Red Bluff	14,096	14,069	14,079	14,048	14,070
Tehama County	63,642	63,752	63,845	63,934	63,995
State of California	38,238,492	38,572,211	38,915,880	39,189,035	39,523,613

Source: State Department of Finance.

Personal Income

Total personal income includes income from all sources including net earnings, dividends, interest and rent, and personal current transfer receipts received by residents in the region. *Per capita* personal income ("PCPI") was $37,592 in Tehama County in 2016, an increase of 4.6 percent from 2015 levels, compared to an increase of 6.6 percent statewide and 4.2 percent nationally. The following table shows PCPI for Tehama County as well as for the State and the United States for the past five years for which data is available.

***Per Capita* Personal Income**
Tehama County, State of California, United States

	2012	2013	2014	2015	2016
Tehama County	$31,430	$31,772	$34,963	$36,557	$37,592
State of California	48,369	48,570	51,344	54,718	56,374
United States	44,282	44,493	46,494	48,451	49,246

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Labor Force and Employment

The following table contains a summary of the City's historical unemployment data for the past four years and for the most recent month available in the current year, not seasonally adjusted.

Historical Unemployment
City of Red Bluff

	Annual 2013	Annual 2014	Annual 2015	Annual 2016	October 2017[1]
Total Labor Force	5,340	5,340	5,340	5,330	5,650
Number of Employed	4,790	4,790	4,890	4,930	5,370
Number of Unemployed	550	550	450	400	280
Unemployment Rate	10.2%	10.2%	8.4%	7.5%	5.0%

[1]Preliminary.
Source: State Employment Development Department.

The following table contains a summary of Tehama County's historical unemployment data for the past four years and for the most recent month available in the current year, not seasonally adjusted.

Historical Unemployment
Tehama County

	Annual 2013	Annual 2014	Annual 2015	Annual 2016	October 2017[1]
Total Labor Force	25,000	25,230	25,190	25,200	26,710
Number of Employed	22,100	22,780	23,190	23,410	25,450
Number of Unemployed	2,900	2,440	2,000	1,790	1,260
Unemployment Rate	11.6%	9.7%	8.0%	7.1%	4.7%

[1]Preliminary.
Source: State Employment Development Department.

Employment by Industry

The following table shows Tehama County's labor patterns by type of industry from 2012 through 2016 by annual average, not seasonally adjusted.

Historical Employment by Industry
Tehama County

	2012	2013	2014	2015	2016
Total, All Industries	16,070	16,540	17,110	17,610	18,030
Total Farm	1,450	1,430	1,470	1,750	1,790
Total Nonfarm	14,620	15,120	15,640	15,860	16,240
Total Private	10,550	11,180	11,640	11,840	12,150
Goods Producing	2,180	2,340	2,470	2,530	2,500
Mining, Logging and Construction	570	670	710	690	700
Manufacturing	1,610	1,670	1,770	1,840	1,800
Service Providing	12,440	12,780	13,160	13,340	13,740
Private Service Providing	8,370	8,840	9,160	9,320	9,650
Trade, Transportation & Utilities	3,160	3,430	3,580	3,670	3,920
Information	80	70	60	60	60
Financial Activities	360	350	340	330	360
Professional & Business Services	830	630	660	700	830
Educational & Health Services	2,380	2,770	2,860	2,860	2,840
Leisure & Hospitality	1,230	1,260	1,300	1,360	1,310
Other Services	340	340	360	340	340
Government	4,070	3,940	4,000	4,020	4,090
Federal Government	250	230	230	220	230
State Government	340	330	360	390	360
Local Government	3,490	3,380	3,410	3,420	3,500

Figures may not foot due to rounding.
Source: State Employment Development Department.

Major Employers

The following table provides a list of 10 major employers, corresponding number of employees and percent of total employment in the City for fiscal year 2015-16.

Major Employers
City of Red Bluff

Employer	Number of Employees	Percent of Total County Employment
Wal-Mart	1,350	22%
County of Tehama	740	12
St. Elizabeth Hospital	477	8
Red Bluff Elementary School District	265	4
Tehama County Department of Education	219	4
Red Bluff High School District	210	3
City of Red Bluff	156	3
Raley's	128	2
Home Depot	111	2
Lassen Medical Group	110	2
Total	6,170	62%

Source: City of Red Bluff, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.

The following table provides a list of 10 major employers, corresponding range of employees and type of industry in Tehama County for fiscal year 2015-16.

Major Employers
Tehama County

Employer	Employee Range	Type of Industry
Walmart Distribution Center	1,000-4,999	Wholesale – Distribution Center
North State Grocery Inc. – Main Office	1,000-4,999	Retail – Grocer
Rolling Hills Casino	500-999	Casino
Sierra Pacific Industries	500-999	Manufacture – Lumber
Bell-Carter Olive Co.	250-499	Wholesale – Olives
Tehama County Department of Education	250-499	County Government
Walmart	250-499	Retail – Department Store
Sierra Pacific Windows	250-499	Manufacture – Lumber
St. Elizabeth Community Hospital	250-499	Hospital
Forestry & Fire Protection (CAL Fire)	100-249	State Government

Source: State Employment Development Department.

Commercial Activity

Total taxable sales during calendar year 2015 in the City were reported to be $319,973,000, a 3.7 percent increase from the total taxable sales of $308,523,000 reported during calendar year 2014. Data for calendar year 2016 is not yet available.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City for the past five years is presented in the following table.

Taxable Retail Sales
City of Red Bluff

	2011	2012	2013	2014	2015
Sales Tax Permits	551	551	583	606	n/a[1]
Taxable Sales (000's)	$252,326	$273,423	$294,931	$308,523	$319,973

[1]Beginning in 2015, the reporting criteria for the number of permits/outlets changed, making the data not comparable to prior years.
Source: State Board of Equalization.

Total taxable sales during calendar year 2015 in Tehama County were reported to be $780,122,000, a slight increase from the total taxable sales of $780,102,000 reported during calendar year 2014. Data for calendar year 2016 is not yet available.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in Tehama County for the past five years is presented in the following table.

Taxable Retail Sales
Tehama County

	2011	2012	2013	2014	2015
Sales Tax Permits	1,474	1,516	1,643	1,749	n/a[1]
Taxable Sales (000's)	$687,893	$747,900	$804,858	$780,102	$780,122

[1]Beginning in 2015, the reporting criteria for the number of permits/outlets changed, making the data not comparable to prior years.
Source: State Board of Equalization.

Construction Activity

Estimated new privately owned residential housing units authorized by building permits and total construction costs in Tehama County for the past five years are shown in the following table.

New Residential Building Permits
Tehama County

	2012	2013	2014	2015	2016
Single-Family Residential Units	58	70	76	73	92
Multi-Family Residential Units	0	0	2	0	0
Total New Building Permit	58	70	78	73	92
Total Construction Costs (000's)	$10,185,384	$11,182,147	$16,096,932	$15,390,857	$17,499,270

Source: U.S. Bureau of the Census, Building Permit Estimates.

THE DISTRICT

The information in this section concerning the operations of the District and its finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the General Fund. The Bonds are payable from the proceeds of an ad valorem *tax, approved by the voters of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied Tehama County and Shasta County on all taxable property in the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

General Information

The District, a political subdivision of the State, is a high school district established in 1887. Located in the central northern portion of the State approximately 120 miles north of the City of Sacramento, the District encompasses approximately 2,020 square miles in Tehama County and a small portion of Shasta County, serving a population of approximately 42,900 people.

The District operates one comprehensive high school and one continuation high school, providing education to approximately 1,630 students in ninth through twelfth grade.

The District Board of Trustees and Key Administrative Personnel

The District Board governs all activities related to public education within the jurisdiction of the District. The District Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations and is accountable for all fiscal matters relating to the District.

The District Board consists of five members. Each District Board member is elected by the public for a four-year term of office. Elections for the District Board are held every two years, alternating between two and three positions available. A president of the District Board is elected by members each year.

The current members of the District Board, together with their office and the date their term expires, are set forth in the following table.

District Board of Trustees
Red Bluff Joint Union High School District

Name	Title	Term Expires
James Keffer	President	December 2018
Rod Thompson	Clerk	December 2018
Kathy Brandt	Member	December 2020
Lida Chase	Member	December 2020
Chris Hurton	Member	December 2018

The Superintendent of the District is appointed by and reports to the District Board. The Superintendent is responsible for managing the District's day-to-day operations and supervising the work of other key District administrators. The current members of the District's administration and positions held are set forth on page "iv" of this Official Statement.

Enrollment

Student enrollment determines to a large extent the amount of funding a State public school district receives for program, facilities and staff needs. Average daily attendance ("ADA") is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs. The ADA as of the last day of the last full attendance month concluding prior to April 15 ("P-2 ADA") is used by the State as the basis for State apportionments.

Set forth in the following table is the historical and budgeted P-2 ADA for the District.

Average Daily Attendance
Red Bluff Joint Union High School District

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17[1]	2017-18[2]
Total P-2 ADA	1,578	1,513	1,467	1,462	1,468	1,514	1,538

[1]Unaudited.
[2]Budgeted.

Charter Schools

Charter schools can adversely affect school district funding, either by reducing funded enrollment at the school district or, for community-funded districts, by increasing the in-lieu property tax transfer. However, certain per-pupil expenditures of a school district also decrease based upon the number of students enrolled in charter schools. Pursuant to Proposition 39, school districts are required to provide facilities reasonably equivalent to those provided to regular district students for charter schools having a projected average daily attendance of at least 80 or more students from that district.

There are no charter schools operating in the District.

Employee Relations

State law provides that employees of public school districts of the State are to be divided into appropriate bargaining units which then may be represented by an exclusive bargaining agent. The District has two recognized bargaining units representing its non-management employees. The Red Bluff Union High School Teachers Association of the California Teachers Association ("RBUHSTA") is the exclusive bargaining unit for the non-management certificated personnel of the District. The California School Employees Association, Chapter #354 ("CSEA #354") is the exclusive bargaining unit for the District's classified, non-management employees.

Set forth in the following table are the District's bargaining units, number of full-time equivalents ("FTEs") budgeted for fiscal year 2017-18, and contract status.

Bargaining Units, Number of Employees and Contract Status
Red Bluff Joint Union High School District

Bargaining Unit	Full-Time Equivalents	Contract Status
RBUHSTA	92	In negotiations for fiscal year 2017-18
CSEA #354	89	In negotiations for fiscal year 2017-18

The District has an additional 17 management and confidential FTEs not represented by a bargaining unit budgeted for fiscal year 2017-18.

Pension Plans

All full-time employees of the District, as well as certain part-time employees, are eligible to participate under defined benefit retirement plans maintained by agencies of the State. Qualified certificated employees are eligible to participate in the cost-sharing multiple-employer State Teachers' Retirement System ("STRS"). Qualified classified employees are eligible to participate in the agent multiple-employer Public Employees' Retirement Fund of the Public Employees' Retirement System ("PERS"), which acts as a common investment and administrative agent for participating public entities within the State.

The District accounts for its pension costs and obligations pursuant to *Governmental Accounting Standards Board* ("GASB") *Statement No. 67, Financial Reporting for Pension Plans* ("GASB 67") and *Statement No. 68, Accounting and Financial Reporting for Pensions* ("GASB 68") which replaced GASB Statements Nos. 25 and 27, respectively. GASB 68 requires an employer that provides a defined benefit pension, such as the District, to recognize and report its long-term obligation for pension benefits as a liability as it is earned by employees. The District implemented the new reporting standards as reflected in the District's financial statements for fiscal year 2014-15. See "APPENDIX A—THE FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDED JUNE 30, 2016" attached hereto.

STRS—Description and Contributions. STRS operates under the Education Code sections commonly known as the State Teachers' Retirement Law. Membership is mandatory for all certificated employees of State public schools meeting the eligibility requirements. STRS provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive early retirement benefits as early as age 50 or normal retirement either at age 60 or 62 depending on their hire date. Except as required for employees hired after January 1, 2013, STRS employee contribution rates are established by the State Legislature. The fiscal year 2016-17 contribution requirement for active plan members with an enrollment date prior to January 1, 2013 is 10.25 percent of salary. For active plan members with an enrollment date on or after January 1, 2013, the employee contribution rate is at least 50 percent of the total annual normal cost of their pension benefit each year as determined by an actuary (9.205 percent in fiscal year 2016-17). Because STRS contribution rates are established by statute, unlike typical defined benefit programs, the District's contribution rate does not vary annually to make up funding shortfalls or assess credits based on actuarial determinations.

State Assembly Bill 1469, signed into law as part of the fiscal year 2014-15 State budget, established a plan to eliminate the unfunded STRS liability over a period of approximately 30 years through a combination of State funding and increased school district and employee payments. Employee contributions increased to 10.25 percent of pay in fiscal year 2016-17, employer contributions increase to 19.1 percent of eligible pay by fiscal year 2020-21, and State contributions increased by 4.311 percent by fiscal year 2016-17.

The District's actual STRS contributions for fiscal years 2011-12 through 2016-17 and budgeted STRS contributions for fiscal year 2017-18 are set forth in the following table.

STRS Employer Contributions
Red Bluff Joint Union High School District

Fiscal Year	District Contribution Rate	District Contributions[1]	Total District Governmental Funds Expenditures	District Contributions as Percentage of Total Governmental Funds Expenditures
2011-12	8.25%	$617,635	$17,632,498	3.50%
2012-13	8.25	591,367	17,415,248	3.40
2013-14	8.25	578,624	17,368,754	3.33
2014-15	8.88	644,273	18,807,110	3.43
2015-16	10.73	863,591	20,597,442	4.19
2016-17[2]	12.58	1,606,365 [3]	20,720,214	7.75
2017-18[4]	14.43	1,707,883 [5]	20,671,837	8.26

[1]In each instance equal to 100 percent of the required contribution.
[2]Unaudited.
[3]Includes State on-behalf payment of $624,141. Excluding the State on-behalf payment would reduce the District contribution as percentage of total governmental funds expenditures in fiscal year 2016-17 to 4.89 percent.
[4]Projected as of the fiscal year 2017-18 adopted budget.
[5]Includes State on-behalf payment of $622,393. Excluding the State on-behalf payment would reduce the District contribution as percentage of total governmental funds expenditures in fiscal year 2017-18 to 5.41 percent.

PERS—Description and Contributions. All full-time classified employees of the District as well as certain part-time classified employees participate in PERS, which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries based on an employee's years of service, age and final compensation. Employees hired before January 1, 2013 fully vest after five years of service and may receive retirement benefits at age 50; employees hired after that date fully vest at age 52. These benefit provisions and all other requirements are established by State statute and District resolution. Active plan members with an enrollment date prior to January 1, 2013 are required to contribute seven percent of their salary, while active plan members with an enrollment date on or after January 1, 2013 are required to contribute the greater of 50 percent of normal costs or six percent of their salary. The District is required to pay an actuarially determined rate.

The District's actual PERS contributions for fiscal years 2011-12 through 2016-17 and budgeted PERS contributions for fiscal year 2017-18 are set forth in the following table.

PERS Employer Contributions
Red Bluff Joint Union High School District

Fiscal Year	District Contribution Rate	District Contributions[1]	Total District Governmental Funds Expenditures	District Contributions as Percentage of Total Governmental Funds Expenditures
2011-12	10.923%	$390,903	$17,632,498	2.22%
2012-13	11.417	412,484	17,415,248	2.37
2013-14	11.442	403,139	17,368,754	2.32
2014-15	11.771	427,421	18,807,110	2.27
2015-16	11.847	454,784	20,597,442	2.21
2016-17[2]	13.888	535,827	20,720,214	2.59
2017-18[3]	15.531	604,275	20,671,837	2.92

[1]In each instance equal to 100 percent of the required contribution.
[2]Unaudited.
[3]Projected as of the fiscal year 2017-18 adopted budget.

Unfunded Liabilities and Pension Expense Reporting. Both STRS and PERS have substantial statewide, unfunded liabilities. The amount of these liabilities will vary depending on actuarial assumptions, returns on investment, salary scales and participant contributions. The actuarial funding method used in the STRS actuarial valuation as of June 30, 2016 is the entry age normal cost method, and assumes, among other things, a 7.25 percent investment rate of return, 7.25 percent interest on member accounts, projected 2.75 percent inflation, and projected payroll growth of 3.5 percent. Beginning in 2017, a 7.0 percent investment rate of return will be used for the STRS actuarial valuation.

The following table shows the statewide funding progress of the STRS plan for the previous six years.

Funding Progress
California State Teachers' Retirement System (STRS)[1]

Actuarial Valuation Date as of June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
2011	$143,930	$208,405	$64,475	69%	$26,592	242%
2012	144,232	215,189	70,957	67	26,404	269
2013	148,614	222,281	73,667	67	26,483	278
2014	158,495	231,213	72,718	69	26,398	275
2015	165,553	241,753	76,200	69	28,640	266
2016	169,976	266,704	96,728	64	n/a	n/a

[1]Dollars in millions.
Source: California State Teachers' Retirement System, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016; California State Teachers' Retirement System, Defined Benefit Program Actuarial Evaluation for Fiscal Year Ended June 30, 2016.

Pursuant to Government Code Section 20840 *et seq.*, PERS is authorized to create risk pools for public agencies, combining assets and liabilities across employers in large risk-sharing pools to help reduce the large fluctuations in the employer's contribution rate caused by unexpected demographic events. The "Schools Pool" provides identical retirement benefits to nearly all classified school employees in the State. The actuarial funding method used in the PERS Schools Pool actuarial valuation as of June 30, 2015 is the individual entry age normal cost method, and assumes, among other things, a 7.5 percent investment rate of return and projected 2.75 percent inflation; projected payroll growth varies by entry age and service. In December 2016, PERS approved a plan to reduce the assumed investment rate of return from 7.5 percent to 7.0 percent over a three-year period. PERS expects that the employer contribution rate will increase during the next few years as the impact of the decision lowers the investment return assumption is phased in.

The following table shows the statewide funding progress of the PERS plan for the previous six years. Actuarial valuation as of June 30, 2016 is not yet available.

Funding Progress
Public Employees' Retirement System (PERS) Schools Pool[1]

Actuarial Valuation Date as of June 30	Market Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
2010	$38,435	$55,307	$16,872	70%	$11,283	150%
2011	45,901	58,358	12,457	79	10,540	118
2012	44,854	59,439	14,585	76	10,242	142
2013	49,482	61,487	12,005	81	10,424	115
2014	56,838	65,600	8,761	87	11,294	78
2015	56,814	73,325	16,510	78	12,098	136

[1]Dollars in millions.
Source: California Public Employees' Retirement System, Schools Pool Actuarial Valuation as of June 30, 2015.

For the year ended June 30, 2016, the District's combined recognized pension expense was $1,666,321. The District's total net pension liability as of June 30, 2016 was $15,606,592.

The District's recognized pension expenses and net pension liability as reported financial statements for fiscal years 2014-15, the first year for which the data was provided, and 2015-16 are set forth in the following tables.

Proportionate Share of the Net Pension Liability—STRS
Red Bluff Joint Union High School District

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of Statewide Liability as Percentage of Covered Employee Payroll	Fiduciary Net Position as Percentage of Total Pension Liability
2014-15	0.0160%	$9,349,920	$5,645,942	121.48%	76.52%
2015-16	0.0160	10,771,840	5,697,101	128.63	74.02

Proportionate Share of the Net Pension Liability—PERS
Red Bluff Joint Union High School District

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of Statewide Liability as Percentage of Covered Employee Payroll	Fiduciary Net Position as Percentage of Total Pension Liability
2014-15	0.0336%	$3,814,418	$3,652,615	104.43%	83.38%
2015-16	0.0328	4,834,752	3,966,728	121.88	79.43

The District is unable to predict the future amount of State pension liabilities and the amount of required District contributions. Pension plan, annual contribution requirements and liabilities are more fully described in "APPENDIX A—THE FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDED JUNE 30, 2016" attached hereto.

Other Postemployment Benefits (OPEB)

In addition to the pension benefits described above, the District provides postemployment health care benefits (known as "other postemployment benefits," or "OPEB"), to qualifying retirees through a single-payer health care plan administered by the District. As of June 30, 2016, 35 retirees met the eligibility requirements to receive OPEB.

Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions ("GASB 45") requires public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits, in order to quantify a government agency's current liability for future benefit payments. GASB 45 is directed at quantifying and disclosing OPEB obligations, and does not impose any requirement on public agencies to fund such obligations.

The District completed an actuarial study assessing the District's OPEB liability as of July 1, 2014. Based on the study, the District's actuarial accrued liability (the "AAL"), which can also be considered to be the present value of all benefits earned to date assuming that an employee accrues retiree healthcare benefits ratably over his career, was $3,054,820. The AAL is an actuarial estimate that depends on a variety of assumptions about future events, such as health care costs and beneficiary mortality. Every year, active employees earn additional future benefits, an amount known as the "normal cost," which is added to the AAL. To the extent that the District has not set aside moneys in an irrevocable trust with which to pay these accrued and accruing future liabilities, there is an unfunded actuarial accrued liability ("UAAL"). As of July 1, 2014 the District had set aside $63,781 in an irrevocable trust to fund its future obligations; as a result, the District's UAAL was $2,991,039.

The annual required contribution ("ARC") is the amount required if the District were to fund each year's normal cost plus an annual amortization of the unfunded actuarial accrued liability, assuming the UAAL will be fully funded over a 30-year period. If the amount budgeted and funded in any year is less than the ARC, the difference reflects the amount by which the UAAL is growing. The actuarial study calculated the ARC to be $430,806 in fiscal year 2014-15.

The District funds its OPEB liability on a "pay-as-you go" basis. The District paid $136,596 (unaudited) in OPEB in fiscal year 2016-17 and budgeted payment of $130,000 in OPEB in fiscal year 2017-18.

See "APPENDIX A—THE FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDED JUNE 30, 2016" for additional information regarding the District's OPEB.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and its finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the General Fund. The Bonds are payable from the proceeds of an ad valorem *tax, approved by the voters of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied by Tehama County and Shasta County on all taxable property in the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

Accounting Practices

The District accounts for its financial transactions in accordance with the policies and procedures of the CDE's *California School Accounting Manual,* which, pursuant to Education Code Section 41010, is to be followed by all school districts in the State. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

The District's financial statements consist of government-wide statements and fund-based financial statements. Government-wide statements, consisting of a statement of net assets and a statement of activities, report all the assets, liabilities, revenue and expenses of the District and are accounted for using the economic resources measurement focus and accrual basis of accounting. The fund-based financial statements consist of a series of statements that provide information about the District's major and non-major funds. Governmental funds, including the General Fund, special revenues funds, capital project funds and debt service funds, are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, while expenditures are recognized in the period in which the liability is incurred, if measurable. Proprietary funds and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. See "NOTE 1" in "APPENDIX A" attached hereto for a further discussion of applicable accounting policies.

The independent auditor for the District in fiscal year 2015-16 was Tittle & Company, LLP, Chico, California (the "Auditor"). The financial statements of the District as of and for the year ended June 30, 2016 are set forth in "APPENDIX A" attached hereto. The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. The Auditor has not been engaged to perform and has not performed, since the date of its report attached hereto, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

Budget and Financial Reporting Process

The General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as federal and State school apportionments, taxes, use of money and property, and aid from other governmental agencies.

