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

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. Bond Counsel observes, however, that interest on the Bonds will be included in calculating a corporation's adjusted current earnings for purposes of calculating alternative minimum taxable income for taxable years beginning prior to January 1, 2018. See "TAX MATTERS" herein.

$42,995,856.05
SAN BENITO HIGH SCHOOL DISTRICT
(San Benito and Santa Clara Counties, California)
GENERAL OBLIGATION BONDS
(ELECTION OF 2016), SERIES 2018

$37,970,000.00	$5,025,856.05
Current Interest Bonds	**Capital Appreciation Bonds**

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

The San Benito High School District (San Benito and Santa Clara Counties, California) General Obligation Bonds (Election of 2016), Series 2018 (the "Bonds") are being issued by the San Benito High School District (the "District") to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith, as more fully described herein under the caption "THE PROJECTS." The Bonds were authorized at an election of the qualified electors within the District held on November 8, 2016 (the "Election") at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of $60,000,000 aggregate principal amount of general obligation bonds of the District (the "Authorization"). The Bonds are issued on a parity basis with all other general obligation bonds of the District.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest on the Current Interest Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2019. The Capital Appreciation Bonds are payable at maturity and accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2019. See ''THE BONDS'' herein.

The Bonds are general obligations of the District only and are not obligations of the County of San Benito or the County of Santa Clara (collectively, the "Counties"), the State of California or any of its other political subdivisions. The Board of Supervisors of each of the Counties has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal and accreted value at maturity ("Maturity Value") of, and premium, if any, and interest on each Bond as the same becomes due and payable.

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

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

MATURITY SCHEDULE
On Inside Cover

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, San Diego, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, San Diego, California, is acting as Disclosure Counsel for the District. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about August 9, 2018.

STIFEL

The date of this Official Statement is: July 24, 2018.

MATURITY SCHEDULE

$42,995,856.05
San Benito High School District
(San Benito and Santa Clara Counties, California)
General Obligation Bonds
(Election of 2016), Series 2018

$37,970,000 Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] (796472)
2020	$600,000	5.000%	1.390%	CF3
2023	175,000	5.000	1.810	CH9
2024	275,000	5.000	1.930	CJ5
2025	390,000	5.000	2.060	CK2
2026	510,000	5.000	2.210	CL0
2027	640,000	5.000	2.270	CM8
2028	500,000	5.000	2.370	CN6
2029	615,000	5.000	2.470*	CP1
2030	745,000	5.000	2.580*	CQ9
2031	880,000	5.000	2.650*	CR7
2032	1,025,000	5.000	2.720*	CS5
2033	1,190,000	3.625	3.120*	CT3
2034	1,345,000	4.000	3.240*	CU0
2035	1,515,000	4.000	3.300*	CV8
2036	1,705,000	4.000	3.340*	CW6
2037	1,900,000	5.000	3.000*	CX4
2038	2,130,000	3.375	3.600	CG1

$21,830,000 4.000% Term Bonds due August 1, 2048; Priced to yield 3.660%* CUSIP[(1)] 796472 CY2

$5,025,856.05 Capital Appreciation Bonds

Maturity Date (August 1)	Initial Principal Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP[(1)] (796472)
2039	$978,341.65	4.190%	4.190%	$2,335,000	DA3
2040	988,354.40	4.230	4.230	2,480,000	DB1
2041	1,006,711.20	4.240	4.240	2,640,000	DC9
2042	1,019,616.00	4.250	4.250	2,795,000	DD7
2043	1,032,832.80	4.260	4.260	2,960,000	DE5

* Yield to first par call on August 1, 2028.