The District is required by provisions of the Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The CDE imposes a uniform budgeting format for all school districts.

The fiscal year for all State school districts is July 1 to June 30. The same calendar applies to the budgets of county offices of education, although their budgets and reports are reviewed by the State Superintendent of Public Instruction (the "State Superintendent"). Because most school districts depend on State funds for a substantial portion of revenue, the State budget is an extremely important input in the school district budget preparation process. However, there is very close timing between final approval of the State budget (legally required by June 15), the adoption of the associated school finance legislation, and the adoption of local school district budgets. In some years, the State budget is not approved by the legal deadline which forces school districts to begin the new fiscal year with only estimates of the amount of funding they will actually receive.

The school district budgeting process involves continuous planning and evaluation. Within the deadlines, school districts work out their own schedules for considering whether or not to hire or replace staff, negotiating contracts with all employees, reviewing programs, and assessing the need to repair existing or acquire new facilities. Decisions depend on the critical estimates of enrollment, fixed costs, commitments in contracts with employees as well as best guesses about how much money will be available for elementary and secondary education. The timing of some decisions is forced by legal deadlines. For example, preliminary layoff notices to teachers must be delivered in March, with final notices in May. This necessitates projecting enrollments and determining staffing needs long before a school district will know either its final financial position for the current year or its revenue for the next year.

School districts must adopt an annual budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The governing board of the school district must not adopt a budget before the governing board adopts a local control and accountability plan (the "LCAP") for that budget year. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein.

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the school district to meet its current obligations, will determine if the budget is consistent with a financial plan that will enable the school district to meet its multi-year financial commitments, and will determine if the budget ensures the fiscal solvency and accountability for the goals outlined in the LCAP. On or before September 15, the county superintendent will approve or disapprove the adopted budget for each school district within its jurisdiction based on these standards. The school district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the school district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than October 22, the county superintendent must notify the State Superintendent of all school districts whose budget may be disapproved, and no later than November 8, the county superintendent must notify the State Superintendent of all school district budgets that have been disapproved or budget committees waived.

For school districts whose budgets have been disapproved, the school district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, and responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a school district's budget is approved, the school district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Under the provisions of State Assembly Bill 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. Each school district is required by the Education Code to file two interim reports each year—the first report for the period ending October 31 by not later than December 15, and the second report for the period ending January 31 by not later than March 15. Each interim report shows fiscal year-to-date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or 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 subsequent two fiscal years. If either the first or second interim report is not positive, the county superintendent may require the school district to provide a third interim report by June 1 covering the period ending April 30. If not required, a third interim report is generally not prepared (though may be at the election of the school district).

The county superintendent must annually present a report to the governing board of the school district and the State Superintendent of Public Instruction regarding the fiscal solvency of any school district with a disapproved budget, qualified interim certification, or negative interim certification, or that is determined at any time to be in a position of fiscal uncertainty pursuant to Education Code Section 42127.6. Any school district with a qualified or negative certification must allow the county office of education at least 10 working days to review and comment on any proposed agreement made between its bargaining units and the school district before it is ratified by the school district board (or the State administrator). The county superintendent will notify the school district, the county board of education, the school district governing board and the school district superintendent (or the State administrator), and each parent and teacher organization of the school district within those

10 days if, in his or her opinion, the agreement would endanger the fiscal well-being of the school district. Also, pursuant to Education Code Section 42133, a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or the next succeeding fiscal year, non-voter approved debt unless the county superintendent of schools determines that the repayment of that debt by the school district is probable.

The filing status of the District's interim reports for the past five years appears in the following table.

Certifications of Interim Financial Reports
Red Bluff Joint Union High School District

Fiscal Year	First Interim	Second Interim
2012-13	Positive	Positive
2013-14	Positive	Positive
2014-15	Positive	Positive
2015-16	Positive	Positive
2016-17	Positive	Positive

Financial Statements

Figures presented in summarized form herein have been gathered from the District's financial statements. The audited financial statements of the District for the fiscal year ending June 30, 2016, have been included in the appendix to this Official Statement. See "APPENDIX A" attached hereto. Audited financial statements and other financial reports for prior fiscal years are on file with the District and available for public inspection during normal business hours. Copies of financial statements relating to any year are available to prospective investors and or their representatives upon request by contacting Red Bluff Joint Union High School District, 1525 Douglass Street, Red Bluff, California 96080, (530) 529-8700, Attention: Director of Fiscal Services, or by contacting the Municipal Advisor, Government Financial Strategies inc., 1228 "N" Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100.

The following table sets forth the District's audited General Fund balance sheet data for fiscal years 2012-13 through 2015-16 and unaudited data for fiscal year 2016-17.

General Fund Balance Sheet
Red Bluff Joint Union High School District

	2012-13 Audited	2013-14 Audited	2014-15 Audited	2015-16 Audited	2016-17 Unaudited
ASSETS					
Cash and Investments	$5,283,186	$4,866,652	$4,392,071	$3,311,183	$4,003,082
Accounts Receivable	1,415,063	999,442	504,078	744,479	576,877
Due From Other Funds	54,028	0	6,117	76,000	246,614
Inventories	160,772	153,783	150,923	168,493	149,152
Prepaid Expenditures	0	5,360	859	0	0
TOTAL ASSETS	$6,913,049	$6,025,237	$5,054,048	$4,300,155	$4,975,724
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$846,822	$926,295	$1,164,549	$965,570	$1,079,721
Due to Other Funds	3,936	61,883	20,000	6,273	6,987
Unearned Revenue	76,854	43,127	34,488	132,966	594,450
TOTAL LIABILITIES	$927,612	$1,031,305	$1,219,037	$1,104,809	$1,681,158
FUND BALANCES					
Nonspendable	$163,272	$161,643	$154,282	$170,993	$151,652
Restricted	474,556	331,508	126,777	474,117	633,066
Assigned	0	0	0	306,489	0
Unassigned	5,347,609	4,500,781	3,553,952	2,243,747	2,509,849
TOTAL FUND BALANCES	$5,985,437	$4,993,932	$3,835,011	$3,195,346	$3,294,566
TOTAL LIABILITIES AND FUND BALANCES	$6,913,049	$6,025,237	$5,054,048	$4,300,155	$4,975,724

The following table sets forth the District's audited General Fund activity for fiscal years 2012-13 through 2015-16, unaudited activity for fiscal year 2016-17 and budgeted activity for fiscal year 2017-18.

General Fund Activity
Red Bluff Joint Union High School District

	2012-13 Audited	2013-14 Audited	2014-15 Audited	2015-16 Audited	2016-17 Unaudited	2017-18 Budgeted
BEGINNING BALANCE	$6,897,923	$5,985,437	$4,993,932	$3,835,011	$3,195,346	$3,294,566
REVENUES						
Revenue Limit/LCFF	$9,602,443	$11,524,461	$12,427,719	$13,839,879	$14,914,678	$15,449,083
Federal Revenue	1,734,907	1,154,210	1,157,525	1,113,612	1,089,435	998,038
Other State Revenues	2,017,641	813,431	971,014	2,230,427	2,210,390	1,435,445
Other Local Revenues	2,259,743	1,925,252	1,795,341	1,495,944	1,345,850	1,214,821
TOTAL REVENUES	$15,614,734	$15,417,354	$16,351,599	$18,679,862	$19,560,354	$19,097,387
EXPENDITURES						
Certificated Salaries	$7,252,903	$7,370,882	$7,696,393	$8,374,577	$8,242,425	$8,115,309
Classified Salaries	3,314,540	3,275,142	3,345,780	3,621,926	3,564,858	3,474,430
Employee Benefits	2,741,489	2,612,366	3,211,459	3,809,156	3,974,105	4,106,758
Books and Supplies	1,134,791	1,088,425	1,116,643	1,099,100	1,202,350	1,459,507
Services / Other Operating Exp.	1,593,335	1,541,449	1,565,347	1,851,193	2,008,271	1,955,743
Capital Outlay	59,059	6,930	192,286	0	91,750	50,000
Other Outgo	113,598	138,665	230,586	164,293	105,502	163,923
Debt Service	15,000	15,000	15,000	15,000	0	0
TOTAL EXPENDITURES	$16,224,715	$16,048,859	$17,373,494	$18,935,245	$19,189,261	$19,325,670
OTHER FINANCING SOURCES	($302,505)	($360,000)	($137,026)	($384,282)	($271,873)	($450,000)
NET INCREASE (DECREASE)	($912,486)	($991,505)	($1,158,921)	($639,665)	$99,220	($678,283)
ENDING BALANCE	$5,985,437	$4,993,932	$3,835,011	$3,195,346	$3,294,566	$2,616,283

Totals may not foot due to rounding.

Revenues

The District categorizes its General Fund revenues into four primary sources: revenue limit / LCFF sources, federal revenues, other State revenues and other local revenues.

Revenue Limit / Local Control Funding Formula (LCFF). For nearly half a century, State school districts operated under general purpose revenue limit funding based on a district's average daily student attendance, much of which was restricted by category as to how each dollar could be spent. Revenue limit funding was calculated by multiplying a school district's ADA (using the greater of the current or prior year P-2 ADA) by the school district's revenue limit funding per ADA, with certain adjustments.

In landmark legislation effective fiscal year 2013-14, the State introduced a new formula, the local control funding formula ("LCFF"), to be phased in through fiscal year 2020-21. LCFF consolidates most categorical programs in order to give school districts more control over how to spend their revenues. At full implementation of LCFF, school districts will receive a uniform base grant per student based on grade span, a supplemental grant based on an unduplicated count of the targeted disadvantaged students ("unduplicated students") in the school district, and an additional concentration grant based on the number of unduplicated students in the school district above 55 percent, with qualifying schools receiving an additional necessary small school allowance. At full implementation of LCFF, school districts will receive a uniform base grant per student based on grade span, a supplemental grant based on an unduplicated count of the targeted disadvantaged students ("unduplicated students") in the school district, and an additional concentration grant based on the number of unduplicated students in the school district above 55 percent, with qualifying schools receiving an additional necessary small school allowance. In fiscal year 2016-17, based on P-2 ADA, approximately 59.09 percent of the District's students were unduplicated students. The base, supplemental, and concentration grant amounts per student were set in fiscal year 2012-13 and are subject to cost-of-living adjustments thereafter. School districts that would otherwise receive less funding at full implementation of LCFF than they did under the revenue-limit system are also guaranteed an additional Economic Recovery Target ("ERT") grant to restore funding to at or above their pre- recession funding, adjusted for inflation. The ERT add-on is paid incrementally over the LCFF implementation period. The District does not qualify for an ERT add-on. In fiscal year 2016-17, the District's LCFF funding at full implementation was calculated to be $15,585,357, comprised of $13,332,195 in base grant funding, $1,575,599 in supplemental grant funding, $272,643 in concentration grant funding, and $404,920 in add-on funding.

To calculate LCFF funding during the phase-in period, school districts calculate their "funding gap," the difference between LCFF funding calculated at full implementation and their "funding floor," an amount based on fiscal year 2012-13 funding levels under the revenue limit system adjusted for prior LCFF phase-in adjustments. School districts receive their funding floor plus a percentage of their funding gap as specified in the State budget. In fiscal year 2016-17, the State has budgeted funding 54 percent of the remaining funding gap. In fiscal year 2016-17, the District is projected to receive $14,207,142 as its floor entitlement and $772,859 in gap funding under LCFF. See "FUNDING OF PUBLIC EDUCATION IN THE STATE" herein for more information about LCFF.

Set forth in the following table is the funded ADA and the percentage of unduplicated student enrollment for fiscal years 2013-14 through 2017-18.

ADA, Enrollment and Unduplicated Student Enrollment Percentage
Red Bluff Joint Union High School District

Fiscal Year	Funded ADA	Unduplicated Student Enrollment Percentage[1]
2013-14	1,518	57.76%
2014-15	1,475	60.82
2015-16	1,474	59.72
2016-17	1,514	59.09
2017-18[2]	1,538	58.73

[1]For purposes of calculating supplemental and concentration grants, a school district's fiscal year 2013-14 percentage of unduplicated students is determined solely as the percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated students is based on the two-year average of unduplicated student enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated student enrollment is based on a rolling average of such district's unduplicated student enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
[2]Projected as of the fiscal year 2017-18 budget.

Set forth in the following table is the District's actual LCFF funding per ADA for fiscal years 2013-14 through 2016-17 and budgeted LCFF funding per ADA for fiscal year 2017-18.

LCFF Funding per ADA
Red Bluff Joint Union High School District

Fiscal Year	Funded ADA[1]	Average LCFF Funding per ADA[2]	Average LCFF Funding per ADA at Full Implementation
2013-14	1,518	$7,554	$10,022
2014-15	1,475	8,403	10,292
2015-16	1,474	9,410	10,318
2016-17[3]	1,514	9,880	10,289
2017-18[4]	1,538	10,107	10,416

[1]Funded ADA is the greater of current year P-2 ADA and prior year P-2 ADA.
[2]Represents average LCFF funding per ADA across grade spans.
[3]Unaudited.
[4]Projected as of the 2017-18 budget.

Funding of the District's revenue limit and LCFF is accomplished by a mix of a) local taxes (composed predominantly of property taxes, and including miscellaneous taxes and community redevelopment funds, if any) and b) State apportionments. The majority of the District's revenue limit / LCFF funding comes from State apportionments. LCFF revenues were 74.1 percent of General Fund revenues in fiscal year 2015-16, were 76.2 percent of revenues in fiscal year 2016-17 (unaudited), and are budgeted to be 80.9 percent of revenues in fiscal year 2017-18.

Federal Revenues. The federal government provides funding for several District programs. These federal revenues, most of which historically have been restricted, were 6.0 percent of General Fund revenues in fiscal year 2015-16, were 5.6 percent of General Fund revenues in fiscal year 2016-17 (unaudited), and are budgeted to be 5.2 percent of General Fund revenues in fiscal year 2017-18.

Other State Revenues. In addition to apportionment revenues, the State provides funding to the District for categorical programs. Many categorical programs previously classified as other State revenues were incorporated under LCFF in fiscal year 2013-14, causing a reduction in other State revenues. These other State revenues were 11.9 percent of General Fund revenues in fiscal year 2015-16, were 11.3 percent of General Fund revenues in fiscal year 2016-17 (unaudited), and are budgeted to be 7.5 percent of General Fund revenues in fiscal year 2017-18. Included in other State revenues are proceeds received from the State lottery.

Other Local Revenues. Revenues from other local sources were 8.0 percent of General Fund revenues in fiscal year 2015-16, were 6.9 percent of General Fund revenues in fiscal year 2016-17 (unaudited), and are budgeted to be 6.4 percent of General Fund revenues in fiscal year 2017-18.

Expenditures

The largest components of a school district's general fund expenditures are certificated and classified salaries and employee benefits. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits. Even with no negotiated salary increases or changes in staffing levels, normal "step and column" advancements on the salary scale result in increased salary expenditures.

At the time the District prepared its fiscal year 2017-18 budget, the District had not completed negotiations with RBUHSDTA, CSEA #354, nor its management and confidential employees to finalize salary and benefit increases for the fiscal year. As a result, the District did not include certificated, classified and management employee salary and benefit increases in its fiscal year 2017-18 budget. Each one percent increase in salary for certificated, classified and management staff would increase fiscal year 2017-18 expenditures by $67,960, $25,529 and $14,336 respectively.

Employee salaries and benefits were 83.5 percent of General Fund expenditures in fiscal year 2015-16, were 82.2 percent of General Fund expenditures in fiscal year 2016-17 (unaudited), and are budgeted to be 81.2 percent of General Fund expenditures in fiscal year 2017-18.

Short-Term Borrowings

The District has no short-term debt outstanding.

The District has in the past issued short-term tax and revenue anticipation notes. Proceeds from the issuance of notes by the District have been used to reduce inter-fund dependency and to provide the District with greater overall efficiency in the management of its funds. The District has never defaulted on any of its short-term borrowings.

Capitalized Lease Obligations

The District has made use of various capital lease arrangements in the past under agreements that provide for title of items and equipment being leased to pass to the District upon expiration of the lease period. As of June 30, 2016, the District had no such capital lease arrangements outstanding.

The District's outstanding certificates of participation are set forth in the following table.

Outstanding Certificates of Participation
Red Bluff Joint Union High School District

Issue	Date Issued	Amount Issued	Final Maturity	Principal Outstanding as of October 31, 2017	Debt Service in Fiscal Year 2017-18
2015 Refunding	May 2015	$6,165,000	December 1, 2035	$5,795,000	$417,575

Long-Term Borrowings

2016 Election. In May 2017, the District issued the Series 2017 Bonds in the aggregate principal amount of $13,000,000 authorized by the 2016 Election. See "THE BONDS—Authority for Issuance" herein. The Bonds represent the second and third series of bonds authorized by the 2016 Election.

The following table summarizes the District's outstanding long-term indebtedness as of October 31, 2017.

Outstanding General Obligation Bonds
Red Bluff Joint Union High School District

Authorization	Issue	Final Maturity	Principal Issued	Principal Outstanding as of October 31, 2017	Debt Service in Fiscal Year 2017-18
2016 Election	Series 2017	August 1, 2046	$13,000,000	$13,000,000	$358,231

The District has never defaulted on the payment of principal of or interest on any of its long-term indebtedness.

Background

From the Separation of Sources Act (1910) until Proposition 13 (1978), local governments had control over property tax rates and revenues within their jurisdiction. Voter approval was not required for most taxes, charges or fees imposed by local governments. Each school district in the State raised revenue by taxing local property owners according to a tax rate established by its governing board, subject to voter approval, and received some supplemental funds from the State. The State's role in providing for public education and education facilities was limited during this time. Local school districts relied largely on general obligation bonds as the primary source of funding for school facilities.

The passage of Proposition 13 brought this local property tax system to an end, fundamentally changing local government finance. Local government entities are no longer authorized to levy a general tax rate. Instead, they share in the revenues generated by Proposition 13's countywide tax rate. In the year following the passage of Proposition 13, local property tax revenue across the State fell approximately 60 percent. In order for school districts to continue operating, the State had to assume primary responsibility for public school funding, replacing the lost property tax revenue with moneys from the State general fund. As a result of Proposition 13, control over revenues shifted away from local school districts to the State government. Proposition 13 also eliminated the ability of school districts to issue bonds; for a decade, the State provided some of the cost of school facilities projects until the passage of Proposition 46 (1986) restored the ability of school districts to issue such bonds.

Article XIIIA of the State Constitution

Article XIIIA, added to the State Constitution by Proposition 13 and amended over time, limits the *ad valorem* tax rate that can be levied on real property to one percent of its "full cash value" except to pay debt service, discussed below. "Full cash value" is defined as the property's assessed value as of the fiscal year 1975-76 tax bill, annually increased by the lesser of either two percent or the rate of inflation. Subsequently, the property is reappraised for tax purposes upon a change in ownership or new construction. Several types of changes in ownership and construction have been exempted from the reassessment requirement by amendment, including improvements for seismic retrofit, solar energy, fire prevention, disability access, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property is destroyed in a declared disaster, and certain transfers of property between family members.

In most years, the market value of a property increases at a rate greater than the maximum two percent increase a county is allowed to calculate. As amended by Proposition 8 (1978), Article XIIIA allows for a county to temporarily reduce the assessed value to current market value when the market value of the property falls below the property's adjusted acquisition value due to an economic recession, natural disaster or other cause of damage. In years in which reduced reassessments are widespread, property tax revenue available to local governments such as school districts is reduced. Pursuant to interpretation of the Revenue and Taxation Code and upheld by State courts, once the market has rebounded or the property has been repaired to substantially its original condition, a county may increase the assessed value of the property at a rate greater than two percent annually until it has reached the property's pre-decline assessed value.

As a result of these laws, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property and of similar properties more recently sold. Likewise, changes in ownership of property and reassessment of such property to market value commonly lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full two percent increase on any property that has not changed ownership. Any increase or decrease in assessed valuation is allocated among the various jurisdictions.

The one percent tax is levied and collected by each county, and the revenue is apportioned by the county to each local government agency in the taxing area roughly in proportion to the relative shares of taxes as levied prior to 1979. Local government agencies, including school districts, may not directly levy any *ad valorem* tax, unless the tax is levied to pay debt service (interest and redemption charges) on a local government's indebtedness approved by voters prior to July 1, 1978 or thereafter, as amended by Proposition 46 (1986), bonded indebtedness for the acquisition or improvement of real property approved by a two-thirds majority. In addition, Proposition 39 (2000) added a provision allowing for a lowered voter approval rate specifically for bonds to fund school facilities projects. A school district or community college district may levy *ad valorem* taxes in excess of one percent with 55 percent voter approval if the bonds will be used for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities.

The measure must include the specific list of projects to be funded and certification that the school district's governing board has evaluated safety, class size reduction, and information technology needs in developing the list, and must conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Pursuant to legislation, the projected tax rate per $100,000 of taxable property value levied as the result of any single election may be no more than $60 in a unified school district, $30 in a high school or elementary school district, or $25 in a community college district. The 2016 Election was conducted pursuant to Proposition 39.

Constitutional Protection For Owners of Municipal Securities

State law imposes a duty on the county tax collector to levy a property tax sufficient to pay debt service on voter-approved indebtedness as discussed above. The initiative power cannot be used to reduce or repeal the authority and obligation of a local government, such as a school district, to levy taxes pledged as security for payment of general obligation bonds or to otherwise interfere with performance of the duty of a local government, such as a school district, and the county with respect to such taxes. Although the initiative power may be used to reduce or repeal other types of charges or taxes imposed by local governments under Article XIIIC, discussed below, the law may not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIIB of the State Constitution

Article XIIIB, added to the State Constitution by Proposition 4 (1979) (the "Gann Limit"), amended by Proposition 111 (1990), limits the amount of certain funds, including tax revenues, that may be annually appropriated by the State and local governments, including school districts, to the amount appropriated the prior year, adjusted to reflect the rate of economic growth by measuring the change in *per capita* personal income and population. Certain payments are exempt from the appropriations limit calculation, including debt service payments; certain benefit payments, mandated expenses, State payments to school districts and community college districts, increases in revenues gained from fuel, vehicle and tobacco taxes, emergency appropriations; and qualified capital outlay projects (projects involving fixed assets such as land or construction that have an expected life of more than 10 years and a value greater than $100,000).

Tax revenues in excess of the appropriation limit are shared between increased education funding and taxpayer rebates. Calculated over two years, half of any excess is transferred to K-14 school districts and half is returned to taxpayers through a revision of tax rates within two fiscal years. Any such excess revenues transferred to K-14 school districts are not counted as part of the school districts' base expenditures for calculating their entitlement for State aid in the next year, nor is the State's appropriations limit increased by this amount. If a K-14 school district's revenues exceed its appropriations limit, the school district may increase its appropriations limit to equal its spending by borrowing from the State's appropriations limit.

Articles XIIIC and XIIID of the State Constitution

Articles XIIIC and XIIID, added to the State Constitution by Proposition 218 (1996) and amended over time, limit the ability of local governments, including school districts, to levy and collect non-*ad valorem* taxes, assessments, fees and charges. The law establishes that a tax must be either a "general" tax, requiring the approval of a simple majority of voters, the proceeds of which can only be used for general government purposes, or a "special" tax, requiring the approval of two-thirds of voters, the proceeds of which are used for a specific purpose, or if the tax is levied by a special-purpose government agency, including a school district. Any tax levied on property, other than the *ad valorem* tax governed by Article XIIIA, is a special tax, requiring the approval of two-thirds of voters. Special-purpose government agencies, such as a school district, cannot levy general taxes.

The initiative power can be used to reduce or repeal most local taxes, assessments, fees and charges. Article XIIID deals with assessments and property-related fees and charges and expressly cautions that its provisions shall not be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is available to repeal or reduce developer and mitigation fees imposed by the District. The District has no power to impose taxes except those property taxes associated with a general obligation bond election, following approval by 55 percent or two-thirds of the District's voters, depending upon the legal authority for the issuance of such bonds.

As amended by Proposition 26 (2010), the law defines any levy, charge, or exaction of any kind imposed by a local government as a tax requiring voter approval. The following exceptions do not require voter approval: a reasonable charge for a specific benefit, privilege, product or service that is received only by the payor of the charge; a reasonable charge for regulatory costs of issuing a license or permit, performing an inspection or audit, or enforcing an order; a charge for use, rental, or purchase of government property; a charge, fine or penalty for violation of law; and assessments and property-related fees imposed as a condition of property development. Although such fees and charges levied by one taxing jurisdiction do not directly impact the amount of revenue available to another taxing jurisdiction from *ad valorem* property taxes, if the ability to impose the fee or charge is restricted, it could indirectly impact such revenues.

Minimum Guarantee of State Funding for Education

Proposition 98 (1988), added Article XVI to the State Constitution, requiring that "from all State revenues there shall first be set apart the moneys to be applied by the State for support of the public school system and higher education." Known as the "minimum guarantee," funding for K-14 school districts, made up of a combination of State general fund income tax revenues and local property tax revenues, must be the greater of either the same percentage of State general fund revenues as was appropriated in fiscal year 1986-87, or the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The minimum guarantee allocated each year, determined by a set of tests, is approximately 40 percent or more of State general fund revenues.

"Test 1" (share of the State general fund) allocates approximately 41 percent of the State general fund revenue to K-14 school districts. Test 1 only applies if "Test 2" or "Test 3" (described below) does not result in additional funding for K-14 school districts. Test 1 has been used four times in the last 29 years. Test 2 (personal income) provides that K-14 school districts shall receive at least the same amount of combined State aid and local tax dollars as was received in the prior year, adjusted for the statewide growth in K-12 ADA and an inflation factor equal to the annual percentage change in *per capita* personal income. Test 2 is used if it results in more funding for K-14 school districts than Test 1 (unless Test 3 applies instead). Test 2 has been used in 14 of the past 29 years, including fiscal year 2017-18. Test 3 (available revenues) only applies in years in which the annual percentage change in *per capita* State general fund tax revenues plus one-half percent is lower than the Test 2 inflation factor (*i.e.*, the change in *per capita* personal income), in which case the inflation factor is reduced to the annual percentage change in *per capita* State general fund tax revenues plus one-half percent. Test 3 has been used in nine of the past 29 years, including fiscal years 2015-16 and 2016-17.

In any year in which Test 3 is used, the difference between the amount appropriated and the amount that would have been appropriated under Test 2 is considered a "maintenance factor" credit to K-14 school districts, to be restored in future years when State revenue growth rebounds to exceed personal income. In years of economic hardship, the State Legislature can suspend the minimum guarantee for a year by a two-thirds vote, which also triggers the maintenance factor obligation, to be restored in later years. Such suspension has only occurred twice, in fiscal years 2004-05 and 2010-11. The State Legislature has the authority to spend more than the minimum guarantee, although any increase creates a higher minimum floor for the following year; this has occurred from time to time. At times, the State also has had outstanding one-time Proposition 98 obligations known as "settle-up" obligations. A settle-up obligation is created when the minimum guarantee increases midyear and the State does not make an additional payment within that fiscal year to meet the higher guarantee. The increased amount is used as the base for the following year's minimum guarantee. Settle-up funds can be used for any educational purpose, including paying off other state one-time obligations, such as deferrals and mandates.

Community Redevelopment and Revitalization

Beginning with the Community Redevelopment Act (1945) under Article XVI of the State Constitution, amended over time, until the termination and dissolution of the program in 2011, a local government could improve an economically depressed area by creating a redevelopment agency (an "RDA") to pay for development projects with the future increase in property tax revenue, or "tax increment," attributable to the growth in assessed value of taxable property within the project area when the project was complete. However, the allocation of the tax increment to the local RDA caused a reduction in the one percent countywide property tax levy for other local taxing agencies, including school districts, although *ad valorem* property taxes in excess of the one percent property tax levy collected for payment of debt service on school district bonds were not affected. Although a school district could negotiate with the RDA for "pass-through" payments of local tax revenues, because the State was replacing the school district's lost tax revenue, there was little incentive for most school districts to negotiate for greater amounts of pass-through from the RDAs. The State's share of reimbursements to such school districts soared into the hundreds of millions of dollars per year.

Facing economic crisis, Assembly Bill, First Extended Session 26 ("AB1X 26") (2011), upheld by the State Supreme Court in *California Redevelopment Association v. Matosantos* (2011), was enacted to dissolve the more than 400 RDAs in the State to preserve funding for core public services at the local level. Successor agencies were established to facilitate the management of projects underway, making payments on enforceable obligations, and disposing of assets and properties. Senate Bill 107 (2015) streamlined the dissolution process and expanded the types of loans for which cities and counties can seek reimbursement. Some school districts receive pass-through payments during the dissolution process. See "DISTRICT FINANCIAL INFORMATION—Revenues" herein.

Assembly Bill 2 ("AB2") (2015), the result of several legislative efforts to replace the redevelopment law in order to provide local government options for sustainable community economic development, is a limited version of the former law, targeting only the State's most impoverished areas. AB2 allows a local government to create a community revitalization investment area ("CRIA") if several conditions are met, including measures of unemployment, crime, and dilapidated infrastructure and residential structures, which are required to insure that the CRIA process is actually used for the intended purpose of alleviating blight. Significantly, school districts are prohibited from participating in the CRIA; because schools may not contribute their share of the tax increment to the project area, the funding impact to schools and the State is avoided. Assembly Bill 2492 (2016) was enacted that clarified implementation issues of AB2.

Limits on State Authority Over Local Tax Revenues

State and local governments' funding and responsibilities are interrelated. Both levels of government share revenues raised by certain taxes such as sales and fuel taxes, and both also share in the costs for some programs such as health and social services. Although the State does not receive local property tax revenue, it has had authority over the distribution of these revenues among local agencies and school districts. Under Article XIIIA, the State had the authority to permanently shift property taxes among local governments. At times, the State fulfilled some portion of the Proposition 98 minimum guarantee by shifting some of the property tax revenues share belonging to cities, counties, other special districts and redevelopment agencies to K-14 school districts through an Educational Revenue Augmentation Fund ("ERAF") established in each county.

Proposition 1A (2004) amended Articles XI and XIII of the State Constitution to require two-thirds approval of the State Legislature to shift property tax revenues allocation between local governments, preventing the State from reducing the property tax share allocated to cities, counties, and special districts. However, the State could still transfer property tax revenues to schools in the case of severe fiscal hardship and two-thirds approval of the State Legislature.

Proposition 22 (2010) amended Articles XIII and XIX of the State Constitution to further restrict the State's control over local property taxes in order to stabilize local government revenue sources. Even during times of severe fiscal hardship, the State could not take revenue derived from locally imposed taxes, such as parcel taxes, hotel taxes, utility taxes, and sales taxes, for State purposes, nor could the State delay distribution of tax revenues to local governments, redirect redevelopment agency property tax revenue to other local governments such as school districts, or shift money to the school districts under an ERAF. As a result, the State would have to take other actions to balance its budget in some years, such as reducing State spending or increasing State taxes. Proposition 22's restriction of the State's ability to shift local funds made K-14 school districts more directly dependent on the State general fund for Proposition 98 funding.

Deferrals of Payments Owed to K-14 School Districts

Beginning fiscal year 2001-02, as a temporary budget solution, the State postponed, or deferred, payments owed to K-14 school districts for a few weeks, allowing the State to save money while school districts continued to operate by borrowing money or dipping into reserves. Because the deferral lasted only a matter of weeks, there was little impact on school district finances or operations. However, especially during the last recession, the State came to rely excessively on deferrals of payments to K-14 school districts to balance the State budget. As both the length and the amount of deferrals increased, the State withheld several billions of dollars from school districts, resulting in a financial crisis for K-14 school districts which could no longer borrow enough or find reserves to cover the funding shortfall, and program reduction and teacher layoffs ensued. State reliance on payment deferrals peaked in fiscal year 2011–12 when the State deferred approximately 20 percent of all K-14 school district funding. Increasing deferrals authorize school districts to spend at a level of programming the State cannot afford, making the State budget less transparent, and create large future obligations of the State to repay the deferrals.

However, as the economy has rebounded, the State has made the repayment of deferrals a priority, and repayment of the deferrals was completed in fiscal year 2015-16.

Temporary State Tax Increases

From 2008 to 2012, the State eliminated more than $56 billion from State and local funding for local services including education, police, fire, and health care. Proposition 30 (2012) allows the State to levy a temporary sales tax (lasting four years) and income tax on high-income earners (lasting seven years), the revenues of which are dedicated to increased education funding and to balance the State budget. Existing law requires that in years in which the State's general fund revenues grow by a large amount funding for education must also be increased by a large amount. The tax revenues allocated to education as part of the minimum guarantee are deposited into the Education Protection Account ("EPA"), recalculated and distributed quarterly to K-14 school districts (89 percent to K-12 school districts and 11 percent to community college districts) as a continuing appropriation not subject to budget adoption. The funds are distributed in the same manner as existing unrestricted per-student funding. The Proposition 30 tax revenue is included in the Proposition 98 calculation, raising the guarantee by billions each year. The remaining Proposition 30 tax revenues will be used to balance the budget.

Proposition 55 (2016) extends the income tax increase on high-income taxpayers through the year 2030-31. Approximately half of the revenue raised by this measure is allocated to K-14 school districts. The measure also directs half of any excess revenues, up to a maximum of $2 billion, for additional funding for Medi-Cal, if revenues exceed the constitutionally required education spending and the costs of government programs in place as of January 1, 2016. A portion would also be saved in reserves and spent on debt payments. Any remaining revenues would be available for any State purpose.

Enacted Budget Required for Disbursement of State Funds

In years in which the State Legislature has not been able to enact a budget by the required deadline, the fiscal year begins without an enacted budget, and the State has, in some cases, issued registered warrants, or IOUs, to pay certain State employees' wages and State debts. In 1988, during such a budgetary impasse, a taxpayers' association argued that such warrants were not authorized without an enacted budget. In the case, known as *Jarvis v. Connell*, the State Court of Appeal held that without an enacted budget, State funds may not be disbursed unless the payment is authorized by the State Constitution, as a continuing appropriation, or by federal mandate. This could affect school district budgets to the extent that, if there is neither an enacted budget nor emergency appropriation, State payments owed to school districts could be delayed unless they are required as a continuing appropriation or federal mandate.

State and School District Budgetary Reserves

Proposition 58 (2004) amended Article IV of the State Constitution to require the State to enact a balanced budget, in which estimated revenues would meet or exceed estimated expenditures in each year, and that mid-year adjustments be made if the budget fell out of balance. The law established the Budget Stabilization Account in the State's general fund, which required a deposit of three percent of the State general fund each year.

Proposition 2 (2014) addressed the need for long-term financial stability in the State in the face of economic volatility by dedicating funds to pay down the State's debt, changing the State's reserve policies, and creating a separate budget reserve for K-14 school districts called the Public School System Stabilization Account ("PSSSA"). The law reduced legislative discretion over the timetable for the repayment of State debts and required that 1.5 percent of the State general fund be deposited into the BSA annually, plus an additional amount when the State experiences spikes in capital gains tax revenue in excess of eight percent of State general fund revenues. The PSSSA, also funded with capital gains spikes, is drawn upon when the Proposition 98 minimum guarantee exceeds available State general fund and property tax revenues. Through 2030, half of the funds deposited each year into the BSA must be used to pay fiscal obligations such as budget loans and unfunded State level pension plans. Funds may be withdrawn from BSA only for a disaster or if, over three years, spending does not rise above the highest level of spending. In the case of a recession, only half of the funds can be withdrawn. As a result, a large amount of incremental gains in the State's general fund revenues are allocated to building reserves and repaying debt.

The State has a constitutional obligation to ensure that school districts continue to operate even in times of financial difficulty so that the education of students in the State is not disrupted. The State requires school districts to maintain a minimum reserve in their general fund's reserve for economic uncertainties to help school districts manage cash flow, address unexpected costs, save for large purchases, reduce costs of borrowing money, and mitigate the volatility in funding produced by the reliance on tax revenue funding sources. The minimum reserve amount required depends on the size of the school district's enrollment. Smaller school districts are required to keep a higher percentage of reserves because they are more easily overwhelmed by unexpected costs, such as a single major facility repair, which could deplete most of its reserves in a single year. School districts with enrollment of 300 or fewer students, which represent 25 percent of school districts in the State, must keep a minimum reserve of five percent of expenditures. School districts with enrollment of 301 to 1,000 students, which represent 17 percent of school districts in the State, must keep a minimum reserve of four percent. School districts with enrollment of 1,001 to 30,000 students, which represent 55 percent of school districts in the State, must keep a minimum reserve of three percent. School districts with enrollment of 30,001 to 400,000 students, which represent three percent of school districts in the State, must keep a minimum reserve of two percent. The one school district in the State with an enrollment of 400,001 or more students must keep a minimum reserve of one percent. Many school districts attempt to keep their reserve levels higher than State minimum requirements, from five percent to as much as 25 percent of expenditures. A 17 percent reserve is equal to approximately two months of expenditures and is a standard reserve level for local public agencies.

Senate Bill 858 (2014), enacted as trailing legislation to the fiscal year 2014-15 State budget, required K-12 school districts, in the event of a deposit by the State to the PSSSA, to reduce total assigned and unassigned reserves in the following year to no more than twice its minimum reserve for economic uncertainties, ranging from one to five percent of expenditures depending on the size of the school district. Senate Bill 751 (2018), signed into law on October 11, 2017 and effective January 1, 2018, makes certain changes to the cap on school district reserves, increasing both the State PSSSA deposit amount required to trigger the reserve cap (to three percent of State general fund revenues appropriated for K-12 school districts), and increasing the cap on individual school district reserves (to 10 percent of combined assigned and unassigned ending general fund balances). In addition, basic aid school districts and small school districts with fewer than 2,501 students are exempted from the cap. County education officials can exempt a school district from the cap if the school district demonstrates extraordinary fiscal circumstances, including undertaking multi-year infrastructure or technology projects. A smaller reserve could affect the school district's financial condition in the event of an economic downturn. The District cannot predict when a deposit to the PSSSA might occur or whether future legislation will be enacted that changes this requirement.

School Facilities Funding

The Leroy F. Greene School Facilities Act (1998) established the State Facilities Program ("SFP") to allocate funding grants based on proposals submitted by school districts for the new construction of or the modernization of existing school facilities, although the program has evolved to allow funding for other types of school facility needs including facility hardship, seismic mitigation, charter school facilities, relief of overcrowding, career technical education facilities, incentives for energy efficiency and high-performance architectural attributes, and joint-use programs with other government entities.

Funding for SFP grants comes from statewide general obligation bonds approved by the voters in the State. The State retires these bonds by making annual debt service payments. In fiscal year 2016-17, the State expected to pay $2.4 billion in debt service on previously issued K-12 facilities bonds and $300 million in debt service on community college facilities bonds. Proposition 1A (1998) provided $9.2 billion ($6.7 billion for K-12 facilities), Proposition 47 (2002) provided $13.2 billion ($11.4 billion for K-12 facilities), Proposition 55 (2004) provided $12.3 billion ($10 billion for K-12 facilities), Proposition 1D (2006) provided $10.4 billion ($7.3 billion for K-12 facilities), and Proposition 51 (2016), the first initiative facilities bond measure, provides $9 billion ($6 billion for K-12 facilities). The payment the State must make on Proposition 51 will average approximately $500 million per year.

Proposition 51 amends the Education Code, prescribing the fiscal allocation and purpose of the $9 billion bond and establishing the 2016 State School Facilities Fund and the 2016 California Community College Capital Outlay Bond Fund in the State Treasury. Of the total amount, $6 billion is allocated to K-12 facilities (half for new construction and half for modernization), $500 million for charter schools, $500 million for career technical education programs, and $2 billion to community colleges.

In most cases, K-12 school and community college districts that receive funding for approved projects must match the funding with local funding according to the type of project. Projects for the purchase of land and new construction are matched evenly. Modernization projects require a match of 40 percent local funding to 60 percent State funding. If no local funding is available, the school district can apply for additional grant funding. Community college projects do not have a specified contribution model and are determined individually. K-12 school and community college districts may sell local general obligation bonds to cover the school district's share of the cost of facility projects. K-12 school districts may also raise funds for facilities by charging fees on new development (community college districts may not). Both K-12 school and community college districts may also raise funds by parcel taxes and other methods used less frequently.

Impact of Future Legislation

Laws affecting school district funding and the power of State and local governments to raise and spend revenue have been subject to many changes as voters and lawmakers react to economic and political cycles. The complex patchwork of the many different provisions at times results in uncertainty regarding their operation or interpretation. Many of the laws discussed above were enacted through the State's initiative process. Initiative constitutional amendments may be changed only by another statewide initiative. Legislative constitutional provisions may be changed by a majority vote of both houses of the State Legislature and approval by the Governor of California (the "Governor"), if the change furthers the purposes of the provision. The District cannot predict whether or when the voters in the State or the State Legislature will approve further legislation that could restrict the District's sources of revenue or its ability to spend that revenue, or require the District to appropriate additional revenue.

FUNDING OF PUBLIC EDUCATION IN THE STATE

Sources of Revenue for Public Education

There are four general sources of funding for K-12 public education in the State: the federal government, local property taxes, other local funding sources and State funding, the principal source of funding for most school districts. Proposition 13 eliminated the possibility of raising additional *ad valorem* property taxes above one percent for general-purpose school support, and the courts have declared that school districts may not charge fees for school-related activities, unless the charge is specifically authorized by law for a particular program or activity. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES" herein.

State Funding. Many school districts in the State receive the majority of their funds from the State. In fiscal year 2016-17, State funds accounted for approximately 60 percent of State K-12 public education funding. There are three sources of State funds for K-12 public education: the Proposition 98 minimum guarantee, comprised of a combination of State general fund revenues and local property tax revenues, representing the majority (85 percent in fiscal year 2016-17) of State funding; additional State funds for targeted programs such as facilities and remaining categorical programs such as special education, nutrition, afterschool programs, and home-to-school transportation; and State lottery funds, a portion of which may only be used for instructional purposes. The Proposition 98 guaranteed minimum amount is set forth each year in the State budget. See "—The 2017-18 State Budget" herein.

More than 60 percent of the State's general fund revenue comes from personal income taxes, with capital gains taxes representing more than 10 percent of the State's general fund revenue, so a downturn in the stock market may significantly impact the State's general fund. Because funding for education in the State depends on the amount of money available in the State general fund, the linkage can result in significant volatility in education funding. For instance, during the recent recession in fiscal year 2011-12, State general fund revenues available for education funding were approximately eight percent less than the amount available four years prior. Provisions added to the State Constitution and statutes in 2013 and 2014 attempt to provide funding stability to public education by capturing spikes in capital gains revenue to use for paying down debts and obligations and to create reserves. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES" herein.

Revenue Limit Funding. The State Revenue Limit was instituted in fiscal year 1973-74 to provide a mechanism to calculate the total amount of general-purpose revenue a school district, community college district or county office of education is entitled to receive from combined State and local sources per average daily attendance, known as its "revenue limit," and the funding from this calculation formed the bulk of school districts' income, and was annually increased to adjust for changes in the cost of living. The revenue limit for each school district or county office of education was funded first by the property tax revenue available to that entity, with the remaining balance filled by State funds. "Community-funded" districts, whose local property tax revenues exceeded their calculated revenue limit, did not receive State revenue limit funding, although such districts did receive the constitutionally required minimum funding, or "basic aid" per pupil, and categorical State and federal aid that was restricted to specific programs and purposes.

Local Control Funding Formula (LCFF). In landmark legislation, the fiscal year 2013-14 State budget replaced revenue limit funding with the LCFF. The LCFF transfers control over spending decisions to local authorities, requiring community input about those spending decisions along with increased transparency and accountability for the outcomes of those decisions. The general-purpose funds for school districts are now funneled through LCFF, and funds received through categorical programs are greatly reduced. As under the revenue limit system, the amount a school district is entitled to receive for general-purpose LCFF funds is financed through the local property tax revenue available to the school district, with the remaining balance funded by the State.

Most public education funding from the State is provided through the LCFF, including approximately 80 percent of Proposition 98 funding for K-12 public education. As under the revenue limit, school districts continue to receive funds based on the greater of prior year or current year ADA figures. Under LCFF, school districts across the State receive the same base grants for each grade span, based on ADA. In fiscal year 2017-18, the base grants are $7,941 for kindergarten through third grade, $7,301 for fourth through sixth grade, $7,518 for seventh through eighth grade, and $8,937 for ninth through twelfth grade. These figures include increases for class size reduction for kindergarten through third grade and career technical education for ninth through twelfth grade.

School districts receive a supplemental grant of 20 percent of the base grant for each student in the school district who is low-income, English-learner, or foster youth. Enrollment counts are "unduplicated," such that students may not be counted as both English-learner and low-income (foster youth automatically meet the eligibility requirements for free or reduced-price meals, and are therefore not discussed separately). School districts with more than 55 percent enrollment of unduplicated students receive a concentration grant, an additional 50 percent of the base grant for each unduplicated student above the threshold, intended to address the additional academic challenges faced by such students when their peers are similarly disadvantaged. The supplemental and concentration grants are allocated so that as a school district's proportion of unduplicated students increases, so does its total funding allocation. A school district in which 100 percent of enrollment is unduplicated students will receive 42.5 percent more total funding than a school district with no unduplicated students. The supplemental and concentration grant amounts are based on the unduplicated count of pupils divided by the total enrollment in the school district, based on the fall P-1 certified enrollment report. School districts have broad discretion to decide how to spend the base grant. The supplemental and concentration grants must be used to increase or improve services to the population they are intended to serve, although some services may be provided district- or site-wide.

The implementation of LCFF began in fiscal year 2013-14, with full implementation planned by fiscal year 2020-21. Until full implementation has occurred, the difference between the actual amount districts receive in a year and the target amount they will receive as of full implementation is referred to as the "funding gap." The funding gap is determined by the difference between the "funding floor," or amount of funding a school district received the prior year, and the target amount of funding the school district will receive at full implementation. The funding floor consists of fiscal year 2012-13's deficited revenue limit divided by ADA multiplied by current year ADA, plus the sum of any categorical funding. Sufficient funding was available to fund 12 percent of the funding gap in fiscal year 2013-14, 33 percent of the gap in fiscal year 2014-15, 53 percent of the gap in fiscal year 2015-16, 55 percent of the gap in fiscal year 2016-17, and is budgeted to fund 44 percent of the gap in fiscal year 2017-18, the fifth year of implementation of LCFF, bringing LCFF to 97 percent of full implementation.