SAN BENITO HIGH SCHOOL DISTRICT
San Benito and Santa Clara Counties, State of California

Board of Education

Steve Delay, *President*
William Tiffany, *Clerk*
John Corrigan, *Member*
Patty Nehme, *Member*
Juan Robledo, *Member*

District Administrators

Shawn Tennenbaum, Ed.D., *Superintendent*
Roseanne Lascano, *Director of Finance and Operations*
Cindi Krokower, *Director of Human Resources*
Elaine Klauer, *Director of Educational Services*
Paulette Cobb, *Director of Special Education*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
San Diego, California

Financial Advisor

Capitol Public Finance Group
Roseville, California

Paying Agent, Transfer Agent, Registration Agent

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

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

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

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of San Benito, the County of San Benito has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE SAN BENITO COUNTY POOLED INVESTMENT FUND."

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

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

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

$42,995,856.05
SAN BENITO HIGH SCHOOL DISTRICT
(San Benito and Santa Clara Counties, California)
GENERAL OBLIGATION BONDS
(ELECTION OF 2016), SERIES 2018

$37,970,000	**$5,025,856.05**
Current Interest Bonds	**Capital Appreciation Bonds**

INTRODUCTION

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

The San Benito High School District (the "District") proposes to issue $42,995,856.05 aggregate principal amount of its General Obligation Bonds (Election of 2016), Series 2018 (the "Bonds") under and pursuant to a bond authorization (the "2016 Authorization") for the issuance and sale of not more than $60,000,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at a general election held on November 8, 2016 (the "Election"). The District previously issued its $17,000,000 General Obligation Bonds (Election of 2016) Series 2017 under the 2016 Authorization. Subsequent to the issuance of the Bonds, a de minimus amount of general obligation bonds will remain for issuance pursuant to the 2016 Authorization.

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

Registration

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

The District

The District operates one high school serving grades nine through twelve and one continuation high school in the City of Hollister (the "City"). The territory of the District consists primarily of the City and unincorporated San Benito County (the "County") with less than 1% of the District's assessed valuation represented by property located in Santa Clara County (together with the County, the "Counties"). The District is located approximately 50 miles south of the City of San Jose and approximately 24 miles northeast of the City of Salinas in the State of California (the "State"). The District's average daily attendance ("ADA") for fiscal year 2017-18 was 2,859 students and the District has a 2017-18 total assessed valuation of $6,516,247,044. The District's audited financial statements for the fiscal year ended June 30, 2017 are attached hereto as APPENDIX B. For further information concerning the District, see the caption "SAN BENITO HIGH SCHOOL DISTRICT" herein.

Sources of Payment for the Bonds

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

Continuing Disclosure

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

Professionals Involved in the Offering

Dannis Woliver Kelley, San Diego, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is acting as registrar, transfer agent and paying agent for the Bonds. Capitol Public Finance Group, Roseville, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds. Kutak Rock LLP, Denver, Colorado, is acting as counsel to the Underwriter with respect to the Bonds. Dannis Woliver Kelley and The Bank of New York Mellon Trust Company, N.A. will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about August 9, 2018.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the Government Code of the State of California (the "Government Code") (commencing with Section 53506). Bonds are being issued pursuant to a resolution of the Board of Education of the District (the "Board") adopted on June 26, 2018 (the "Resolution").

On July 11, 2018, the California State Board of Education granted a General Waiver of the Education Code limitation on outstanding bonded indebtedness to the District which permits the District to issue the Bonds in advance of assessed valuation growth in the District which would be necessary without the General Waiver.

Purpose of Issue

The net proceeds of the Bonds will be used to finance certain capital improvements for the District as specified in the District's bond proposition submitted at the Election, which includes upgrading science labs and classrooms to help prepare students for college and careers; continuing to improve school access for students with disabilities; adding classrooms and school facilities to reduce overcrowding; upgrading aging student facilities; and improving school and earthquake safety. See "THE PROJECTS" herein.

Description of the Bonds

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

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

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

Payment of the Bonds

Interest on the Current Interest Bonds is payable commencing February 1, 2019, and semiannually thereafter on February 1 and August 1 of each year (each, an "Interest Payment Date") until maturity.