Under the "hold harmless" provision, no school district will receive less State aid than it received in fiscal year 2012-13. Most districts will receive more funding at full implementation of LCFF than they did previously under the revenue-limit system. For some school districts, their per-pupil undeficited fiscal year 2012-13 funding was higher than their LCFF entitlement at full implementation. Such districts will have their undeficited funding level restored through a supplemental ERT add-on payment. School districts that are eligible for ERT funding will receive the difference between their LCFF target and their LEA's fiscal year 2012-13 undeficited funding, adjusted for cost-of-living increases.

Community-funded districts continue to receive at least the amount of State funding they received in fiscal year 2012-13. Although community-funded districts do not receive LCFF funding grants, they must comply with the regulations and accountability requirements of LCFF. Community-funded districts also continue to receive the constitutionally guaranteed $120 per-pupil minimum as well the $200 per-pupil minimum from the EPA pursuant to Proposition 30 as additional revenue. The District is not a community-funded district.

The State funds school districts in monthly installments based on calculations made in a series of three apportionments throughout the fiscal year. Each apportionment includes funding for the LCFF and for other State programs. The amount of each apportionment is based on calculations made by each school district and reviewed by its county office of education. The Advance Principal Apportionment ("Advance Apportionment"), certified by July 20, sets forth the amount the school district will receive for the year, paid in a series of installments from August through January. The First Principal Apportionment

(“P-1 Apportionment”), certified by February 20, set forth a new calculation based on the school district’s first period ADA determined as of December, for installments that will be paid to the school district from February through June. The Second Principal Apportionment (“P-2 Apportionment”), certified July 2, based on second period ADA determined as of April, recalculates the amount of the final installment for the fiscal year paid to the school district in July. At the close of the fourth quarter, a final annual recalculation (“Annual Apportionment”) provides an updated estimate of the prior year’s adjustment.

In addition, school districts receive a quarterly allocation of the tax revenue deposited in the EPA from the temporary tax increases associated with Proposition 30 and extended under Proposition 55. The funds in the EPA are allocated between K-12 school districts and community college districts by 89 percent and 11 percent, respectively, and entitlements are calculated based on the adjusted LCFF entitlement of the district. The EPA funds received by an LCFF-funded school district count towards the district’s LCFF funding entitlement; community-funded districts also receive the $200 per-pupil EPA funding. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES” herein.

The LCFF requires each school district to demonstrate that its spending decisions are producing the desired results of increased student performance as stated in each school district’s own LCAP. Each school district must create its own annually updated LCAP with input from teachers, parents and the community, including the parents or guardians of unduplicated students. School districts must review and share the results to determine whether spending achieved the goals stated in the LCAP, for each school site and for the school district as a whole. All school districts must use the State’s LCAP template beginning fiscal year 2014-15. The LCAP must include a description of the annual goals to be achieved for each student group for each State priority, including the content standards adopted by the State Board of Education. The LCAP of each school district is overseen and approved by the county superintendent.

Charter schools must comply with LCFF and receive mostly the same funds as public schools, although calculation of targeted disadvantaged students differs somewhat to prevent abuse of the system. There are also differences in the process of LCAP adoption and assessment. In the case of a charter school that fails to perform according to its LCAP, the State is not required to provide the same support that a public school district or county office of education receives, and its charter can be revoked.

Federal Funding. In fiscal year 2016-17, federal revenues accounted for less than 10 percent of funding for school districts in the State. Most of these funds are designated for particular purposes. There are no unfunded federal education mandates; each is conditioned on a state’s voluntary decision to accept federal program funds. The primary source of federal supplemental education funding is the Elementary and Secondary Education Act (“ESEA”) (1965), enacted to address inequality in education. The previous authorization of ESEA, the No Child Left Behind Act (“NCLB”) (2001), expanded the federal government’s role and increased testing requirements to measure improvement. Most recently reauthorized under the Every Student Succeeds Act (“ESSA”) (2015), responsibility for school improvement has been shifted to the states. ESSA provides funding through six programs: Title I grants, tied to student assessment, to assist economically disadvantaged children; Title II grants for professional development; Title III grants for ancillary student services; Title IV grants for research and training; Title V grants for state departments; and Title VI grants for special education. Another significant source of federal funding for school districts is the Education for All Handicapped Children Act (“EHA”) (1975), enacted to support special education and related services, reauthorized by the Individuals with Disabilities Education Act (“IDEA”) (1990). The largest of the law’s three sections, Part B, authorizes grants to states and local school districts to offset special education costs. As of fiscal year 2014, IDEA federal funding covered 16 percent of the estimated excess cost of educating students with disabilities; the shortfall is assumed by states and local school districts.

Local Property Tax Revenue. In fiscal year 2016-17, local property taxes were expected to account for approximately 25 percent of K-12 public education funding within the State. Property taxes are constitutionally limited to one percent of the property’s value, except to repay voter-approved debt.

Other Local Funds. In fiscal year 2016-17, miscellaneous local sources were expected to account for approximately five percent of K-12 public education funding within the State. There are several types of revenue a school district may receive from other local sources, including developer fees, parcel taxes, property lease revenues, and private donations. A school district may levy developer fees on new residential or commercial development within the school district’s boundaries to finance the construction or renovation of school facilities. A school district may, with two-thirds approval from local voters, levy special taxes on parcels to fund specific programs within the school district. A school district may lease or sell its unused sites or facilities as another source of revenue. A school district may also seek contributions, sometimes channeled through private foundations established to solicit donations from local families and businesses.

The State Budget Process

Under the State Constitution, money may be drawn from the California Centralized Treasury System (the "State Treasury") only by an appropriation authorized by law. The primary source of annual appropriations authorizations is the budget act approved by the State Legislature and signed by the Governor (the "Budget Act"), which can provide for projected expenditures only to the amount of projected revenues and balances available from prior fiscal years.

The annual budget cycle begins when the Governor releases a proposed budget in January for the next fiscal year, which starts each July 1 and ends June 30. The Governor releases a revised budget in May based on new projections regarding State revenues and feedback from the State Legislature and other constituents. The State Constitution requires that the State Legislature pass the Budget Act by June 15 by majority approval from both Houses. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the State Legislature.

Appropriations may also be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the State Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each House of the State Legislature, and be signed by the Governor. The State Constitution or a State statute may also provide for continuing appropriations that are available without regard to fiscal year. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

The 2017-18 State Budget

On June 27, 2017, the Governor signed the 2017 Budget Act and associated trailer bills to enact the fiscal year 2017-18 State budget (the "2017-18 State Budget"), a $180 billion total spending plan representing an increase of seven percent over revised levels for fiscal year 2016-17.

The 2017-18 State Budget estimates that State general fund revenues exceed total general fund expenditures. The 2017-18 State Budget projects State general fund revenues and transfers to total $125.9 billion, an increase of six percent over revised 2016-17 estimates. The State's largest three sources of general fund tax revenue – personal income taxes, sales and use taxes, and corporate taxes – are projected to increase five percent. State general fund expenditures are projected to be $125.1 billion, an increase of $3.7 billion (three percent) over revised 2016-17 levels. The State's general fund balance is budgeted to be $2.4 billion at the end of fiscal year 2017-18. State special fund expenditures are increased by $8.5 billion (18 percent) over revised 2016-17 levels, largely due to increased special fund spending on transportation and Medi-Cal. The 2017-18 State Budget provides for year-end total reserves of $9.9 billion, comprised of $1.4 billion in the discretionary Special Fund for Economic Uncertainties (SFEU) reserve and $8.5 billion in the Proposition 2 mandatory Budget Stabilization Account reserve fund.

The 2017-18 State Budget includes $3.1 billion in additional funding for a total of $74.5 billion in K-14 education funding as required by Proposition 98, including $1.4 billion additional funds for LCFF, bringing its implementation to 97 percent; increased funding for transportation and infrastructure projects from revenues from fuel and vehicle-related taxes and fees; expansion of State earned-income tax credit to approximately one million additional low-wage families; increased funding for Medi-Cal provider rates and growth in Medi-Cal program from Proposition 56 tobacco tax revenues; increased funding to counties for cost sharing agreement for provision of in-home supportive services; increased funding for public universities and student financial aid; and increased funding for child care and preschool. In addition, the 2017-18 State Budget provides for a $6 billion pension loan from the State's cash balances (from the Surplus Money Investment Fund) to PERS, based on estimates that such action will save $11 billion over the next two decades and stabilize the State's contributions to PERS.

The following table identifies historical and budgeted State general fund revenues, expenditures and fund balances.

State General Fund
2015-16 through 2017-18 State Budget

	2015-16 Revised (Millions)	2016-17 Revised (Millions)	2017-18 Budget (Millions)
Prior-year Fund Balance	$3,508	$4,504	$1,622
Revenues and Transfers	115,500	118,539	125,880
Expenditures	113,983	121,421	125,096
Ending Fund Balance	$5,024	$1,622	$2,406
Encumbrances	980	980	980
Special Fund for Economic Uncertainties	4,044	642	1,426
Reserves			
Special Fund for Economic Uncertainties	$4,044	$642	$1,426
Budget Stabilization Account	3,529	6,713	8,486
Total Reserves	$7,574	$7,355	$9,912

Source: The State Legislative Analyst's Office.

Education Funding. The Proposition 98 minimum guarantee for K-14 education funding continues to increase after reaching a low of $47.3 billion in fiscal year 2011-12. The 2017-18 State Budget provides for funding at the minimum guarantee level of $74.5 billion for fiscal year 2017-18, an increase of $3.1 billion (4.4 percent) over the three-year fiscal period of 2015-16 through 2017-18, combined with revisions and adjustments of the minimum guarantee for fiscal years 2015-16 and 2016-17, in investment in K-14 education across all segments. The $3.1 billion increase is required due to the spending levels provided in the past two budget years exceeding the minimum guarantee, as spending above the minimum guarantee in one year becomes part of the base calculation of the minimum guarantee for the following year.

The Proposition 98 maintenance factor, created in years in which State general fund revenue growth is slow or decreases compared to growth in *per capita* personal income, is calculated as the difference between the funding level that would have been budgeted had revenue growth been stronger and the lesser amount that is actually budgeted. The maintenance factor is carried over from year to year until the State's economy is strong enough to restore the difference by accelerating Proposition 98 funding. The maintenance factor was approximately $11 billion in fiscal year 2011-12. Fiscal year 2017-18 is a Test 2 year (since the increase in the minimum guarantee is due to a 3.7 percent increase in *per capita* personal income and a 0.05 percent decline in K-12 attendance) which results in funding at the minimum guarantee level with a maintenance factor payment of $536 million. The projected year-end outstanding maintenance factor obligation is $900 million.

Of the total Proposition 98 spending budgeted for fiscal year 2017-18, $52.6 billion is State general fund and $21.9 billion is local property tax revenue. The 2017-18 State Budget includes a $603 million settle-up payment to K-14 educational agencies (allocated to LCFF and Career Technical Education ("CTE") funding), considered as a Proposition 98 debt repayment, reducing the State's outstanding settle-up obligation from over $1 billion to $440 million.

For K-12 education specifically, the 2017-18 State budget provides $64.7 billion in Proposition 98 funds, $2.7 billion (4.3 percent) more than the revised 2016-17 level, and $2.2 billion (3.6 percent) more than the enacted fiscal year 2016-17 level. The 2017-18 State Budget increases per-pupil funding by $450 (4.3 percent) from the enacted fiscal year 2016-17 level, bringing total Proposition 98 per-pupil funding to $10,863. This total funding includes $2.4 billion in adjustments to K-12 education funding, of which $1.5 billion is for on-going increases, $933 million is for one-time initiatives, and $328 million is for one-time initiatives funded from other sources. The 2017-18 State Budget also authorizes $593 million in bond issuance from Proposition 51 general obligation bonds proceeds for school facilities.

The 2017-18 State Budget provides an additional $1.4 billion in funding to school districts and charter schools for LCFF, bringing total LCFF spending to $57.4 billion in fiscal year 2017-18 (a 2.7 percent increase over the revised 2016-17 level), bringing the LCFF target level to approximately 97 percent of full implementation.

The 2017-18 State Budget provides for certain adjustments in education spending, including the following:

Per-Pupil Discretionary Grants: One-time funding of $877 million that local educational agencies may use for any educational purpose, distributed based on average daily attendance; reduces the mandates backlog to $799 million at the end of fiscal year 2017-18.

Cost-of-Living-Adjustment: Additional ongoing funding of $65 million to provide for a 1.56 percent cost-of-living adjustment ("COLA") for mandates block grants to K-14 educational agencies ($3.5 million for K-12 and $500,000 for community colleges) and $61 million to provide for the 1.56 percent COLA for certain categorical programs, including special education, child nutrition, foster youth services, and American Indian education.

After School and Education Safety (ASES) Program: Additional ongoing funding of $50 million, bringing total spending for ASES to $600 million, for increased provider reimbursement rates, implementation of new minimum wage obligations.

Classified Employee Teacher Certification: One-time funding of $25 million in grants to support up to 1,250 classified employees in completing teacher certification education.

CTE Pathways: Additional ongoing funding of $15 million to support efforts linking secondary and postsecondary CTE; $200 million for the third and final year of CTE incentive grant program as required by legislation.

Refugee Student Support: One-time funding of $10 million for supportive services to refugee students transitioning to new learning environments, to be allocated over the next three fiscal years by the California Department of Social Services to school districts impacted by significant numbers of refugee students.

Mandated Reporter Training: Additional ongoing funding of $8.5 million to add mandated reporter training on the detection and reporting of child abuse to the K-12 mandates block grant.

County Offices of Education: Additional ongoing funding of $7 million to increase LCFF funding to county offices of education for school district services.

Bilingual Teacher Training: One-time funding of $5 million in Proposition 98 funds to provide professional development for bilingual teachers.

Online Educational Resources: Additional ongoing funding of $3 million to fund online educational resources.

California-Grown Fresh School Meals Grants: One-time funding of $1.5 million in grants to local educational agencies with high proportions of low-income or English-learner students, for the purchase of food grown in the State and expand the number of freshly prepared meals using State-grown ingredients.

Proposition 56 Tobacco Prevention: Funding of $32 million in new cigarette tax revenue to support the tobacco use prevention education in schools as statutorily required.

Proposition 39 Energy Efficiency: Funding of $423 million for energy efficiency projects at K-14 schools as statutorily required for the fifth and final year of such funding, with trailing legislation extending the grant opportunity for an additional year.

The following table identifies Proposition 98 budgeted funding levels for fiscal year 2017-18, revised levels for fiscal year 2016-17, and final levels for fiscal year 2015-16, both by segment of educational level and by source of funding.

Proposition 98 Funding
2015-16 through 2017-18 State Budget

	2015-16 Final (Millions)	2016-17 Revised (Millions)	2017-18 Enacted (Millions)
By Segment			
K-12 Schools			
General Fund	$43,074	$43,955	$45,763
Local Property Tax Revenue	17,047	18,133	18,981
Subtotal	$60,121	$62,089	$64,745
Community Colleges			
General Fund	$5,384	$5,473	$5,654
Local Property Tax Revenue	2,631	2,768	2,911
Subtotal	$8,016	$8,242	$8,565
Preschool	$885	$975	$1,122
Other Agencies	82	85	91
Total	$69,103	$71,390	$74,523
By Fund Source			
General Fund	$49,425	$50,488	$52,631
Local Property Tax Revenue	19,678	20,902	21,892
Total	$69,103	$71,390	$74,523

Source: The State Legislative Analyst's Office.

Future Budgets

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures 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 over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted. State budget shortfalls in future fiscal years could have an adverse financial impact on the District.

For more information on the State budget, please refer to the State Department of Finance's website at www.dof.ca.gov and to the State Legislative Analyst's Office's website at www.lao.ca.gov. The District takes no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of the information presented therein, and such information is not incorporated herein by such reference.

LEGAL MATTERS

No Litigation

There is no action, suit or proceeding known by the District to be pending or threatened restraining or enjoining the sale or delivery of the Bonds, or in any way contesting or affecting the validity thereof or any proceeding of the District taken with respect to the issuance or sale of the Bonds, or the pledge or application of moneys or security provided for the payment of the Bonds, or the authority of Tehama County or Shasta County to levy property taxes to pay principal of and interest on the Bonds when due.

Legal Opinion

The proceedings in connection with the authorization, sale, execution and delivery of the Bonds are subject to the approval as to their legality of Parker & Covert LLP, Bond Counsel. A copy of the legal opinion will be attached to each Bond, and a form of such opinion is attached hereto as "APPENDIX C—FORMS OF OPINIONS OF BOND COUNSEL."

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Bonds and to rendering the aforementioned opinion. Bond Counsel has not undertaken any responsibility for the accuracy, completeness, or fairness of this Official Statement, and the opinion of Bond Counsel will not extend to any documents, agreements, representations, offering circulars, official statements or other material of any kind concerning the Bonds that are not referred to in the aforementioned opinion. The fees of Bond Counsel are contingent upon the issuance and delivery of the Bonds.

Limitations on Remedies; Amounts Held in the County Pool

The opinion of Bond Counsel with respect to the enforceability of the rights of the Registered Owners is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the Registered Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Tehama County, on behalf of the District, is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County Pool, as described under the caption "TEHAMA COUNTY INVESTMENT POOL" herein and in "APPENDIX D—TEHAMA COUNTY INVESTMENT POLICY" attached hereto. In the event the District or Tehama County were to go into bankruptcy, a federal bankruptcy court might hold that the Registered Owners are unsecured creditors with respect to any funds received by the District or Tehama County prior to the bankruptcy, which may include taxes that have been collected and deposited into the Tax Collection Fund, where such amounts are deposited into the County Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Tax Collection Fund where such amounts are invested in the County Pool. The Government Code requires Tehama County and Shasta County to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds.

Tax Matters

The following discussion of federal income tax matters written to support the promotion and marketing of the Bonds was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding federal tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

In the opinion of Bond Counsel, subject however to the qualifications set forth below, under existing law, the Series 2017B Bonds constitute "qualified zone academy bonds" within the meaning of Section 54E of the Tax Code. Subject to the limitations of Section 54A of the Tax Code, Owners of Tax Credit Certificates, whether held as Tax Credit Strips or as part of the Series 2017B Bond, are entitled to the Tax Credit on each Credit Allowance Date for such taxable year. The amount of the Tax Credit will be treated as interest for federal income tax purposes and will be included in gross income for holders of the Tax

Credit Certificates, whether held as Tax Credit Strips or as part of the Series 2017B Bonds. The opinions set forth in the preceding sentences are subject to the condition that the District complies with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Series 2017B Bonds in order for the Series 2017B Bonds to be treated as "qualified zone academy bonds" under Section 54E of the Tax Code. The District will covenant to comply with each such requirement. Failure to comply with certain of such requirements may cause the Series 2017B Bonds to cease to be treated as "qualified zone academy bonds" and may result in the termination of the Tax Credit, possibly from the date of issuance of the Series 2017B Bonds. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2017B Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is not excludable from gross income for federal income tax purposes, but is exempt from State of California personal income taxes.

Prospective purchasers of the Bonds should consult their own tax advisors concerning the federal or state tax consequences relating to, or pending or proposed federal tax legislation, related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described herein.

The IRS has issued detailed guidance regarding the tax consequences and treatment of transactions whereby the Tax Credit components of the Bonds may be separate from its principal components. Bond Counsel expresses no opinion as to any federal or state tax consequences or treatment of such tax credit stripping transactions. Prospective purchasers of the Series 2017B Bonds who may engage in tax credit stripping transactions should consult their own tax advisors concerning the federal or state tax consequences or treatment of such tax credit stripping transactions.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in "APPENDIX C—FORMS OF OPINIONS OF BOND COUNSEL" attached hereto.

Legality for Investment

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

RATINGS

S&P is expected to assign a municipal bond rating of "AA" to the Bonds with the understanding that upon the delivery of the Bonds, the Policy will be issued by AGM. S&P has assigned an underlying municipal bond rating of "A+" to the Bonds. Such ratings reflect only the views of S&P, and an explanation of the significance of such ratings may be obtained from S&P. The rating agency may have obtained and considered information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished, and on investigations, studies and assumptions made by them. The ratings are not a recommendation to buy, sell or hold the Bonds. There is no assurance that any such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of the rating agency, circumstances so warrant. Neither the District nor the Underwriter has undertaken any responsibility to assure the maintenance of the ratings or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

Government Financial Strategies inc. has been employed by the District to perform municipal advisory services in relation to the sale and delivery of the Bonds. Government Financial Strategies inc., in its capacity as Municipal Advisor, has read and prepared this Official Statement. Government Financial Strategies inc. has not, however, independently verified nor confirmed all of the information contained within this Official Statement. Government Financial Strategies inc. will not participate in the underwriting of the Bonds. Fees charged by Government Financial Strategies inc. are not contingent upon the sale of the Bonds.

INDEPENDENT AUDITOR

The financial statements of the District as of and for the year ending June 30, 2016 have been audited Tittle & Company, LLP, Chico, California. The audited financial statements of the District as of and for the year ended June 30, 2016, are set forth in "APPENDIX A—THE FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDING JUNE 30, 2016" attached hereto. The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. The Auditor has not been engaged to perform and has not performed, since the date of its report attached hereto, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

UNDERWRITING AND INITIAL OFFERING PRICE

The Bonds will be purchased by Raymond James & Associates, Inc. (the "Underwriter") pursuant to a bond purchase agreement (the "Purchase Agreement") by and between the District and the Underwriter at a price of $12,944,750.00 (equal to the principal amount of the Bonds of $13,000,000.00, less an underwriting discount of $55,250.00). The Underwriter's obligation to purchase the Bonds is subject to certain terms and conditions set forth in the Purchase Agreement.

The Underwriter intends to offer the Bonds to the public at the initial offering prices and yields stated on the inside cover pages hereof. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than said public offering prices. The offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The District will covenant for the benefit of the holders and Beneficial Owners of the Bonds to annually provide certain financial information and operating data relating to the District (the "Annual Report"), by not later than nine and one half months after the end of the fiscal year, commencing with the report for the 2016-17 fiscal year (which is due no later than April 15, 2018), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of certain enumerated events will be filed by the District with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. The specific nature of the information to be contained in the Annual Report or the notices is specified in "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

In the past five years, the District has not complied in all respects with its previous undertakings with regard to said Rule to provide annual reports and notices of enumerated events as follows. The following notice of an enumerated event was posted more than 10 business days after its occurrence.

- On June 24, 2013, S&P upgraded the underlying rating of the 2005 COP, resulting in an upgrade in the rating of the 2005 COP. Due to administrative oversight, notice of the upgrade was not posted until March 12, 2015.

Procedures have been implemented to prevent such administrative oversight from recurring. As of the date of this Official Statement, the District has made all required filings in the past five years for currently outstanding issues in connection with prior undertakings under the Rule.

ADDITIONAL INFORMATION

Additional information concerning the District, the Bonds or any other matters concerning the sale and delivery of the Bonds may be obtained by contacting Red Bluff Joint Union High School District, 1525 Douglass Street, Red Bluff, California

96080, (530) 529-8700, Attention: Director of Fiscal Services, or by contacting the Municipal Advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California, 95814, telephone (916) 444-5100.