Interest on each Current Interest Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof and shall be payable on each Interest Payment Date to the owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the "Record Date"). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered during the period from the 16th day of the month immediately preceding any Interest Payment Date to that Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is registered prior to the close of business on January 15, 2019, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment.

The Capital Appreciation Bonds are payable only at maturity and will not bear interest on a current basis. The Maturity Value of each Capital Appreciation Bond is equal to its accreted value upon the maturity thereof, being comprised of its initial principal amount (the "Initial Principal Amount") and the accreted interest between the delivery date and its respective maturity date. The Capital Appreciation Bonds accrete interest at the accretion rates applicable thereto as set forth on the inside cover page hereof, from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2019, through their maturity dates as set forth on the inside cover page of this Official Statement.

Interest shall be computed using a year of 360 days comprised of twelve 30-day months. Payments of principal, Maturity Value and interest will be made by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 of Principal Amount or Maturity Value or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption

Optional Redemption.

The Bonds maturing on or before August 1, 2028 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2029, may be redeemed before maturity at the option of the District, in whole or in part on such basis as is determined by the District, from any source of available funds, on any date on or after August 1, 2028 at a redemption price of par or accreted value thereof, plus accrued interest to the date of redemption, without premium.

Mandatory Redemption. The Bonds maturing on August 1, 2048 (the "Current Interest Term Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2044, at a redemption price equal to the principal amount thereof as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefor and the final payment date are as indicated in the following table:

Redemption Date (August 1)	Principal Amount
2044	$3,130,000
2045	3,435,000
2046	3,765,000
2047	5,520,000
2048*	5,980,000

* Maturity

In the event that a portion of the Current Interest Term Bonds maturing on August 1, 2048 are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Current Interest Term Bonds optionally redeemed.

Selection of Bonds for Redemption

If less than all of the Bonds are called for redemption, the Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District, and if less than all of the Bonds of any given maturity are called for redemption, the portions of such Bonds of a given maturity to be redeemed shall be determined by the Paying Agent by lot.

Notice of Redemption

Notice of any redemption of the Bonds shall be mailed by the Paying Agent, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the Registration Books, and (ii) as may be further required in accordance with the Continuing Disclosure Agreement. Each notice of redemption shall state (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Bonds to be redeemed; (vi) in the case of Bonds redeemed in part only, the respective portions of the principal amount or accreted value of the Bonds of each maturity to be redeemed; (vii) the CUSIP number, if any, of each Bond to be redeemed; (viii) a statement that such Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (ix) notice that further interest on such Bonds will not accrue after the designated redemption date; and (x) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice.

Right to Rescind Notice of Redemption

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund (as defined herein) 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 Bonds called for redemption.

Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Effect of Notice of Redemption

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

Transfer and Exchange

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

Defeasance

If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of any or all of the outstanding Bonds all or any part of the principal, Maturity Value, interest and premium, if any, on the Bonds at the times and in the manner provided in the Resolution and in the Bonds, or as otherwise provided by law, then such Owners shall cease to be entitled to the obligation of the District, and such obligation and all agreements and covenants of the District to such Owners under the Resolution and under the Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, accreted value, interest and premium, if any, represented by the Bonds, but only out of monies on deposit in the Interest and Sinking Fund (defined below) or otherwise held in trust for such payment.

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

Book-Entry Only System

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

Continuing Disclosure Agreement

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

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal or Issue Amount of Bonds	$42,995,856.05
Net Original Issue Premium	2,424,040.40
Total Sources	$45,419,896.45
Uses of Funds	
Deposit to Building Fund	$42,840,856.05
Deposit to Interest and Sinking Fund	2,219,810.08
Costs of Issuance[1]	359,230.32
Total Uses	$45,419,896.45

[1] Payment of Underwriter's discount, Bond and Disclosure Counsel fees, financial advisory fees, rating agency fees and other costs of issuance.

District Investments

The San Benito County Treasurer, Tax Collector and Public Administrator (the "County Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the County Treasurer by the District. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's pooled investment fund (the "Pooled Investment Fund").

The composition and value of investments under management in the Pooled Investment Fund vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally. For a further discussion of the Pooled Investment Fund, see the caption "THE SAN BENITO COUNTY POOLED INVESTMENT FUND" herein.

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

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DEBT SERVICE SCHEDULES

The following table summarizes the annual principal and interest payments on the Bonds.

DEBT SERVICE ON THE BONDS

	Current Interest Bonds		Capital Appreciation Bonds		
Bond Year Ending August 1	Principal	Interest	Principal	Accreted Interest	Total Debt Service
2019	--	$1,548,384.44	--	--	$1,548,384.44
2020	$600,000.00	1,583,575.00	--	--	2,183,575.00
2021	--	1,553,575.00	--	--	1,553,575.00
2022	--	1,553,575.00	--	--	1,553,575.00
2023	175,000.00	1,553,575.00	--	--	1,728,575.00
2024	275,000.00	1,544,825.00	--	--	1,819,825.00
2025	390,000.00	1,531,075.00	--	--	1,921,075.00
2026	510,000.00	1,511,575.00	--	--	2,021,575.00
2027	640,000.00	1,486,075.00	--	--	2,126,075.00
2028	500,000.00	1,454,075.00	--	--	1,954,075.00
2029	615,000.00	1,429,075.00	--	--	2,044,075.00
2030	745,000.00	1,398,325.00	--	--	2,143,325.00
2031	880,000.00	1,361,075.00	--	--	2,241,075.00
2032	1,025,000.00	1,317,075.00	--	--	2,342,075.00
2033	1,190,000.00	1,265,825.00	--	--	2,455,825.00
2034	1,345,000.00	1,222,687.50	--	--	2,567,687.50
2035	1,515,000.00	1,168,887.50	--	--	2,683,887.50
2036	1,705,000.00	1,108,287.50	--	--	2,813,287.50
2037	1,900,000.00	1,040,087.50	--	--	2,940,087.50
2038	2,130,000.00	945,087.50	--	--	3,075,087.50
2039	--	873,200.00	$978,341.65	$1,356,658.35	3,208,200.00
2040	--	873,200.00	988,354.40	1,491,645.60	3,353,200.00
2041	--	873,200.00	1,006,711.20	1,633,288.80	3,513,200.00
2042	--	873,200.00	1,019,616.00	1,775,384.00	3,668,200.00
2043	--	873,200.00	1,032,832.80	1,927,167.20	3,833,200.00
2044	3,130,000.00	873,200.00	--	--	4,003,200.00
2045	3,435,000.00	748,000.00	--	--	4,183,000.00
2046	3,765,000.00	610,600.00	--	--	4,375,600.00
2047	5,520,000.00	460,000.00	--	--	5,980,000.00
2048	5,980,000.00	239,200.00	--	--	6,219,200.00
Total	$42,995,856.05	$34,873,721.94	$5,025.856.05	$8,184,143.95	$86,053,721.94

The following table summarizes the annual principal and interest payments on all of the District's outstanding general obligation bonds, comprising the General Obligation Bonds, (Election of 2014), Series 2015, the General Obligation Bonds (Election of 2014) Series 2017, the General Obligation Bonds (Election of 2016) Series 2017 and the Bonds.