All of the preceding summaries of the Bonds, Resolution, Paying Agent Agreement and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith. Further, this Official Statement does not constitute a contract with the purchasers of the Bonds, and any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

Red Bluff Joint Union High School District

By: /s/ Todd A. Brose
Todd A. Brose
Superintendent

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APPENDIX A

THE FINANCIAL STATEMENTS OF THE DISTRICT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT

County of Tehama
Red Bluff, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITORS' REPORTS

Year Ended June 30, 2016

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
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FINANCIAL SECTION

TITTLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS
TIMOTHY A. TITTLE, CPA HEIDI M. COPPIN, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Red Bluff Joint Union High School District
Red Bluff, 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 Red Bluff Joint Union High School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

3263 Esplanade, Chico, California 95973 Voice 530.893.8647 Fax 530.893.0302

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 Red Bluff Joint Union High School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Red Bluff Joint Union High School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of Red Bluff Joint Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Red Bluff Joint Union High School District's internal control over financial reporting and compliance.

Tittle & Company, LLP

Chico, California
December 12, 2016

Introduction

Our discussion and analysis of Red Bluff Joint Union High School District (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the Independent Auditors' Report and the District's financial statements, which follow this section.

Financial Highlights

- Total net position was ($1,576,947) at June 30, 2016. This was a decrease of $1,924,156 from the prior year.
- Overall revenues of $19,401,379 were exceeded by expenses of $21,325,535.
- Capital assets, net of depreciation, decreased by $804,018 which is attributed to depreciation expense netted against fixed asset additions.
- The District maintains sufficient reserves for a district of its size. It meets the state required minimum reserve for economic uncertainty of 3% of General Fund expenditures, transfers out, and other uses (total outgo). During the fiscal year, General Fund expenditures and other financing uses totaled $19,319,527. At June 30, 2016, the District had available reserves of $2,243,747 in the General Fund, which represents a reserve of 11.6%.

The Financial Report

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

- District-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the district-wide statements. They are comprised of the remaining statements.
    - Basic services funding is described in the governmental funds statements. These statements included short-term financing and identify the balance remaining for future spending.
    - Proprietary funds statements offer short- and long-term financial information about the activities the District operates like a business.
    - Financial relationships, for which the District acts as an agent or trustee for the benefit of others to whom the resources belong, are presented in the fiduciary funds statements.

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

Reporting the District as a Whole

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

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

- Increases or decreases in the District's net assets over time are indicators of whether its financial health is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

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

Governmental Activities

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

Business-Type Activities

The Charter School Enterprise Fund is maintained to account for the balances and transactions associated with Educational Outreach Academy, and is included as a business-type activity. The Charter School closed in fiscal year 2013 and the associated nonprofit corporation is in the process of being dissolved.

Reporting the District's Most Significant Funds

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

Governmental Funds

The major governmental funds of Red Bluff Joint Union High School District are the General Fund and the Cafeteria Fund. Governmental fund reporting focuses on how many flows into and out of the funds and the balances that remain at the end of the year. A modified accrual basis of accounting measures cash and all other financial assets that can easily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services. Governmental fund information helps to determine the level of financial resources available in the near future to finance the District's programs.

Proprietary Funds

Services for which the District charges a fee are generally reported in the proprietary funds on a full accrual basis. These include both Enterprise funds and Internal Service funds. Enterprise funds are considered business-type activities and are also reported under a full accrual method. This is the same basis as the government-wide financial statements; therefore no reconciling entries are required. Internal service funds are reported with the Governmental Funds. The District has no funds of this type.

Fiduciary Funds

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Fiduciary Statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

Financial Analysis of the Entity as a Whole

Net Position

The District's combined net position was ($1,576,947) for the fiscal year ended June 30, 2016. Of this amount, $920,700 was restricted and ($14,290,493) was unrestricted. Restricted net assets are reported separately if they are not available for day-to-day operations or their use is constrained to a particular purpose by statutes, rules or other entities with authority over the District.

The District's net position decreased by $1,924,156 during the fiscal year 2015-16. The majority of the net position decrease was due to the increase in the District's proportionate share of the net pension liability for the CalSTRS and CalPERS retirement plans.

Table 1: Statement of Net Position – Governmental Funds

	Governmental Activities		Total Percentage
	2015	2016	Change
ASSETS			
Cash	$ 5,695,965	$ 4,206,924	-26.1%
Accounts receivables	514,970	824,242	60.1%
Stores inventories	156,968	172,775	10.1%
Prepaids	859	-	-100.0%
Capital assets - net	18,586,864	17,782,846	-4.3%
Total Assets	24,955,626	22,986,787	-7.9%
Deferred Outflows of Resources	1,053,845	1,594,689	51.3%
LIABILITIES			
Accounts payable and other current liabilities	1,330,951	1,198,087	-10.0%
Unearned revenue	34,488	140,117	306.3%
Long-term obligations	20,683,746	23,201,911	12.2%
Total Liabilities	22,049,185	24,540,115	11.3%
Deferred Inflows of Resources	3,613,077	1,618,308	-55.2%
NET POSITION			
Invested in capital assets - net of related debt	12,393,519	11,792,846	-4.8%
Restricted	819,492	920,700	12.4%
Unrestricted	(12,865,802)	(14,290,493)	11.1%
Total Net Position	$ 347,209	$ (1,576,947)	-554.2%

Table 2: Statement of Activities – Governmental Funds

	Governmental Activities		Total Percentage
	2015	2016	Change
REVENUES			
Program Revenues			
Charges for services	$ 92,834	$ 99,769	7.5%
Operating grants and contributions	3,012,974	3,253,173	8.0%
Capital grants and contributions	826	1,135	37.4%
General Revenues			
Property taxes	5,436,692	6,227,984	14.6%
Federal and state aid not restricted	7,467,152	8,744,186	17.1%
Other	1,416,005	1,075,132	-24.1%
Total Revenues	17,426,483	19,401,379	11.3%
EXPENSES			
Instruction	9,924,970	11,271,659	13.6%
Instruction-related services	1,810,774	1,877,383	3.7%
Pupil services	2,843,289	2,906,335	2.2%
General administration	1,284,029	1,340,618	4.4%
Plant services	2,960,510	3,171,627	7.1%
Ancillary services	362,626	357,770	-1.3%
Enterprise Activities	6,533	-	-100.0%
Other outgo	240,586	164,293	-31.7%
Interest on long-term debt	243,785	235,850	-3.3%
Total Expenses	19,677,102	21,325,535	8.4%
Change in Net Position	$ (2,250,619)	$ (1,924,156)	-14.5%

Table 3: 2015-16 Summary of Revenue for Governmental Functions

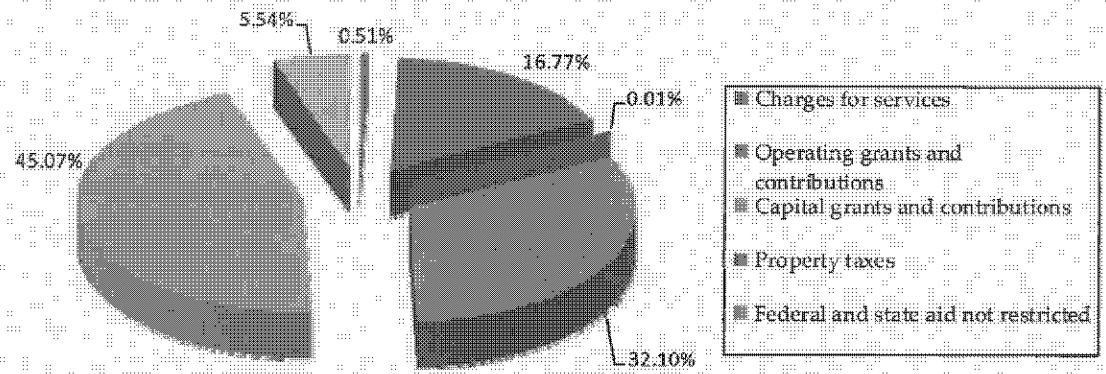
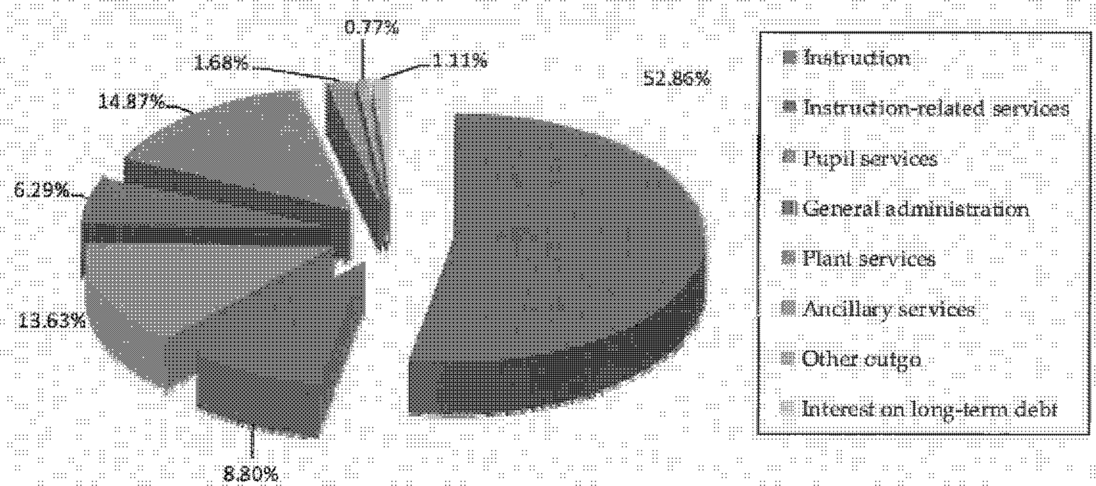


Table 4: 2015-16 Summary of Expenses for Governmental Functions



Governmental Activities

- The net cost of all governmental activities this year was $17,971,458.
- The federal and state governments subsidized certain programs with grants and contributions ($3,253,173).
- Most of the District's costs were financed by District ($6,227,984) and Federal and State ($8,744,186) taxpayers, and other local and miscellaneous earnings ($1,075,132).

Table 5 represents the cost of major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that is placed on the District's general revenues.

Table 5: Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2015	2016		2015	2016	
Instruction	$ 9,924,970	$ 11,271,659	13.6%	$ 8,108,754	$ 9,240,260	14.0%
Supervision of instruction	1,810,774	1,877,383	3.7%	1,652,888	1,671,749	1.1%
Pupil services	2,843,289	2,906,335	2.2%	1,890,282	2,045,796	8.2%
General administration	1,284,029	1,340,618	4.4%	1,244,441	1,309,996	5.3%
Plant services	2,960,510	3,171,627	7.1%	2,948,366	3,010,423	2.1%
Ancillary services	362,626	357,770	-1.3%	353,538	350,947	-0.7%
Enterprise activities	6,533	-	-100.0%	6,490	-	-100.0%
Other outgo	240,586	164,293	-31.7%	121,924	106,437	-12.7%
Interest on long-term debt	243,785	235,850	-3.3%	243,785	235,850	-3.3%
Total	$ 19,677,102	$ 21,325,535	8.4%	$ 16,570,468	$ 17,971,458	8.5%

Governmental Funds

As the District completed the year, its governmental funds reported combined fund balances of $3,865,737; a 22.7% decrease over last year's ending fund balances of $5,003,323.

Table 6: Governmental Fund Balances

	2015	2016	Increase (Decrease)
General	$ 3,835,011	$ 3,195,346	$ (639,665)
Cafeteria	61,528	(74,805)	(136,333)
Deferred Maintenance	267,912	5,952	(261,960)
Pupil Transportation Equipment	70,563	2,215	(68,348)
Capital Facilities Fund	416,772	399,770	(17,002)
County School Facilities	143,852	119,403	(24,449)
Special Reserve for Capital Projects	207,685	217,856	10,171
Total	$ 5,003,323	$ 3,865,737	$ (1,137,586)

The decrease in the General Fund is due to two year negotiations settlements with CTA and CSEA, retiree settlements, various expenses with facility assessment and the bond measure.

The decrease in the Cafeteria Fund is due to the Director and Supervisor positions both being filled for 5 months of the year, salary increases for CSEA members, and other excess expenses.

The decrease in the Deferred Maintenance Fund is due to waterproofing the Performing Arts Center roof, renovations and repairs to rooms various classrooms, and the village ground restoration.

The decrease in the Pupil Transportation Equipment Fund is due to the purchase of two new transportation vans.

The decrease in the Capital Facilities Fund is due to the refinance costs for the Certificates of Participation.

The decrease in the County School Facilities Fund is due to the wood shop building repairs including the fire alarm and door replacements.

The increase in the Special Reserve for Capital Projects Fund is due to the Certificates of Participation payment being adjusted due to the refinance.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on the Governor's May Revise. Not later than 45 days after the State Budget is adopted, school districts are required to make available for public review any revisions in revenues and expenditures that it makes to its budget to reflect the funding made available by the State Budget. In addition, the District revises its budget at the First and Second Interim reporting periods. The budget amendments for the year typically fell into the following categories:

- Adjustment of beginning fund balances.
- Adjustment of LCFF revenue due to GAP percentage changes.
- Adjustment of revenue to actual enrollment and ADA data.
- Inclusion of new grants or other funding sources.
- Addition of unused site, grant, and entitlement funds from the prior year.
- Staffing changes.
- Increases in budgeted expenditures to prevent budget overruns.
- Adjustment of special education bill back estimates to reflect actual invoices.
- Adjustments of revenues and expenditures related to one-time equipment and capital outlay expenditures.
- Adjustments of contracts for services received by the district.

The District's original and final budgets compared with actual operations are provided in the budgetary comparison schedule for the General Fund.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by $1,180,973. The actual results for the year show a decrease in fund balance of $255,383.

This increase is a result of:

- Receipt of Educator Effectiveness funding, Microsoft Voucher funds, and the Shasta College NCCP grant.
- Additional revenues from Prop 39, lottery, and mandate settlements.
- Unspent Prop 39, ASSETS, and Lottery budgets.
- No capital outlay expenses incurred.

Capital Assets and Debt Administration

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information regarding capital assets and long-term debt.

Capital Assets

At June 30, 2016, the District had invested $17,782,846 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles (See Table 7). More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 7: Capital Assets – Governmental Funds

	Governmental Activities 2015	Governmental Activities 2016	Total Percentage Change
Land	$ 775,233	$ 775,233	0.0%
Site improvements	3,638,048	3,638,048	0.0%
Buildings	27,706,039	27,706,039	0.0%
Machinery and equipment	3,363,431	3,428,179	1.9%
Subtotal	35,482,751	35,547,499	0.2%
Less: Accumulated depreciation	(16,895,887)	(17,764,653)	5.1%
Total Capital Assets	$ 18,586,864	$ 17,782,846	-4.3%

Long-Term Debt

At year end, the District had $23,201,911 in long term debt, with $195,000 due within one year. Certificate of Participation debt service, including interest, amounted to $417,979. Compensated absences decreased by $8,433. Table 8 displays the District's long-term debt for the fiscal years 2014-15 and 2015-16.

The net pension liability represents the District's prorated share of the unfunded pension liability that exists within the CalSTRS and CalPERS retirement plans.

	Governmental Activities 2015	Governmental Activities 2016	Total Percentage Change
Certificates of participation payable	$ 6,165,000	$ 5,990,000	-2.8%
Other post-employment benefits payable	1,292,330	1,580,019	22.3%
Compensated absences payable	33,753	25,300	-25.0%
Other long-term debt	28,345	-	-100.0%
Net pension liability	13,164,338	15,606,592	18.6%
Total Long-Term Debt	$ 20,683,746	$ 23,201,911	12.2%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The state is in its fourth year of the Local Control Funding Formula (LCFF). The goal of this formula is to return funding to the pre-recession levels in 2007-2008. The formula is comprised of three components: a base grant calculated for all students; a supplement grant equal to 20% of the base grant for English Learners, Free and Reduced price meal participants, and foster youth; and a concentration grant equal to 50% of the base grant where more than 55% of the student population is considered English Learners, Free and Reduced priced meal participants, and foster youth. For 2015-2016, the concentration number was at 56%. If the number were to fall below the 55%, it would have a negative impact on revenue.

- The District has experienced declining enrollment for the past several years. Though enrollment projections show a positive trend in the out years, the potential for revenue due to declining enrollment does exist.

- The District was successful in passing a local facilities bond in November. The bond is anticipated to generate $26 million to upgrade district facilities. An Oversight Committee will be formed by March of 2017 to ensure that construction projects are on the approved list. A construction management team will also be developed to plan the use of bond proceeds. Finally, an annual independent financial audit will be required.

- The last three years the District has built a robust Career Technical Education (CTE) program. This has been accomplished through a number of grants from the state and federal government. Revenue from these grants will decrease significantly over the next few years. In the spring of 2017 the superintendent will present the board a plan to sustain its CTE program in the coming years.

Contacting the District's Financial Management

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

Business Services
Red Bluff Joint Union High School District
1525 Douglass Street
Red Bluff, CA 96080
Phone: (530) 529-8700
Fax: (530) 529-8709
www.RBUHSD.k12.ca.us

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

		Governmental Activities
ASSETS		
Cash and investments	$	4,206,924
Accounts receivable		824,242
Inventories		172,775
Capital assets, not depreciated		775,233
Capital assets, net of accumulated depreciation		17,007,613
Total Assets		22,986,787
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		1,594,689
LIABILITIES		
Accounts payable and other current liabilities		1,198,087
Unearned revenue		140,117
Long-term liabilities:		
Due within one year		195,000
Due in more than one year		23,006,911
Total Liabilities		24,540,115
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		1,618,308
NET POSITION		
Net investment in capital assets		11,792,846
Restricted for:		
Capital projects		521,388
Educational programs		399,312
Other purposes		
Unrestricted		(14,290,493)
Total Net Position	$	(1,576,947)

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

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	$ 11,271,659	$ -	$ 2,030,264	$ 1,135	$ (9,240,260)
Instruction-related services:					
Instructional supervision and administration	113,208	-	50,000	-	(63,208)
Instructional library, media and technology	665,839	-	38,461	-	(627,378)
School site administration	1,098,336	-	117,173	-	(981,163)
Pupil services:					
Home-to-school transportation	953,332	-	14,526	-	(938,806)
Food services	831,784	99,769	589,276	-	(142,739)
All other pupil services	1,121,219	-	156,968	-	(964,251)
General administration:					
Centralized data processing services	92,018	-	(373)	-	(92,391)
All other general administration	1,248,600	-	30,995	-	(1,217,605)
Plant services	3,171,627	-	161,204	-	(3,010,423)
Ancillary services	357,770	-	6,823	-	(350,947)
Interest on long-term debt	235,850	-	-	-	(235,850)
Other outgo	164,293	-	57,856	-	(106,437)
Total Governmental Activities	$ 21,325,535	$ 99,769	$ 3,253,173	$ 1,135	(17,971,458)

General Revenues	
Property taxes, levied for general purposes	6,227,984
Federal and state aid not restricted to specific purposes	8,744,186
Interest and investment earnings	43,565
Interagency revenues	530,830
Miscellaneous	500,737
Total General Revenues	16,047,302
Change in Net Position	(1,924,156)
Net Position - Beginning	347,209
Net Position - Ending	$ (1,576,947)

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

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 3,311,183	$ 609	$ 895,132	$ 4,206,924
Accounts receivable	744,479	79,763	-	824,242
Due from other funds	76,000	6,273	-	82,273
Inventories	168,493	4,282	-	172,775
Total Assets	$ 4,300,155	$ 90,927	$ 895,132	$ 5,286,214
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 965,570	$ 82,581	$ 149,936	$ 1,198,087
Due to other funds	6,273	76,000	-	82,273
Unearned revenue	132,966	7,151	-	140,117
Total Liabilities	1,104,809	165,732	149,936	1,420,477
FUND BALANCES				
Nonspendable	170,993	4,282	-	175,275
Restricted	474,117		521,388	995,505
Assigned	306,489	-	223,808	530,297
Unassigned	2,243,747	(79,087)	-	2,164,660
Total Fund Balances	3,195,346	(74,805)	745,196	3,865,737
Total Liabilities and Fund Balances	$ 4,300,155	$ 90,927	$ 895,132	$ 5,286,214

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

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2016

Total Fund Balance - Governmental Funds		$ 3,865,737
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	$ 35,547,499	
Accumulated depreciation	(17,764,653)	17,782,846
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:		
Certificates of participation	5,990,000	
Compensated absences	25,300	
Net OPEB obligation	1,580,019	
Net pension liability	15,606,592	(23,201,911)
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 related to pensions	1,594,689	
Deferred inflows of resources related to pensions	(1,618,308)	(23,619)
Total Net Position - Governmental Activities		$ (1,576,947)

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

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 13,839,879	$ -	$ 45,000	$ 13,884,879
Federal revenue	1,113,612	492,904	-	1,606,516
Other state revenue	2,230,427	19,523	-	2,249,950
Other local revenue	1,495,944	99,177	123,390	1,718,511
Total Revenues	18,679,862	611,604	168,390	19,459,856
EXPENDITURES				
Current:				
Instruction	11,035,435	-	-	11,035,435
Instruction-related services	1,860,933	-	-	1,860,933
Pupil services	2,028,186	832,219	-	2,860,405
Ancillary services	359,240	-	-	359,240
General administration	1,341,018	-	7,308	1,348,326
Plant services	2,131,140	-	333,728	2,464,868
Other outgo	164,293	-	-	164,293
Capital outlay	-	-	64,748	64,748
Debt service:				
Principal	15,000	-	188,345	203,345
Interest	-	-	235,849	235,849
Total Expenditures	18,935,245	832,219	829,978	20,597,442
Excess (Deficiency) of Revenues Over Expenditures	(255,383)	(220,615)	(661,588)	(1,137,586)
Other Financing Sources (Uses)				
Interfund transfers in	-	84,282	300,000	384,282
Interfund transfers out	(384,282)	-	-	(384,282)
Total Other Financing Sources (Uses)	(384,282)	84,282	300,000	-
Net Change in Fund Balance	(639,665)	(136,333)	(361,588)	(1,137,586)
Fund Balance - Beginning	3,835,011	61,528	1,106,784	5,003,323
Fund Balance - Ending	$ 3,195,346	$ (74,805)	$ 745,196	$ 3,865,737

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

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Net Change in Fund Balances - Governmental Funds			$ (1,137,586)
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	$	64,748	
Depreciation expense		(868,766)	(804,018)
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:			203,345
Compensated absences:			
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned was:			8,433
Pensions:			
In governmental 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 employer contributions was:			93,359
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:			(287,689)
Change in Net Position - Governmental Activities			$ (1,924,156)

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

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
June 30, 2016

	Trust Fund	Agency Fund
	Scholarship Fund	Student Body Fund
ASSETS		
Cash and investments	$ 1,494,270	$ 165,255
Inventories	-	42,028
Total Assets	$ 1,494,270	$ 207,283
LIABILITIES		
Due to student groups	$ -	$ 207,283
Total Liabilities	$ -	$ 207,283
NET POSITION		
Unrestricted	$ 1,494,270	
Total Net Position	$ 1,494,270	

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

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

Year Ended June 30, 2016

	Trust Fund Scholarship Fund
ADDITIONS	
Interest income	$ 36,759
Donations	31,373
Total Additions	68,132
DEDUCTIONS	
Decrease in fair market value	197
Scholarships	71,475
Total Deductions	71,672
Change in net position	(3,540)
Net Position - Beginning	1,497,810
Net Position - Ending	$ 1,494,270

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

1. SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The District is governed by an elected five member board. The District operates one high school, one continuation high school, and one community day in Red Bluff, California. The District has no component units.

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

Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Government activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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 charges paid by recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The Fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Major Governmental Funds

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

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

Non-Major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital outlay, and that compose a substantial portion of the fund's resources. The District maintains the following special revenue funds:

1. Deferred Maintenance Fund is used to account for separately for state apportionments and the District's contributions for deferred maintenance purpose.

2. Pupil Transportation Equipment Fund is used to account for revenues received and expenditures made to operate the District's transportation service program.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital outlay acquisitions. The District maintains the following capital projects funds:

1. Capital Facilities Fund is used to account for resources received from developer impact fees assessed.

2. County School Facilities Fund is used primarily to account separately for state apportionments as provided in Education Code sections 17009.5 and 17070.10-17076.10.

3. Special Reserve Fund for Capital Outlay Projects is used to account for resources designated for capital outlay projects.

Fiduciary Funds

Foundation Private-Purpose Trust Funds are used to account separately for moneys received from gifts or bequests per Education Code Section 41031 under which principal and income benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

Agency Funds are used to account for assets of others for whom the District acts as an agent. The District maintains agency funds for student body accounts, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

Basis of Accounting/Measurement Focus

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

Non-exchange transactions, in which the District's gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable. The District considers revenues as available if they are collected within 60 days after year end. Revenues susceptible to accrual are property taxes, fiscal year state funding, and interest revenues. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Deferred inflows of resources are reported in the governmental funds when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the revenue is recognized.

Cash and Investments

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

Accounts Receivable

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, 2016, and amounts due from other governments including 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, 2016. At June 30, 2016, no allowance for doubtful accounts was deemed necessary.

Interfund Transactions

Interfund transactions result from loans, services provided, reimbursements, or transfers between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Inventories

Inventories are valued at average cost for purchased supplies and materials. Expenses are recorded as the supplies and materials are consumed. Donated commodities inventories are valued at its fair value at the time of donation.

Capital Assets

Capital assets, which include property, buildings, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' life is not capitalized. A capitalization threshold of $5,000 is used except for buildings and improvements, for which higher capitalization thresholds of $25,000 and $10,000 or more, respectively are used.

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

Depreciable Lives of Assets	Years
Buildings	50
Building improvements	20
Vehicles	8
Equipment	5-20
Portable classrooms	25

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

Deferred Outflows of Resources and Deferred Inflows of Resources

Certain defined transactions that do not qualify for treatment as either assets or liabilities are required to be accounted for and reported as either deferred outflows of resources (a separate subheading following assets but before liabilities) or deferred inflows of resources (a separate subheading following liabilities but before equity).

Deferred outflows of resources—a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources—an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Deferred Outflows of Resources: In the government-wide financial statements, insurance costs arising from the issuance of debt are reported as deferred outflows and amortized over the term of the related debt. Deferred amounts from a refunding of debt (debits) are reported as deferred outflows of resources and are amortized over the lesser life of the refunded bonds or refunding debt.

Deferred outflows of resources for pensions are reported in the government-wide financial statements of net position. Deferred outflows result from pension plan contributions made after the measurement date of the net pension liability. Deferred outflows also include the District's proportionate share of the deferred outflows of resources of the CalSTRS and CalPERS pension plans. These deferred outflows include the differences between expected and actual economic experience and changes in actuarial assumptions. The deferred outflows of resources related to the District's contributions which are subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Deferred Inflows of Resources: Deferred amounts from refunding debt (credits) are reported as deferred inflows of resources and are amortized over the lesser life of the refunded bonds or refunding debt.

Deferred inflows of resources for pension are reported in the government-wide financial statement of net position and result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

Compensated Absences

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

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

Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan

(CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Government-Wide Net Position

Net position represents the difference between assets and liabilities. The District's net position is composed of the following:

Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

Fund Balance

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. There are two major categories of fund balances, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the board of trustees-the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of trustees removes the specified use by taking some type of action imposing the commitment.

Assigned fund balance reflects the amounts constrained by the District's own "intent" to be used for specific purposes, but are neither restricted nor committed. The board of trustees and designee of the board of trustees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, and then unrestricted resources-committed, assigned, and unassigned-in order as needed.

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 the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgets and Budgetary Accounting

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

The original and final revised budgets are presented for the General Fund and each major special revenue fund as required supplementary information. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Property Taxes

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

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2016, consisted of the following:

	Governmental Funds	Fiduciary Funds
Cash in county treasury investment pool	$ 4,186,211	$ -
Cash on hand and in banks	18,213	203,778
Cash in revolving fund	2,500	-
Investments	-	1,455,747
Total Cash and Investments	$ 4,206,924	$ 1,659,525

Policies and Practices

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

In accordance with *California Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury as part of the common investment pool. The fair value of the District's investment in the pool is based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in related to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016 all of the District's deposits were insured.

Credit Risk - Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. *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 county investment pool is unrated.

Interest Rate Risk - Investments

Interest rate risk the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. *California Government Code* Section 53601 limits the District's investments to maturities of five years. The County Treasurer's investment pool has an average maturity of three years.

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, consisted of the following:

	General Fund	Cafeteria Fund	Total Governmental Activities
Federal Government			
Categorical programs	$ 281,415	$ 64,103	$ 345,518
State Government			
Categorical programs	94,389	3,572	97,961
Lottery	177,485	-	177,485
Local Sources			
Other local sources	191,190	12,088	203,278
Total	$ 744,479	$ 79,763	$ 824,242

4. INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

Interfund receivable and payable balances at June 30, 2016, were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	$ 76,000	$ 6,273
Cafeteria Fund	6,273	76,000
Total	$ 82,273	$ 82,273

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

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

Interfund transfers for the year ended June 30, 2016, were as follows:

	Transfers In	Transfers Out
General Fund	$ -	$ 384,282
Cafeteria Fund	84,282	-
Non-Major Governmental Funds	300,000	-
Total	$ 384,282	$ 384,282

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 775,233	$ -	$ -	$ 775,233
Total capital assets not being depreciated	775,233	-	-	775,233
Capital assets being depreciated:				
Buildings	27,706,039	-	-	27,706,039
Improvements of sites	3,638,048	-	-	3,638,048
Furniture and equipment	3,363,431	64,748	-	3,428,179
Total capital assets being depreciated	34,707,518	64,748	-	34,772,266
Less accumulated depreciation for:				
Buildings	12,438,784	532,620	-	12,971,404
Improvements of sites	1,892,919	179,737	-	2,072,656
Furniture and equipment	2,564,184	156,409	-	2,720,593
Total accumulated depreciation	16,895,887	868,766	-	17,764,653
Total capital assets being depreciated, net	17,811,631	(804,018)	-	17,007,613
Governmental activities capital assets, net	$ 18,586,864	$ (804,018)	$ -	$ 17,782,846

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	$ 23,068
Instruction-related services	31,910
Pupil services	68,940
Plant services	744,848
Total Depreciation Expense	$ 868,766

6. ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	$ 187,204	$ 3,330	$ 59,090	$ 249,624
Payroll and benefits	486,234	-	-	486,234
Due to other governments	292,132	79,251	90,846	462,229
Total	$ 965,570	$ 82,581	$ 149,936	$ 1,198,087

7. LONG-TERM OBLIGATIONS

Long-term obligations include debt and other long-term liabilities. A schedule of changes in long-term obligations for the year ended June 30, 2016, is shown below:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Compensated absences	$ 33,733	$ -	$ 8,433	$ 25,300	$ -
Notes payable	28,345	-	28,345	-	
Certificates of participation	6,165,000	-	175,000	5,990,000	195,000
Net OPEB obligation	1,292,330	287,689	-	1,580,019	-
Net pension liability	13,164,338	2,442,254	-	15,606,592	-
Total	$ 20,683,746	$ 2,729,943	$ 211,778	$ 23,201,911	$ 195,000

The compensated absences will be paid by the fund for which the employee worked. Payments on the notes payable are made by the Capital Facilities Fund and the General Fund. Payments on the certificates of participation are made by the Capital Facilities Fund and the Special Reserve Fund for Capital Outlay Projects.

8. NOTES PAYABLE

In 2006, the District borrowed $150,000 from ML Stern at 0%. On June 30, 2016, the principal balance outstanding was $0.

In 2004, the District borrowed $49,500 from California Energy Commission at 3.95%. On June 30, 2016, the principal balance outstanding was $0.

In 2012, the District borrowed $27,495 from LITHIA CIMR, INC., at 6.89%. On June 30, 2016, the principal balance outstanding was $0.

9. CERTIFICATES OF PARTICIPATION

In 2005, the District issued certificates of participation in the amount of $7,490,000, with interest rates ranging from 4% to 5%. As of June 30, 2016, the principal balance outstanding was $5,990,000.

The certificates mature through 2035 as follows:

Year Ending June 30	Principal	Interest	Total
2017	$ 195,000	$ 222,575	$ 417,575
2018	205,000	212,575	417,575
2019	215,000	202,075	417,075
2020	225,000	191,075	416,075
2021	240,000	179,450	419,450
2022-2026	1,375,000	712,775	2,087,775
2027-2031	1,625,000	461,050	2,086,050
2032-2036	1,910,000	171,407	2,081,407
Total	$ 5,990,000	$ 2,352,982	$ 8,342,982

10. OPERATING LEASES

The District has entered into various operating leases for equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Rent expense for the year ended June 30, 2016, was $61,559. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments
2017	$ 66,938
2018	66,938
2019	66,938
2020	22,113
2021	5,379
Total	$ 228,306

11. FUND BALANCES

Fund balances were categorized as follows at June 30, 2016:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable:				
Revolving cash	$ 2,500	$ -	$ -	$ 2,500
Stores inventories	168,493	4,282	-	172,775
Total Nonspendable	170,993	4,282	-	175,275
Restricted:				
Educational programs	474,117	-	-	474,117
Capital projects	-	-	521,388	521,388
Total Restricted	474,117	-	521,388	995,505
Assigned:				
Capital projects	-	-	223,808	223,808
Program carryover	156,438	-	-	156,438
Incentive grant	150,051	-	-	150,051
Total Assigned	306,489	-	223,808	530,297
Unassigned:				
Economic uncertainties	579,586	-	-	579,586
Other unassigned	1,664,161	(79,087)	-	1,585,074
Total Unassigned	2,243,747	(79,087)	-	2,164,660
Total	$ 3,195,346	$ (74,805)	$ 745,196	$ 3,865,737

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Plan Description

The District provides postemployment health care benefits to qualifying employees through a single-employer defined benefit healthcare plan administered by the District. The plan provides postemployment healthcare benefits to all certificated and certificated management employees who retire from the District on or after attaining the age of 55 with at least 10 years of service or on after attaining age 52 with at least 20 years of service in the District. The District provides medical benefits to certificated retirees and their dependents until age 65.

The District also provides postemployment health care benefits to all classified, classified management, and confidential employees and their dependents who retire from the District on or after attaining age 55 with 10 years of service to the District. The classified retirees shall be included in the program until age 65.

At June 30, 2016, 35 retirees met these eligibility requirements.

Funding Policy

The District contributes an amount equal to the cap for each group pursuant to the current collective bargaining agreement.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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 thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation:

Annual required contribution	$	403,391
Interest on net OPEB obligation		53,296
Adjustment to annual required contribution		(84,643)
Annual OPEB cost (expense)		372,044
Contributions made		(84,355)
Increase in net OPEB obligation		287,689
Net OPEB obligation, beginning of the year		1,292,330
Net OPEB obligation, end of the year	$	1,580,019

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016, and the preceding two years were as follows:

Fiscal Year Ended		Annual OPEB Cost		Actual Employer Contributions	Percentage Contributed		Net OPEB Obligation
6/30/14	$	418,408	$	263,245	62.92%	$	1,015,162
6/30/15	$	416,171	$	139,003	33.40%	$	1,292,330
6/30/16	$	372,044	$	84,355	22.67%	$	1,580,019

Funding Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	$	3,054,820
Actuarial value of assets		(63,781)
Unfunded AAL (UAAL)	$	2,991,039
Funded ratio		2.09%
Covered payroll	$	12,341,311
UAAL as % of covered payroll		24.24%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, will present 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 the employer 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit using full accrual at full eligibility age actuarial method was used. The actuarial assumptions included a 5.25 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of eight percent initially, reduced by decrements to an ultimate rate of five percent after three years. The actuarial method used for valuing assets is market. The plan's unfunded actuarial accrued liability is being amortized over 30 years in level dollar amounts on a closed basis. Demographic and other assumptions include (1) mortality rates; (2) public education retirement rates; (3) termination rates by age, gender, and years of service; and (4) district salary schedules.

13. PENSION PLANS

Plan Descriptions

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 the California State Teachers Retirement System (CalSTRS) and classified employees are members of the School Employer Pool California Public Employees' Retirement System (CalPERS). Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law and the Public Employees' Retirement Law. Support by the state for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites at www.calstrs.com and www.calpers.ca.gov.

Benefits Provided

The plans provide retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire with five years of total service at age 60, or with 30 years of total service at age 50, for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The plans' provisions and benefits in effect at June 30, 2016 are summarized as follows:

	CalSTRS		CalPERS	
	Before	On or After	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1-2.4%	1.0-2.4%	1.1-2.5%	1.0-2.5%

Contributions – CalPERS

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contributions to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2016 was 11.847% of annual payroll. Contributions to the plan from the District were $454,784 for the year ended June 30, 2016.

Contributions – CalSTRS

Active plan members are required to contribute either 9.20% (2% at 60) or 8.56% (2% at 62) of their salary for fiscal year 2016 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $863,591 for the year ended June 30, 2016.

On Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $499,783 to CalSTRS (7.12589% of 2013-14 creditable compensation subject to CalSTRS).

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	CalSTRS	CalPERS
District's proportionate share of the net pension liability	$ 10,771,840	$ 4,834,752
State's proportionate share of the net pension liability	5,697,101	-
Total	$ 16,468,941	$ 4,834,752

The net pension liability of each of the plans was measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each plan was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2014	0.0160%	0.0336%
Proportion - June 30, 2015	0.0160%	0.0328%
Change - Increase (Decrease)	-	-0.0008%

For the year ended June 30, 2016, the District recognized pension expense of $1,666,321. At June 30, 2016, 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
District contributions subsequent to the measurement date	$ 1,318,376	$ -
Differences between actual and expected experience	276,313	180,000
Differences between projected and actual earnings on plan investments	-	1,043,626
Changes in assumptions	-	297,061
Changes in employer's proportion and differences between employer's contributions and employer's proportionate share of contributions	-	97,621
Total	$ 1,594,689	$ 1,618,308

$1,318,376 reported as deferred outflows of resources related to District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	$ 95,280	$ 641,613
2018	95,280	641,613
2019	85,753	631,371
2020	-	(356,289)
2021	-	30,000
2022	-	30,000
Total	$ 276,313	$ 1,618,308

Actuarial Assumptions

The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CalSTRS	CalPERS
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions		
Inflation	3.00%	2.75%
Wage Growth	3.75%	3.00%
Investment Rate of Return	7.50% (1)	7.50% (1)
Interest on Member Accounts	4.50%	

(1) Net of pension plan investment and administrative expenses

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series table 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 CalSTRS June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2010.

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

The actuarial assumptions used in the CalPERS June 30, 2014 valuation were based on the January 2014 CalPERS Experience Study.

The long-term expected rate of return on CalPERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and 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 quarter of one percent.

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

Asset Class	Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	12%	4.50%	5.13%
Liquidity	2%	-0.55%	-1.05%

* An expected inflation of 2.5% used for this period.

** An expected inflation of 3.0% used for this period.

The long-term expected rate of return on CalSTRS 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. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term * Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%

*10-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

Sensitivity to 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 for each plan, calculated using the discount rate for each plan, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$ 16,264,619	$ 7,868,962
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 10,771,840	$ 4,834,752
1% Increase	8.60%	8.65%
Net Pension Liability	$ 6,206,872	$ 2,311,604

Pension Plan Fiduciary Net Position

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

14. PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint powers agreements with the following joint powers authorities (JPAs): North Valley Schools Insurance Group (NVSIG), Northern California Schools Insurance Group (NCSIG), Tri-Counties Schools Insurance Group (TCSIG), Schools Excess Liabilities Fund (SELF), and a jointly managed health and welfare benefit trust with California's Valued Trust (CVT). 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 and liability, workers' compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. The Boards control the operations of the JPAs including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their 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.

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 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 JPAs for property and liability, health care, and workers' compensation coverage.

16. COMMITMENTS AND CONTINGENCIES

Federal and State Grants

The District receives financial assistance from federal and state government agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual funds or the overall financial position of the District at June 30, 2016.

17. SUBSEQUENT EVENT

General Obligation Bonds

In November 2016, the District's voters approved, by more than the required 55% favorable vote, Measure J, authorizing the issuance and sale of general obligation bonds not to exceed $26,000,000. The bond funds are to be expended for the following purposes: to improve student safety and upgrade classroom/career technology by upgrading classrooms and technology for 21st century learning; improving science labs/facilities for agriculture, nursing, and special education; repairing wiring, plumbing, and restrooms; improving disabled student access; and acquiring, constructing, and modernizing facilities and equipment. Measure J is a Proposition 39 bond which requires the District to conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

18. DEFICIT FUND BALANCE

SPECIAL REVENUE FUND	
Cafeteria Fund	$ (74,805)

The Cafeteria Fund incurred a deficit fund balance at June 30, 2016, as a result of California Department of Education's (CDE) administrative review of the District's School Nutrition Programs (SNP). The review found that for the months of December 2015 through February 2016, the District was overpaid by $79,151 due to noncompliance with program requirements found during the administrative review. CDE will offset the overclaimed amount against the District's current and future reimbursements until the outstanding amount is collected.

19. NEW ACCOUNTING PRONOUNCEMENTS

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This standard establishes requirements for defined benefit pensions that are not within the scope of GASB Statement 68 and amends certain provisions of GASB Statement 67 and 68. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The statement is effective for periods beginning after June 15, 2017. The District has not yet determined the impact on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14.* This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Statement is effective for periods beginning after June 15, 2016. The District has not yet determined the impact on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2016

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
LCFF sources	$ 14,021,199	$ 13,898,023	$ 13,839,879	$ (58,144)
Federal revenue	1,200,927	1,231,382	1,113,612	(117,770)
Other state revenue	1,584,258	2,161,669	2,230,427	68,758
Other local revenue	1,008,031	1,385,110	1,495,944	110,834
Total Revenues	17,814,415	18,676,184	18,679,862	3,678
EXPENDITURES				
Certificated salaries	7,951,325	8,756,966	8,374,577	382,389
Classified salaries	3,158,060	3,821,733	3,621,926	199,807
Employee benefits	2,981,028	3,872,272	3,809,156	63,116
Books and supplies	1,345,873	1,232,754	1,099,100	133,654
Services and other operating	1,504,472	1,905,482	1,851,193	54,289
Other outgo	288,657	252,950	164,293	88,657
Capital outlay	225,000	-	-	-
Debt service:				
Principal	15,000	15,000	15,000	-
Total Expenditures	17,469,415	19,857,157	18,935,245	921,912
Excess (Deficiency) of Revenues Over Expenditures	345,000	(1,180,973)	(255,383)	925,590
Other Financing Sources (Uses)				
Interfund transfers out	(345,000)	(350,000)	(384,282)	(34,282)
Total Other Financing Sources (Uses)	(345,000)	(350,000)	(384,282)	(34,282)
Net Change in Fund Balance	-	(1,530,973)	(639,665)	891,308
Fund Balance - Beginning	3,835,011	3,835,011	3,835,011	-
Fund Balance - Ending	$ 3,835,011	$ 2,304,038	$ 3,195,346	$ 891,308

See the accompanying notes to the required supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – CAFETERIA FUND
Year Ended June 30, 2016

	Budgeted Amounts			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Federal revenue	$ 691,041	$ 698,986	$ 492,904	$ (206,082)
Other state revenue	40,000	40,000	19,523	(20,477)
Other local revenue	101,000	101,000	99,177	(1,823)
Total Revenues	832,041	839,986	611,604	(228,382)
EXPENDITURES				
Classified salaries	284,124	344,847	344,804	43
Employee benefits	98,074	107,104	107,024	80
Books and supplies	443,042	448,507	379,423	69,084
Services and other operating	6,801	1,056	968	88
Capital outlay	-	50,000	-	50,000
Total Expenditures	832,041	951,514	832,219	119,295
Excess (Deficiency) of Revenues Over Expenditures	-	(111,528)	(220,615)	(109,087)
Other Financing Sources (Uses)				
Interfund transfers in	-	50,000	84,282	34,282
Total Other Financing Sources (Uses)	-	50,000	84,282	34,282
Net Change in Fund Balance	-	(61,528)	(136,333)	(74,805)
Fund Balance - Beginning	61,528	61,528	61,528	-
Fund Balance - Ending	$ 61,528	$ -	$ (74,805)	$ (74,805)

See the accompanying notes to the required supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	$ 50,569	$ 3,615,809	$ 3,565,240	1.4%	$ 11,276,753	32.1%
July 1, 2012	$ 57,062	$ 3,424,041	$ 3,366,979	1.7%	$ 10,824,501	31.6%
July 1, 2014	$ 63,781	$ 3,054,820	$ 2,991,039	2.1%	$ 12,341,311	24.2%

See the accompanying notes to the required supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
Last Two Fiscal Years *

	Year Ended June 30	
	2016	**2015**
District's proportion of the net pension liability	0.0160%	0.0160%
District's proportionate share of the net pension liability	$ 10,771,840	$ 9,349,920
State's proportionate share of the net pension liability	5,697,101	5,645,942
Total	$ 16,468,941	$ 14,995,862
District's covered-employee payroll	$ 8,374,583	$ 7,696,398
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	128.63%	121.48%
Plan fiduciary net position as a percentage of total pension liability	74.02%	76.52%

*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

See the accompanying notes to the required supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
Last Two Fiscal Years*

	Year Ended June 30	
	2016	2015
Contractually required contribution	$ 863,591	$ 644,273
Contributions in relation to the contractually required contribution	(863,591)	(644,273)
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 8,374,583	$ 7,696,398
Contributions as a percentage of covered employee payroll	10.31%	8.37%

*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

See the accompanying notes to the required supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY -
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Two Fiscal Years*

	Year Ended June 30	
	2016	2015
District's proportion of the net pension liability	0.0328%	0.0336%
District's proportionate share of the net pension liability	$ 4,834,752	$ 3,814,418
District's covered-employee payroll	$ 3,966,728	$ 3,652,615
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	121.88%	104.43%
Plan fiduciary net position as a percentage of total pension liability	79.43%	83.38%

*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

See the accompanying notes to the required supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS -
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Two Fiscal Years*

	Year Ended June 30	
	2016	2015
Contractually required contribution	$ 454,784	$ 427,421
Contributions in relation to the contractually required contribution	(454,784)	(427,421)
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 3,966,728	$ 3,652,615
Contributions as a percentage of covered employee payroll	11.46%	11.70%

*This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

See the accompanying notes to the required supplementary information.

1. BUDGETS

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

2. PENSION – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Benefit Changes

There were no changes in benefits terms that affected measurement of the total pension liability during the measurement period.