DEBT SERVICE ON
OUTSTANDING GENERAL OBLIGATION BONDS

	2014 Election		2016 Election		
Bond Year Ending August 1	Series 2015 Bonds	Series 2017 Bonds	Series 2017 Bonds	The Bonds	Total
2019	$1,234,181.26	$641,956.26	$2,388,556.26	$1,548,384.44	$5,813,078.22
2020	1,234,181.26	685,156.26	625,756.26	2,183,575.00	4,728,668.78
2021	1,234,181.26	733,556.26	625,756.26	1,553,575.00	4,147,068.78
2022	1,234,181.26	785,306.26	625,756.26	1,553,575.00	4,198,818.78
2023	1,364,181.26	701,906.26	625,756.26	1,728,575.00	4,420,418.78
2024	1,413,981.26	706,306.26	625,756.26	1,819,825.00	4,565,868.78
2025	1,466,581.26	705,106.26	625,756.26	1,921,075.00	4,718,518.78
2026	1,521,781.26	703,506.26	625,756.26	2,021,575.00	4,872,618.78
2027	1,579,381.26	704,506.26	625,756.26	2,126,075.00	5,035,718.78
2028	1,642,981.26	697,106.26	915,756.26	1,954,075.00	5,209,918.78
2029	1,699,331.26	699,506.26	939,156.26	2,044,075.00	5,382,068.78
2030	1,767,925.00	689,606.26	959,406.26	2,143,325.00	5,560,262.52
2031	1,833,100.00	684,706.26	983,756.26	2,241,075.00	5,742,637.52
2032	1,898,350.00	684,656.26	1,012,056.26	2,342,075.00	5,937,137.52
2033	1,973,600.00	673,875.00	1,033,618.76	2,455,825.00	6,136,918.76
2034	2,048,100.00	667,662.50	1,058,506.26	2,567,687.50	6,341,956.26
2035	2,121,600.00	660,850.00	1,086,462.50	2,683,887.50	6,552,800.00
2036	2,203,850.00	648,425.00	1,112,212.50	2,813,287.50	6,777,775.00
2037	2,284,100.00	636,000.00	1,141,387.50	2,940,087.50	7,001,575.00
2038	2,372,100.00	623,575.00	1,168,812.50	3,075,087.50	7,239,575.00
2039	2,457,100.00	614,937.50	1,202,325.00	3,208,200.00	7,482,562.50
2040	2,548,850.00	600,775.00	1,232,162.50	3,353,200.00	7,734,987.50
2041	2,646,600.00	581,350.00	1,258,325.00	3,513,200.00	7,999,475.00
2042	2,746,000.00	561,925.00	1,290,812.50	3,668,200.00	8,266,937.50
2043	2,848,000.00	542,500.00	1,324,100.00	3,833,200.00	8,547,800.00
2044	2,957,200.00	518,625.00	1,357,925.00	4,003,200.00	8,836,950.00
2045	3,068,000.00	495,125.00	1,392,025.00	4,183,000.00	9,138,150.00
2046	--	3,652,000.00	1,426,137.50	4,375,600.00	9,453,737.50
2047	--	--	--	5,980,000.00	5,980,000.00
2048	--	--	--	6,219,200.00	6,219,200.00
Total	$53,399,418.86	$21,300,512.64	$29,289,550.16	$86,053,721.94	$190,043,203.60

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of each of the Counties has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by each County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of principal and Maturity Value of and interest on the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS" herein. The District received authorization to issue $60,000,000 principal amount of general obligation bonds pursuant to an election of the qualified electors within the District on November 8, 2016. The District previously issued its $17,000,000 General Obligation Bonds (Election of 2016) Series 2017 under the 2016 Authorization. Subsequent to the issuance of the Bonds, a de minimus amount of general obligation bonds will remain for issuance under the 2016 Authorization.

Restrictions on Use of *Ad Valorem* Taxes and Statutory Lien on Debt Service – Senate Bill 222

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

Pursuant to Section 53515 of the State Government Code, effective January 1, 2016 and added by California Senate Bill 222 (2015), the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Property Taxation System

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

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

THE PROJECTS

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

The “Smaller Classes, Safer Schools, and Financial Accountability Act,” a State Constitutional amendment known as Proposition 39, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of general obligation bonds issued pursuant to the 2016 Authorization.