Changes in Assumptions

There were no changes in major assumptions from the June 30, 2014, actuarial valuation.

3. PENSION – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were no changes in benefits terms that affected measurement of the total pension liability during the measurement period.

Changes in Assumptions

The discount rate was changed from 7.50% (net of administrative expenses) to 7.65% to correct for an adjustment to exclude administrative expense.

SUPPLEMENTARY INFORMATION

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
LOCAL EDUCATIONAL AGENCY ORGANIZATION
June 30, 2016

The Red Bluff Joint Union High School District (the District) is located in Red Bluff, California and was established in 1887. There were no changes in the boundaries of the District during the current year. The District is currently operating one high school, one continuation school, and one community day school.

GOVERNING BOARD

Member	Office	Term Expires
Lida Chase	President	12/31/2016
Jamie Keffer	Clerk	12/31/2018
Jack Hansen	Member	12/31/2016
Rod Thompson	Member	12/31/2018
Chris Hurton	Member	12/31/2018

ADMINISTRATION

Todd Brose, Superintendent
DeAnn Himes, Director of Fiscal Services

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
Year Ended June 30, 2016

	Second Period Report	Annual Report
Grades 9 through 12		
Regular ADA	1,468	1,453
Total grades 9 through 12	1,468	1,453
ADA Totals	1,468	1,453

See the accompanying notes to the supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
Year Ended June 30, 2016

		2015-16		
Grade Level	**Minutes Requirement**	**Actual Minutes**	**Number of Days**	**Status**
Grade 9	64,800	64,882	180	Complied
Grade 10	64,800	64,882	180	Complied
Grade 11	64,800	64,882	180	Complied
Grade 12	64,800	64,882	180	Complied

See the accompanying notes to the supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF INTERIOR			
Passed Through Tehama County Office of Education			
Wildlife reserve	15.608	Not applicable	$ 1,362
Total U.S. Department of Interior			1,362
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
NCLB - Title I, Part A, Basic Grants	84.010	14329	406,734
Vocational Programs - Secondary, Carl D. Perkins Act	84.048	14894	55,877
NCLB - Title IV 21st Century Learning Centers	84.287	14535	239,571
NCLB - Title VI, Part B: rural & low income	84.358	14356	29,009
NCLB - Title III Immigrant Education	84.365	15146	338
NCLB - Title III Limited English Proficient	84.365	14346	5,686
Total NCLB - Title III			6,024
NCLB - Title II Teacher Quality	84.367	14341	76,057
Passed Through Tehama County Office of Education			
Special Ed - Basic Local Assistance Entitlement	84.027	13379	236,254
Total U.S. Department of Education			1,049,526
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast	10.553	13390	85,145
National School Lunch	10.555	13391	407,759
USDA food distribution	10.550	Not applicable	28,760
Total Child Nutrition Cluster			521,664
Passed Through Tehama County Office of Education			
Forest Reserve	10.665	Not applicable	60,908
Total U.S. Department of Agriculture			582,572
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State of California			
Medi-Cal Billing Option	93.778	10013	1,816
Total U.S. Department of Health and Human Services			1,816
Total Expenditures of Federal Awards			$ 1,635,276

See the accompanying notes to the supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
Year Ended June 30, 2016

Year Ended June 30	(Budget) 2017	2016	2015	2014
General Fund				
Revenues and Other Financing Sources	$ 19,075,662	$ 18,679,862	$ 16,474,573	$ 15,417,354
Expenditures and Other Financing Uses	19,805,826	19,319,527	17,633,494	16,408,859
Net Change in Fund Balance	$ (730,164)	$ (639,665)	$ (1,158,921)	$ (991,505)
Ending Fund Balance	$ 2,465,182	$ 3,195,346	$ 3,835,011	$ 4,993,932
Available Reserves*	$ 2,325,404	$ 2,243,747	$ 3,553,952	$ 4,500,781
Available Reserves as a Percentage of Total Outgo	11.74%	11.61%	20.15%	27.43%
Total Long-Term Debt	$ 23,006,911	$ 23,201,911	$ 20,683,746	$ 7,429,830
Average Daily Attendance at P-2	1,521	1,468	1,462	1,467

The General Fund ending fund balance has decreased by $1,798,586 over the past two years. The fiscal year 2016-17 budget projects a decrease of $730,164 (22.85%). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in all of the past three years, and anticipates incurring an operating deficit during the 2016-17 fiscal year. Total long-term debt has increased by $15,772,081 over the past two years.

Average daily attendance has increased by 1 over the past two years. Additional growth in ADA of 53 is anticipated during fiscal year 2016-17.

*Available reserves consist of all unassigned fund balance within the General Fund.

See the accompanying notes to the supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2016

	Cafeteria Fund	Retiree Benefit Fund
June 30, 2016, Annual Financial and Budget Report (SACS) Fund Balances	$ 4,346	$ 61,511
ADJUSTMENTS INCREASING (DECREASING) THE FUND BALANCES		
Correction of financial statement presentation in accordance with GAAP	-	(61,511)
Understatement of accounts payable	(79,151)	-
Net Adjustments	(79,151)	(61,511)
June 30, 2016, Audited Financial Statement Fund Balances	$ (74,805)	$ -

See the accompanying notes to the supplementary information.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
Year Ended June 30, 2016

The District is not the sponsoring local educational agency for any charter schools.

See the accompanying notes to the supplementary information.

1. PURPOSE OF SCHEDULES

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 has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46201 through 46206. The District did not meet or exceed its local control funding formula target.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

Expenditures reported on the Schedule are reported on the modified accrual 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 elected not to use the 10 percent de minimum indirect cost rate allowed under the Uniform Guidance.

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 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.

OTHER INDEPENDENT AUDITORS' REPORTS

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
Red Bluff Joint Union High School District
Red Bluff, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Red Bluff Joint Union High School District, as of and for the year ended June 30, 2016, 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 12, 2016.

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 Red Bluff Joint Union High District's internal control.

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

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

3263 Esplanade, Chico, California 95973 Voice 530.898.6647 Fax 530.893.0302

Compliance and Other Matters

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

Purpose of this Report

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

Tittle & Company, LLP

Chico, California
December 12, 2016

TITTLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS
TIMOTHY A. TITTLE, CPA HEIDI M. COPPIN, CPA

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

To the Board of Trustees
Red Bluff Joint Union High School District
Red Bluff, California

Report on Compliance for Each Major Federal Program

We have audited Red Bluff Joint Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. 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 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* (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.

3263 Esplanade, Chico, California 95973 Voice 530.893.8647 Fax 530.893.0302

Basis for Qualified Opinion on Child Nutrition Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding CFDA 10.553 and 10.555 Child Nutrition Program Cluster as described in finding number 2016-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

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.

Tittle & Company, LLP

Chico, California
December 12, 2016

TITTLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS
TIMOTHY A. TITTLE, CPA ▪ HEIDI M. COPPIN, CPA

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Trustees
Red Bluff Joint Union High School District
Red Bluff, California

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs for the fiscal year ended June 30, 2016, as identified below.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

3263 Esplanade, Chico, California 95973 ▪ Voice 530.893.8647 ▪ Fax 530.893.0302

Program Name	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not applicable
Independent Study	Yes
Continuation Education	No
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable
Middle or Early College High Schools	Not applicable
K-3 Grade Span Adjustment	Not applicable
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No
After School Education and Safety Program	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Immunizations	Yes
CHARTER SCHOOLS:	
Attendance	Not applicable
Mode of Instruction	Not applicable
Nonclassroom-Based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes - Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

Continuing Education

Continuation Education steps (6)(a) and (6)(b) were not performed because students do not receive apportionment attendance for work experience.

Continuation Education step (6)(c) was not performed because students do not engage in independent study.

California Clean Energy Jobs Act

Testing was not performed for California Clean Energy Jobs Act as there were no expenditures made during the year ended June 30, 2016.

Opinion on State Compliance

In our opinion, Red Bluff Joint Unified High School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs listed in the schedule above for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002. Our opinion on state compliance is not modified with respect to these matters.

Red Bluff Joint Unified High School District's Response to Findings

Red Bluff Joint Unified High School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Red Bluff Joint Unified High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Tittle & Company, LLP

Chico, California
December 12, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

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

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
FINANCIAL STATEMENTS FINDINGS
Year Ended June 30, 2016

None.

U.S. DEPARTMENT OF AGRICULTURE
Passed Through California Department of Education
Child Nutrition Cluster – CFDA No. 10.553, 10.555
FEDERAL COMPLIANCE (School Nutrition Program)
50000 (2016-001)

Significant Deficiency

Condition

The California Department of Education performed an administrative review of the District's School Nutrition Program during the fiscal year ending June 30, 2016, and reported the following material areas of noncompliance:

1. The District did not update benefit issuance documents accurately. The CALPADS list provided to reviewer as a Direct Certification (DC) record had Foster, Homeless and Reduced Price students on it. It appears that IT used an incorrect DC report when downloading student's eligibility status into the POS software. Once the correct CALPADS DC list was obtained, reviewer again compared student names to it and found many of the students marked as qualifying for free did not appear on any of the three DC lists (State, County and Medi-Cal).

2. The Food Based Menu Production records provided at the time of review provided only the number of servings prepared. They did not contain serving size (only "Each") nor what foods were bundled together. As a result of the incomplete records, reviewer was unable to complete the required USDA menu worksheets.

Criteria

1. Section 245.6(b)(5) of 7 CFR states in part:

   "(i) The required documentation for direct certification is provided in paragraph (2) of the definition of Documentation in § 245.2.

   (ii) (A) Beginning in School Year 2012-2013, direct certification with SNAP shall be conducted using a data matching technique only. Letters to households for direct certification may be used only as an additional means to notify households of children's eligibility based on receipt of SNAP benefits. The last period that letters to households may be used as the primary method for direct certification is School Year 2011-2012. While such notices cannot be the primary method used by a state to document receipt of SNAP, the local educational agency shall accept such a letter if presented by a household.

   (B) Letters or other documents may be used as the primary method for direct certification to document receipt of FDPIR or TANF benefits.

   (iii) Individual notices from officials of eligible programs for a Foster child, a Homeless child, a Migrant child, a Runaway child, or a Head Start child, as defined in § 245.2, may continue to be used. These notices are provided to school officials who must certify these children as eligible for free meals or free milk, as applicable, without further application, upon receipt of such notice."

2. Section 210.10(a) of 7 CFR states in part:

"(3) Production and menu records. Schools or school food authorities, as applicable, must keep production and menu records for the meals they produce. These records must show how the meals offered contribute to the required food components and food quantities for each age/grade group every day. Labels or manufacturer specifications for food products and ingredients used to prepare school meals must indicate zero grams of trans fat per serving (less than 0.5 grams). Schools or school food authorities must maintain records of the latest nutritional analysis of the school menus conducted by the State agency. Production and menu records must be maintained in accordance with FNS guidance."

Effect

Title 7, Code of Federal Regulations (7 CFR) Section 210.19(c) requires the California Department of Education (CDE) to take fiscal action against school food authorities (SFA) for claims for reimbursement that are not properly payable under 7 CFR, Part 210. The Program Integrity Unit has amended the District's reimbursement claims for the months of December 2015 through February 2016 as a result of the reviewer's findings.

Since the District is an active participant in the SNP, the CDE will offset the overclaimed amount against the District's current or future reimbursements until the outstanding amount is collected. The outstanding amount (questioned costs) at June 30, 2016, is $79,151.

Recommendation

We, in congruence with CDE, recommend that the District implement procedures to ensure that their School Nutrition Program is in compliance with all laws and regulations.

Response

The District has adopted procedures during the 2016-17 year to comply with the recommendations.

STATE COMPLIANCE (Unduplicated Local Control Funding Formula Pupil Counts)
40000 (2016-002)

Significant Deficiency

Condition

During our testing of the Unduplicated Pupil Count we found five students that were marked as English Learners (EL) on the certified CALPADS report but no longer qualified for EL status and should have been redesignated out of the program before the census date of 10/1/2015. The unduplicated count for Free and Reduced Price Meal (FRPM) eligible students was adequately supported. During our testing of the Unduplicated Pupil Count we found one student marked as free on the certificated CALPADS report but should have been designated as paid status. We found seven students marked at directly certified on the certificated CALPADS report but should not have. The unduplicated count for FRPM eligible students was adequately supported.

Criteria

Pursuant to Education Code 2574(b)(2) and 42238, the District is required to report the Unduplicated Pupil Count and Percentage to CALPADS to be used for LCFF funding purposes.

Effect

The table below summarizes the incorrectly reported pupil counts. There were no changes to the reported enrollment count.

Without strengthening controls over the CALPADS reporting process, the Unduplicated Pupil Count may not be accurately reported to the California Department of Education for LCFF funding purposes. The current year LCFF state aid funding was overstated in the current year by $12,406.

Course Title	Total Enrollment	Free and Reduced Meal Program (FRPM)	English Learners (ELAS)	Both FRPM & ELAS	Unidentified UPC (District funded country, etc.)	Total
Funded under LCFF	1,603	852	31	43	-	926
Audit Adjustments	-	(8)	(5)	-	-	(13)
Adjusted Counts	1,603	844	26	43	-	913

Recommendation

We recommend that the District implement procedures to ensure that students are properly classified in CALPADS for reporting the Unduplicated Pupil Counts.

District Response

The District has adopted procedures during the 2016-17 year to comply with the recommendation.

ATTENDANCE (Independent Study)
10000 (2015-001)

Significant Deficiency

Condition

During our tests over the independent study program we noted that apportionment was claimed before the independent study agreement date in some student files.

Criteria

Pursuant to Education Code Section 51747, the District must maintain a current written agreement for each independent study pupil in order to be eligible to receive apportionment. Each written agreement shall be signed, prior to the commencement of independent study, by the pupil, the pupil's parent, legal guardian, or caregiver, if the pupil is less than 18 years of age, the certificated employee who has been designated as having responsibility for the general supervision of independent study, and all persons who have direct responsibility for providing assistance to the pupil.

Effect

Independent study average daily attendance (ADA) is overstated by .62 on the second report of attendance and .46 on the annual report of attendance. The District is not eligible to claim apportionment for any independent study student unless a signed written agreement is completed prior to commencement of independent study. There is no financial impact to 2014-15 as the District is funded on prior year ADA.

Recommendation

The District should not claim apportionment for any independent study pupil until the signature date on the master agreement. All master agreements should be signed on or before the pupil's first day of participation in the independent study program. We also recommend that the second period and annual attendance reports be amended.

Current Status

Fully implemented.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

ATTENDANCE
10000 (2015-002)

State Compliance

Condition

During our tests over attendance, we noted that the weekly signed attendance summaries were not collected from 8 teachers for the month we tested at Red Bluff High School. We were able to perform alternative procedures to document that teachers were taking roll daily through the computerized attendance program. The documentation reviewed included the computerized information technology log history of the individual teacher's attendance.

Criteria

Pursuant to California Education Code Section 44803, and California Code of Regulations, Title 5 Section 400-401, schools must maintain records of pupil attendance. These written attendance records should be prepared daily and signed weekly by the teacher who is instructing the students. The attendance records should be properly stored to ensure that the records are available to support attendance days claimed.

Effect

Without strengthening internal controls over attendance reporting, average daily attendance (ADA) may not be accurately reported to the California Department of Education. There is no financial impact as average daily attendance is properly stated.

Recommendation

We recommend that Red Bluff High School maintain written records of attendance that are prepared daily and signed weekly by the teacher instructing the student. The records should be properly stored to ensure that records are available to support attendance days claimed.

Current Status
Fully implemented.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

STATE COMPLIANCE (Unduplicated Local Control Funding Formula Pupil Counts)
40000 (2015-003)

Significance Deficiency

Condition

During our testing of the Unduplicated Pupil Count we found two students that were marked as English Learners (EL) on the certified CALPADS report but no longer qualified for EL status and should have been redesignated out of the program before the census date. The unduplicated count for Free and Reduced Price (FRPM) eligible students was adequately supported.

Criteria

Pursuant to Education Code 2574(b)(2) and 42238, the District is required to report the Unduplicated Pupil Count and Percentage to CALPADS to be used for LCFF funding purposes.

Effect

The table below summarizes the incorrectly reported pupil counts. There were no changes to the reported enrollment count. Without strengthening controls over the CALPADS reporting process, the Unduplicated Pupil Count may not be accurately reported to the California Department of Education for LCFF funding purposes. The current year LCFF state aid funding was overstated in the current year by $3,268.

	Funded LCFF	Audit Adjustments	Adjusted Counts
Total Enrollment	1,608	-	1,608
Free and Reduced Meal Programs (FRPM)	921	-	921
English Learners (ELAS)	9	(2)	7
Both FRPM & ELAS	48	-	48
Total	978	(2)	976

Recommendation

We recommend that the District implement procedures to ensure that students are properly classified in CALPADS for reporting the Unduplicated Pupil Counts.

Current Status

See current year finding at 2016-002.

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$12,840,000
RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
ELECTION OF 2016, SERIES 2017B
(Qualified Zone Academy Bonds)
(Federally Taxable)

and

$160,000
RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
ELECTION OF 2016, SERIES 2017C
(Federally Taxable)

CONTINUING DISCLOSURE CERTIFICATE

[CLOSING DATE]

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Red Bluff Joint Union High School District (the "District") in connection with the issuance of Red Bluff Joint Union High School District, General Obligation Bonds, Election of 2016, Series 2017B (Qualified Zone Academy Bonds) (Federally Taxable) (the "2017B Bonds") in the aggregate principal amount of $12,840,000 and Red Bluff Joint Union High School District, General Obligation Bonds, Election of 2016, Series 2017C (Federally Taxable) (the "2017C Bonds," and together with the 2017B Bonds, the "Bonds") in the aggregate principal amount of $160,000. The Bonds are being issued pursuant to a First Supplemental Paying Agent Agreement dated December 1, 2017, between the District and Zions Bank, a division of ZB, National Association (the "Paying Agent"), supplementing the Paying Agent Agreement dated May 1, 2017, between the District and the Paying Agent (altogether, the "Paying Agent Agreement"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being delivered by the District for the benefit of the holders and beneficial owners of the Bonds, and to assist the Participating Underwriter, as defined below, in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Paying Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report means any report provided by the District pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) of this Disclosure Certificate.

Beneficial Owner means any person who (a) 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); or (b) is treated as the owner of any Bonds for federal income tax purposes.

Bondholders means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

Dissemination Agent means the District, or any successor Dissemination Agent designated in writing by the District, and which has filed with the District a written acceptance of such designation.

EMMA or Electronic Municipal Market Access means the centralized online repository for documents filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

Listed Events means any of the events listed in Section 5(a) (Reporting of Significant Events – Significant Events) of this Disclosure Certificate.

MSRB means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information, which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

Official Statement means the final Official Statement dated December 6, 2017, relating to the Bonds.

Opinion of Bond Counsel means a written opinion of a law firm or attorney experienced in matters relating to obligations the interest on which is excludable from gross income for federal income tax purposes.

Participating Underwriter means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Repository means MSRB or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

Rule means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

State means the State of California.

Section 3. **Provision of Annual Reports**.

a. Delivery of Annual Report to Repositories. The District shall, or shall cause the Dissemination Agent to, not later than nine and one-half (9 ½) months after the end of each fiscal year, commencing with the report for the 2016-2017 Fiscal Year, due April 15, 2018, provide to the Repository an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) of this Disclosure Certificate. The Annual Report may be submitted as a single document or as a package of separate documents and may include by cross-reference other information as provided in Section 4 (Content of Annual Reports) of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

If the District does not provide, or cause the Dissemination Agent to provide, an Annual Report by the date required above, the Dissemination Agent shall provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

b. The Dissemination Agent shall:

(1) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(2) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. **Content of Annual Reports**. The District's Annual Report shall contain or include by reference the following:

a. Financial Statements. Audited financial statements prepared in accordance with the generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

b. Other Financial Information and Operating Data. Material financial information and operating data with respect to the District of the type included in the Official

Statement in the following categories (to the extent not included in the District's audited financial statements):

(1) Adopted budget of the District for the then current fiscal year, or a summary thereof;

(2) Average daily attendance of the District for the last completed fiscal year;

(3) Outstanding District indebtedness for the last completed fiscal year;

(4) Assessed valuation for real property located in the District for the then current fiscal year; and

(5) In the event the County of Tehama and/or the County of Shasta discontinue the Teeter Plan with respect to the taxes levied for debt service for Bonds, information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County of Tehama and the County of Shasta.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities that have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

a. Significant Events. Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
(7) modifications to rights of Bondholders, if material;

(8) Bond calls, if material;
(9) tender offers;
(10) defeasances;
(11) release, substitution, or sale of property securing repayment of the Bonds, if material;
(12) rating changes;
(13) bankruptcy, insolvency, receivership or similar event of the District;
(14) the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the District, or entry into or termination of a definitive agreement relating to the foregoing, if material;
(15) appointment of a successor or additional trustee or paying agent, or the change of name of the trustee or paying agent, if material.

b. Determination of Materiality. Whenever the District obtains knowledge of one of the foregoing events notice of which must be given only if material, the District shall immediately determine if such event would be material under applicable federal securities laws.

c. Notice to Dissemination Agent. If the District has determined an occurrence of a Listed Event under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) (Notice of Listed Events).

d. Notice of Listed Events. The District shall file, or cause the Dissemination Agent to file, with the Repository, in an electronic format prescribed by the MSRB, a notice of the occurrence of a Listed Event to provide notice of specified events in a timely manner not in excess of ten (10) business days after the event's occurrence. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) (Bond calls) need not be given under this subsection any earlier than the notice (if any) given to Bondholders of affected Bonds pursuant to the Paying Agent Agreement.

Section 6. Identifying Information for Filings with MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be filed in a readable PDF or other electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the 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(d) (Notice of Listed Events).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Government Financial Strategies inc.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a. if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

b. the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 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 holders of the Bonds in the manner provided in the Paying Agent Agreement for amendments to the Paying Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Paying Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(d).

Section 10. **Additional Information**. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a 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 Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. **Default**. If the District fails to comply with any provision of this Disclosure Certificate, any Bondholder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Paying Agent Agreement, and the sole remedy under this Disclosure Certificate if the District fails to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. **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 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. **Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the District, the Paying Agent, 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.

IN WITNESS WHEREOF, the District has caused this Continuing Disclosure Certificate to be executed by its authorized officer as of the day and year first above written.

RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT

By: ______________________________
Superintendent

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District:	Red Bluff Joint Union High School District
Name of Bonds:	RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT GENERAL OBLIGATION BONDS ELECTION OF 2016, SERIES 2017B (Qualified Zone Academy Bonds) (Federally Taxable) and RED BLUFF JOINT UNION HIGH SCHOOL DISTRICT GENERAL OBLIGATION BONDS ELECTION OF 2016, SERIES 2017C (Federally Taxable)
Date of Delivery:	[CLOSING DATE]

NOTICE IS HEREBY GIVEN that the Red Bluff Joint Union High School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by a Continuing Disclosure Certificate executed [CLOSING DATE], with respect to the above-captioned bond issues. The District anticipates that the Annual Report will be filed by ________________.