TAX BASE FOR REPAYMENT OF THE BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the Counties on taxable property in the District. The District’s general fund is not a source for the repayment of the Bonds.

Ad Valorem **Property Taxation**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the Counties as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a “floating lien date”). For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The Counties levy a 1% property tax on behalf of all taxing agencies in the respective County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the Counties and all other taxing entities within the Counties receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for areas within each county that have common political jurisdictions. In addition, the Counties levy and collect additional approved property taxes and assessments on behalf of any taxing agency within each of the respective Counties.

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

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the respective County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

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

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

Property Tax Postponement. On September 28, 2014, the Governor of the State signed legislation reinstating the State Controller's Property Tax Postponement Program. Under the Property Tax Postponement Program, senior, blind and disabled residents with an annual household income of $35,000 or less and 40% equity in their homes may apply to defer payment of property taxes on their primary residence. Applications for such property tax postponement may be filed on or after September 1, 2016. Property tax payments deferred will incur interest on the unpaid amount at a rate of 7.0% per annum and are due and payable with interest upon certain events including (i) death of the resident (with no surviving spouse), (ii) sale, conveyance or transfer of the principal residence, (iii) refinance of or default on the mortgage on the principal residence or (iv) if the property ceases to be the principal residence. The State Controller will reimburse the respective County for any property tax postponements within the respective County under the Property Tax Postponement Program. The District cannot predict what impact, if any, the Property Tax Postponement Program may have on the ability to make payments of principal of and interest on the Bonds.

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

The following tables presents the historical assessed valuation in the District since fiscal year 2000-01 by the respective Counties and for the District as a whole. The District's total assessed valuation was $6,516,247,044 for fiscal year 2017-18. The San Benito County portion of the District accounted for 99.4% of the District's total assessed valuation in 2017-18.

SAN BENITO HIGH SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2000-01 Through 2017-18

San Benito County Portion

Fiscal Year	Secured[1]	Unsecured	Total	Annual % Change
2000-01	$3,035,750,325	$143,617,101	$3,179,367,426	--
2001-02	3,398,453,931	151,096,786	3,549,550,717	11.64%
2002-03	3,723,988,308	153,843,670	3,877,831,978	9.25
2003-04	4,008,989,837	145,114,666	4,154,104,503	7.12
2004-05	4,264,589,623	146,026,151	4,410,615,774	6.17
2005-06	4,656,702,166	138,131,780	4,794,833,946	8.71
2006-07	5,233,107,549	141,955,735	5,375,063,284	12.10
2007-08	5,579,862,436	152,219,263	5,732,081,699	6.64
2008-09	5,367,861,174	186,716,637	5,554,577,811	(3.10)
2009-10	4,857,232,476	190,108,541	5,047,341,017	(9.13)
2010-11	4,606,863,960	185,796,310	4,792,660,270	(5.05)
2011-12	4,488,329,074	191,881,642	4,680,210,716	(2.35)
2012-13	4,391,366,528	196,889,348	4,587,791,256	(1.97)
2013-14	4,642,066,782	217,280,588	4,859,347,370	5.92
2014-15	5,000,406,291	225,610,983	5,226,017,274	7.55
2015-16	5,336,934,148	222,910,780	5,559,844,928	6.39
2016-17	5,729,486,209	246,279,987	5,975,766,196	7.48
2017-18	6,223,405,251	253,365,094	6,476,770,345	8.38

[1] Includes assessed valuation of non-unitary utility property.