Dated: ____________________

RED BLUFF JOINT UNION
HIGH SCHOOL DISTRICT

[SAMPLE ONLY]

____

APPENDIX C

FORMS OF OPINIONS OF BOND COUNSEL

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APPENDIX C

FORMS OF OPINIONS OF BOND COUNSEL

PARKER & COVERT LLP
Attorneys at Law
2520 Venture Oaks Way, Suite 190
Sacramento, California 95833

[CLOSING DATE]

Board of Trustees
Red Bluff Joint Union High School District
P.O. Box 1507
Red Bluff, California 96080

Re: $12,840,000
Red Bluff Joint Union High School District
General Obligation Bonds
Election of 2016, Series 2017B
(Qualified Zone Academy Bonds)
(Federally Taxable)
Final Opinion of Bond Counsel

Members of the Board of Trustees:

We have acted as bond counsel in connection with the issuance by the Red Bluff Joint Union High School District (the "District") of $12,840,000 principal amount of Red Bluff Joint Union High School District, General Obligation Bonds, Election of 2016, Series 2017B (Qualified Zone Academy Bonds) (Federally Taxable) (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the District and are valid and binding general obligations of the District.

2. All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation regarding rate or amount (except certain personal property that is

taxable at limited rates) to pay the Bonds. Tehama County and Shasta County are each required by law to include in their annual tax levies the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. The Bonds are a "qualified zone academy bond" within the meaning of Section 54E(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The opinions set forth herein are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Bonds in order that the District's obligations thereunder be, and continue to be, a qualified zone academy bond. The District has covenanted to comply with all such requirements. We express no opinion regarding the ongoing availability of the tax credit for owners of the Bonds.

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

5. Under current law, the tax credit is not subject to sequestration.

The rights of the owners of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PARKER & COVERT LLP

PARKER & COVERT LLP
Attorneys at Law
2520 Venture Oaks Way, Suite 190
Sacramento, California 95833

[CLOSING DATE]

Board of Trustees
Red Bluff Joint Union High School District
P.O. Box 1507
Red Bluff, California 96080

Re: $160,000
Red Bluff Joint Union High School District
General Obligation Bonds
Election of 2016, Series 2017C
(Federally Taxable)
Final Opinion of Bond Counsel

Members of the Board of Trustees:

We have acted as bond counsel in connection with the issuance by the Red Bluff Joint Union High School District (the "District") of $160,000 principal amount of Red Bluff Joint Union High School District, General Obligation Bonds, Election of 2016, Series 2017C (Federally Taxable) (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the District and are valid and binding general obligations of the District.

2. All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation regarding rate or amount (except certain personal property that is taxable at limited rates) to pay the Bonds. Tehama County and Shasta County are each required by law to include in their annual tax levies the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. Under existing statutes, regulations, rulings, and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

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

The rights of the owners of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

PARKER & COVERT LLP

APPENDIX D

TEHAMA COUNTY INVESTMENT POLICY

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INVESTMENT POLICY
COUNTY OF TEHAMA
Revised 09-30-16

POLICY

This policy is intended to provide guidelines for the investment portfolio of the County, and to outline the policies for maximizing the efficiency of the County's cash management system. The ultimate goal is to enhance the economic status of the County while protecting its funds.

SCOPE

This investment policy applies to the County's total investment portfolio which encompasses all monies under the direct oversight of the Treasurer. These include the Agency funds of the county, schools and special districts.

PRUDENCE

The standard of prudence to be used by investment officials will be the "prudent investor" standard, which states that, "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 a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

OBJECTIVE

The County's cash management system is designed to accurately monitor and forecast revenues and expenditures thus enabling the Treasurer to invest funds to the fullest extent possible. The Treasurer maintains a diversified portfolio to accomplish the primary objectives of safety, liquidity and yield (in that order of priority).

1. Safety: The safety/risk associated with an investment refers to the potential loss of principal, accrued interest or a combination of these. The County seeks to mitigate credit risk by careful scrutiny of the credit worthiness of the investment instruments as well as the institutions. Such resources as Moody's Investor, Standard & Poor's and Fitch rating services are utilized for this review.

2. Liquidity: The secondary objective of the county treasurer will be to meet the liquidity needs of the depositor. This refers to the ability to provide adequate resources to meet the daily cash flow needs of the county, schools and special districts. Since all cash requirements cannot be anticipated, an adequate percentage of the portfolio should be maintained in liquid short-term securities, including Local Agency Investment Fund (LAIF) which has an immediate withdrawal provision.

3. Yield: A competitive market rate of return is the third objective of the investment program after the fundamental requirements of safety and liquidity have been met.

DEPOSIT AND WITHDRAWAL OF FUNDS

Upon the approval of the county auditor and treasurer, other entities not required to deposit funds with the county treasurer but who wish to do so for investment purposes, may be permitted to deposit funds with the county treasurer subject to the following criteria:

> All funds deposited with the county treasury for investment must be accompanied by a deposit permit and received prior to 2:00 p.m. on the day the funds are deposited. If the deposit exceeds $500,000 notification at least one day prior to the deposit is encouraged.
>
> When an agency intends to withdraw funds in excess of $500,000 for the purpose of investing or to deposit those funds outside the county treasury pool, it is required that a written request be submitted to the treasurer for his or her approval. While this approval will normally be received within two working days, in order to protect the integrity of all pooled funds, the treasurer may withhold approval for a maximum of 30 days, and reserves the right to mark the treasury pool investment to market if securities must be sold prior to maturity to meet such requests. This guideline will apply to entities that currently are part of the county pool that are considering investing independently of the pool.
>
> Written notification to the Treasurer and Auditor is required before funds are permanently withdrawn from the county pool.

DELEGATION OF AUTHORITY

In accordance with Government Code sections 27000.1, 53607, and 53608 and Tehama County Code section 2.07.040, the county treasurer has been delegated the authority to invest or reinvest the funds of the county and the funds of other depositors in the county treasury. This delegation is subject to review and renewal of authority by the board of supervisors each year. The Treasurer and his or her deputies are further limited by this investment policy.

The Treasurer retains the authority to amend the Investment Policy, Guidelines, and Procedures at any time in order to carry out the duties as chief investment officer for the County, subject to approval by the Board of Supervisors. Notice of any such required amendment will be given to the Oversight Committee prior to submission to the Board of Supervisors. The Treasurer will annually prepare an Investment Policy which will be reviewed by the Treasury Oversight Committee and submitted to the Board of Supervisors for review and approval.

TREASURY OVERSIGHT COMMITTEE

Members—The Tehama County Board of Supervisors in consultation with the Treasurer, will determine the exact size of the committee and the categories from which the members will be represented. In accordance with Government Code sections 27130 et seq. and Resolution No. 46-1996, there shall be a county treasury oversight committee consisting of the following:

The county treasury oversight committee, pursuant to Section 27132, shall consist of members appointed from the following:

(a) The county treasurer.

(b) The county auditor, auditor-controller, or finance director, as the case may be.

(c) A representative appointed by the county board of supervisors.

(d) The county superintendent of schools or his or her designee.

(e) A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the county.

(f) A representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the county that are required or authorized to deposit funds in the county treasury.

(g) Up to five other members of the public.

(1) A majority of the other public members shall have expertise in, or an academic background in, public finance.

(2) The other public members shall be economically diverse and bipartisan in political registration.

Restriction of Members—All members of the county treasury oversight committee are restricted as follows:

- A member may not be employed by an entity that has contributed to a re-election campaign of the local treasurer or a member of the legislative body of the local agency in the previous three years
- A member may not directly or indirectly raise money for the county treasurer or a member of the board of supervisors while a member of this committee

- A member may not secure employment with bond underwriters, bond counsel, security brokerages or dealers, or with financial services firms with whom the county treasurer conducts business, for three years after leaving the committee
- Members may not receive honoraria, gifts or gratuities from advisors, brokers, dealers, bankers, or other persons with whom the county treasurer conducts business

DIVERSIFICATION AND LIMITATIONS

The County Treasurer will diversify its investment portfolio, thereby minimizing the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Investments shall be limited to the following listed investment instruments and shall be further limited to the listed percentage of the Total Investment Portfolio. The Total Investment Portfolio for purposes of this Policy, shall apply to all funds under the control of the Treasurer, excluding investments purchased with Tax & Revenue Anticipation Note (TRAN's) proceeds. The County's Investment Portfolio will not be directly invested in securities which mature more than five years from the date of purchase.

INVESTMENT INSTRUMENTS

Investment of County funds are governed by the California Government Code Sections 16429.1 and 53601. Investments may not have a term or maturity at the time of investment of longer than that authorized by Section 53601 of five years unless the Board of Supervisors has granted express authority at least 3 months prior to the investment. The investment activities of County Treasurers are restricted by state law to a select group of government securities and high credit quality fixed-income investments. To reduce the risk inherent in any one instrument, state law further limits the percentage of the county's investment portfolio that can be invested in any one type of security. See attached Exhibit "A" for a complete description of Authorized Investments, and percentage and term limitations.

The following is a brief description of the eligible investments with some additional restrictions imposed by the Treasurer. Government Code specifies the maximum percentage of the portfolio which may be held in each type of investment at any one time, fluctuations in the portfolio balance will prevent strict adherence to such restrictions. Therefore, percentage limitations shall apply to investments at the time of purchase.

Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the Treasurer will perform a timely review and decide whether to sell or hold the investment.

The County will limit investments in any one non-government issuer, except investment pools, to no more than 3% regardless of security type.

Within the context of State limitations, the following investments are authorized:

1. State Treasurer's Local Agency Investment Fund (LAIF). Local government agencies are authorized to invest a maximum of $50 million in this investment program administered by the California State Treasurer. Monies invested with LAIF are pooled with State monies in order to earn the maximum rate of return consistent with safe and prudent treasury management.

2. Sweep Account – The commercial Sweep Account provides optimal liquidity management without the effort and cost associated with managing the excess cash in separate investments. The sweep account provides for daily investment confirmations and all purchase, sale and interest transactions are reported on the checking account statement. The excess cash balance is invested in the Treasury Reserve Fund. This Fund invests in short-term U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. U.S. Treasury obligations are backed by the full faith and credit of the United States government.

   Bank Deposits. FDIC insured or collateralized deposits including, but not limited to, demand deposit accounts, savings accounts, market rate accounts, time certificates of deposits in financial institutions located in California. The amount on deposit in any financial institution shall not exceed the shareholder's equity per Government Code section 53638. To be eligible to receive County deposits, the financial institution must have received a minimum overall satisfactory rating, under the Community Redevelopment Act, for meeting the credit needs of California Communities in its most recent evaluation per Government Code section 53635.2. Bank deposits are required to be collateralized as specified under Government Code section 53630 et seq. The County Treasurer, at his/her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance per Government Code section 53653. The County shall have a signed agreement with any depository accepting County funds per Government Code section 53649.

3. U.S. Treasury Notes or other indebtedness secured by the full faith and credit of the federal government. These are guaranteed by the U.S. Government and are considered by most experts as free of credit risk.

4. Securities Issued by U.S. Government Agencies and Instrumentalities. These securities consist mostly of notes and debentures of agencies and government sponsored corporations. They are not guaranteed by the U.S. Government and therefore have some credit risk. Their yield is typically higher than U.S. Treasury securities. These include but are not limited to agency

securities issued by the Federal home Loan bank (FHLB), Federal Farm Credit (FFC), Tennessee Valley Authority (TVA), Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).

5. Bankers Acceptances (40%)—Briefly stated, the function of the bankers' acceptance is as follows: A borrower may, under certain circumstances, obtain short-term credit by arranging for his bank to accept a time draft upon it. The bank stamps its official "accepted" across the face of the draft and converts it into a bankers' acceptance. The instrument, now being a bank obligation, may be sold to an acceptance dealer who, in turn, may sell it to an investor. Most BA's arise out of transactions involving the trade of manufactured goods or commodities and must be rated "A^1/P^1" or higher. Maturities range from one to 180 days and are limited to forty percent (40%) of the total portfolio.

6. Commercial Paper (40%)—These are short-term promissory notes issued by a company to finance current transactions. Commercial paper is issued not only by industrial and manufacturing firms but also by finance companies. The entity that issues the commercial paper must meet all of the following conditions in either paragraph A or paragraph B:

   A. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars ($500,000,000), and (iii) has debt other than commercial paper, if any, that is rated "A" or higher by a NRSRO.

   B. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated "A-1" or higher, or the equivalent, by a NRSRO.

   Commercial Paper is sold on a discount or interest bearing basis with maturities not exceeding 270 days and must have an "A^1/P^1" or higher rating by one of the three major rating agencies. Purchases of commercial paper may not exceed forty percent (40) of the total portfolio. The County may purchase no more than ten percent (10) of the outstanding commercial paper of any single issuer.

7. Negotiable CD's Bank Notes (30%)—Negotiable CD's & Bank Notes are issued by a national or state-chartered bank, a state or federal association, a state or federal credit union, or by a federally- or state-licensed branch of a foreign bank. The County Treasurer may invest up to thirty (30%) percent of the total portfolio in Negotiable CD's that are rated at least "A" or equivalent by one of the major agencies. Negotiable CD's are considered liquid, trading actively in the secondary market.

8. Money Market Mutual Funds (20%)—Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies will either: (i) attain the highest ranking letter or numerical rating provided by at least two NRSROs or (ii) have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds and with assets under management in excess of $500,000,000. No more than 20% of the County's investment portfolio may be invested in money market funds. No more than 10% of the County's investment portfolio may be invested in any single money market fund.

9. Medium Term Notes (30%)—An obligation issued by a U.S. corporation that is rated "A" or higher by one of the major agencies with a maximum maturity of five (5) years. Medium term notes are restricted to thirty percent (30%) of the total portfolio at time of purchase.

10. Obligations of the State of California —General obligation bonds of the state of California, as well as bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state, or by a department, board, agency or authority of the state , which finances essential services, with a maximum maturity of five (5) years.

11. Registered treasury notes or bonds of any of the other 49 states in addition to California—Including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state, or by a department, board, agency, or authority of any of these states with a maximum maturity of five (5) years.

12. Mortgage Pass-Through Securities (20%)—Up to twenty percent (20%) of the County's portfolio may be invested in FHLMC or FNMA mortgage pass through securities with a maximum maturity of five years. Securities in this category must be issued by an issuer with a credit rating of at least "A" or its equivalent by one of the major rating agencies. The issue itself must have a rating of at least "AA" or its equivalent by one of the major rating agencies.

13. Guaranteed Investment Contracts (GIC's)—GIC's provide a predictable, guaranteed, fixed interest rate until the specified maturity date of the contract. GIC participants achieve prudent diversification into a superior credit quality insurer with top financial ratings, while offering participants price stability & competitive rates. Tehama County will limit the use of GIC's to proceeds from Tax & Revenue Anticipation Notes only.

14. Repurchase Agreements (Repo's)—A holder of securities sells securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The County may invest in repurchase agreements with "well capitalized"

banks and dealers of primary dealer status recognized by the Federal Reserve with which the County has entered into a master repurchase contract which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 92 days and are limited to twenty percent (20%) of the net portfolio.

Collateralization will be required on repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be (102%) of market value of principal and accrued interest. In order to conform with provisions of the Federal Bankruptcy Code, which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of or that are fully guaranteed by the United States or any agency of the United States.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

15. California Asset Management Program (CAMP)—A Local Government Investment Pool that must maintain a credit rating of AAAm. Up to twenty percent (20%) of the County's portfolio may be invested in CAMP.

INELIGIBLE INVESTMENTS

Investments not described above, including but not limited to common stocks, financial futures, contract and options are prohibited. Additionally, the Treasurer shall not invest in reverse or inverse floaters, range notes and principal or interest only strips that are derived from a pool of mortgages, nor may the Treasurer invest in any security that could result in zero interest accrual if held to maturity.

INVESTMENT DOCUMENTATION AND REVIEW

Each investment transaction must be documented with a completed Security Information Sheet at the time of purchase. The Security Information Sheet shall include the investment purchased, price, coupon, maturity, rating and broker. The confirmation shall also be included in the file and should be reviewed and filed by a person other than the person initiating the transaction. Any discrepancies must be resolved immediately and a new confirmation issued.

AUTHORIZED DEALERS, DEPOSITORIES & FINANCIAL INSTITUTIONS

For the purchase of all investments, the dealer must operate from an office within the United States. Dealers must provide current audited financial statements. Each

Dealer will receive a copy of this investment policy and copy of the County Resolution authorizing the Treasurer/Tax Collector to invest county funds. The Dealer shall be identified on each confirmation of transaction be name. Certificates of Deposit may be purchased directly from the issuer instead of through a dealer.

At least once a year the Treasurer will review all dealers with which the County conducts business. A list of authorized broker/dealers, depositories and financial institutions will be prepared and maintained. The list will include all securities dealers, depositories and investment advisory firms eligible to conduct business with the County under the criteria established in this policy.

No broker, brokerage firm or dealer of securities shall be selected that has made any political contribution to the local treasurer, any member of the board of supervisors or any candidate for those offices.
If the County has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the County, subject to any conditions contained in the agreement between the County and the investment advisor.

DESIGNATED SERVICE BANK

The Treasurer shall designate a State or Federally chartered bank operating within the State of California to serve as the primary service and the treasurer shall use said bank as a clearing house for all funds.

SAFEKEEPING AND CUSTODY

Security transactions entered into by the county shall be conducted on a delivery-vs-payment (DVP) basis where funds are not transferred until the security is delivered to a custodian (third party), by physical delivery to our safekeeping account or safekept in the Treasurer’s vault. All negotiable securities shall be secured through third party custody and safekeeping. No security will be safekept with the dealer or financial institution selling the investment.

CALCULATING AND APPORTIONING COSTS

The County Treasurer will determine the administrative cost of investing or handling of funds. A portion of the administrative cost is recovered through the Cost Plan, the remaining cost shall be deducted from total interest earnings prior to the interest apportionment and shall be shared proportionately by all pooled and self-directed investments. The administrative costs are the actual direct and indirect costs charged to the Treasurer’s office for salaries, benefits and operating expenses.

POOLING OF FUNDS AND DISTRIBUTION OF EARNINGS

Funds available from all sources may be pooled in order to achieve greater investment potential. The earnings from the pooled investments shall be deposited in a special fund each quarter the earnings fund will be charged and each participant in the pool will be credited with interest in proportion to their aggregate total for the quarter based on an average daily balance.

REPORTING REQUIREMENTS

The Treasurer shall generate daily and monthly reports for management purposes. In addition, the Board of Supervisors will be provided monthly reports and the treasury oversight committee will be provided quarterly reports detailing investment activities and holdings, including a description of the security, maturity date, book value, par value, market value and stated coupon.

Glossary

Bankers' Acceptances are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument.

Broker-Dealer is a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

California Asset Management Program (CAMP) is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. The CAMP pool is a short-term money market portfolio and cash management vehicle.

Collateral refers to securities, evidence of deposits, or other property that a borrower pledges to secure repayment of a loan. "Security" means any of the eligible securities or obligations listed in Government Code Section 53651. It also refers to securities pledged by a bank to secure deposits. In California, repurchase agreements, reverse repurchase agreements, and public deposits must be collateralized.

Commercial Paper is a short term, unsecured, promissory note issued by a corporation to raise working capital.

Federal Agency Obligations are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

Issuer means any corporation, governmental unit, or financial institution that borrows money through the sale of securities.

Liquidity refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the difference between the bid and asked prices is narrow and reasonably sized trades can be done at those quotes.

Local Agency Investment Fund (LAIF) is a special fund in the State Treasury that local agencies may use to deposit funds for investment. There is no minimum investment period and the minimum transaction is $5,000, in multiples of $1,000 above that, with a maximum of $50 million for any California public agency. It offers high liquidity because deposits can be converted to cash in twenty-four hours and no interest is lost. All interest is distributed to those agencies participating on a proportionate share determined by the amounts deposited and the length of time they are deposited. Interest is paid quarterly via direct deposit to the agency's LAIF account. The State keeps an amount for reasonable costs of making the investments, not to exceed one-quarter of one per cent of the earnings.

Market Value is the price at which a security is trading and could presumably be purchased or sold.

Maturity is the date upon which the principal or stated value of an investment becomes due and payable.

Medium-Term Notes are debt obligations issued by corporations and banks, usually in the form of unsecured promissory notes. These are negotiable instruments that can be bought and sold in a large and active secondary market. For the purposes of California Government Code, the term "Medium Term" refers to a maximum remaining maturity of five years or less. They can be issued with fixed or floating-rate coupons, and with or without early call features, although the vast majority are fixed-rate and non-callable. Corporate notes have greater risk than Treasuries or Agencies because they rely on the ability of the issuer to make payment of principal and interest.

Money Market Fund is a type of investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders and must strive to maintain a stable net asset value (NAV) of $1 per share.

Negotiable Certificates of Deposit are large-denomination CDs. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs), and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.

Principal describes the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

Repurchase Agreements are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

U.S. Treasury Issues are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

1. Treasury Bills which are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve month maturities.

2. Treasury Notes that have original maturities of one to ten years.

3. Treasury Bonds that have original maturities of greater than 10 years.

Yield to Maturity is the rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

Exhibit "A"
Authorized Investments

Investment Instruments	Gov't Code Section	Minimum Rating	Government Code		County Policy	
			% or $ limitation	Term limitation	% or $ limitation	Term limitation
State Treasurer's Local Agency Investment Fund	16429.1	*N/R	$ 50,000,000	5 yrs	$ 50,000,000	5 yrs
U.S. Treasury Instruments	53601 (b)	n/a	100%	5 yrs	100%	5 yrs
Federal Agency Securities	53601 (f)	n/a	100%	5 yrs	100%	5 yrs
Bankers Acceptance	53601 (g)	A1, P1	40% <30% in one bank	180 days	40% <5% in one bank	180 days
Commercial Paper	53601 (h) 53635 (a)	A1, P1	<40% total <10% single issuer	270 days	<40% total <5% single issuer	270 days
Negotiable CD's & Bank Notes	53601 (i)	A or equivalent,	30%	5 yrs	30% total <5% single issuer	5 yrs
Medium Term Notes Corporate Obligations	53601 (k)	A	30%	5 yrs	30% total <5% single issuer	5 yrs
Money Market Mutual Funds	53601 (l)	AAA, Aaa, or Advisor Requirements	<20% total <10% single issuer	5 yrs	<20% total <10% single issuer	5 yrs
Mortgage Pass-Through Securities	53601 (o)	A issuer AA issue	20%	5 yrs	20%	5 yrs
Repurchase Agreements	53601 (j)	n/a	20%	92 days	20%	92 days
California Asset Management Program (CAMP)	53601 (p)	AAAm	100%	Overnight	20%	Overnight
California Municipals	53601(c,e) 53651(c,h,i)	A; A-1/P-1	100%	5 yrs	100%	5 yrs
Other 49 State Municipals	53601(d)	n/a	100%	5 yrs	100%	5 yrs

*Not Rated

APPENDIX E

DTC BOOK-ENTRY ONLY SYSTEM

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The following information concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry-only system has been provided by DTC for use in securities disclosure documents. The District takes no responsibility for the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The following description includes the procedures and record-keeping with respect to beneficial ownership interests in the Bonds payment of principal and interest, other payments with respect to the Bonds to Direct Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds, notices to beneficial owners and other related transactions by and between DTC, the Participants, and the Beneficial Owners. However, DTC, the Participants, and the Beneficial Owners should not rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be.

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

DTC, the world's largest 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.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial

Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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 Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100