Santa Clara County Portion

Fiscal Year	Secured	Unsecured	Total	Annual % Change
2000-01	$19,682,327	$238,373	$19,920,700	--
2001-02	21,091,217	243,705	21,334,922	7.10%
2002-03	18,626,426	502,582	19,129,008	(10.34)
2003-04	20,303,563	1,406,360	21,709,923	13.49
2004-05	22,911,517	1,171,943	24,083,460	10.93
2005-06	24,654,342	1,214,384	25,868,726	7.41
2006-07	27,234,347	1,836,381	29,070,728	12.38
2007-08	27,517,851	2,061,821	29,579,672	1.75
2008-09	28,448,782	2,168,842	30,617,624	3.51
2009-10	30,145,612	2,797,512	32,943,124	7.60
2010-11	30,864,406	3,010,715	33,875,121	2.83
2011-12	30,984,770	2,640,825	33,625,595	(0.74)
2012-13	31,198,673	2,430,890	33,629,563	0.01
2013-14	32,245,167	2,215,803	34,460,970	2.47
2014-15	33,484,595	1,791,326	35,275,921	2.36
2015-16	36,880,887	1,230,320	38,111,207	8.04
2016-17	37,884,871	1,413,502	39,298,373	3.12
2017-18	38,198,300	1,278,399	39,476,699	0.45

Total District

Fiscal Year	Secured[1]	Unsecured	Total	Annual % Change
2000-01	$3,055,432,652	$143,855,474	$3,199,288,126	--
2001-02	3,419,545,148	151,340,491	3,570,885,639	11.62%
2002-03	3,742,614,734	154,346,252	3,896,960,986	9.13
2003-04	4,029,293,400	146,521,026	4,175,814,426	7.16
2004-05	4,287,501,140	147,198,094	4,434,699,234	6.20
2005-06	4,681,356,508	139,346,164	4,820,702,672	8.70
2006-07	5,260,341,896	143,792,116	5,404,134,012	12.10
2007-08	5,607,380,287	154,281,084	5,761,661,371	6.62
2008-09	5,396,309,956	188,885,479	5,585,195,435	(3.05)
2009-10	4,887,378,088	192,906,053	5,080,284,141	(9.04)
2010-11	4,637,728,366	188,807,025	4,826,535,391	(4.99)
2011-12	4,519,313,844	194,522,467	4,713,836,311	(2.33)
2012-13	4,422,100,581	199,320,238	4,621,420,819	(1.96)
2013-14	4,674,311,949	219,496,391	4,893,808,340	5.89
2014-15	5,033,890,886	227,402,309	5,261,293,195	7.51
2015-16	5,373,815,035	224,141,100	5,597,956,135	6.39
2016-17	5,767,371,080	247,693,489	6,015,064,569	7.45
2017-18	6,261,603,551	254,643,493	6,516,247,044	8.33

[1] Includes assessed valuation of non-unitary utility property.
Source: California Municipal Statistics, Inc.

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

Appeals and Adjustments of Assessed Valuations

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

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

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

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

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

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Assessed Valuation by Land Use

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

SAN BENITO HIGH SCHOOL DISTRICT
2017-18 Assessed Valuation and Parcels by Land Use

	2017-18 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total	No. of Taxable Parcels	% Total
Non-Residential:						
Agricultural	$ 901,464,789	14.40%	2,659	15.24%	2,640	15.54%
Commercial	285,394,132	4.56	401	2.30	395	2.33
Vacant Commercial	27,218,152	0.43	63	0.36	63	0.37
Industrial	295,391,367	4.72	122	0.70	122	0.72
Vacant Industrial	54,627,760	0.87	118	0.68	115	0.68
Recreational	39,706,827	0.63	48	0.28	48	0.28
Government/Social/Institutional	5,382,510	0.09	438	2.51	117	0.69
Subtotal Non-Residential	$1,609,185,537	25.70%	3,849	22.05%	3,500	20.60%
Residential:						
Single Family Residence	$4,279,876,363	68.35%	11,558	66.23%	11,529	67.87%
Condominium/Townhouse	98,209,167	1.57	550	3.15	550	3.24
Mobile Home	18,994,086	0.30	329	1.89	329	1.94
Mobile Home Park	1,582,586	0.03	6	0.03	6	0.04
2-4 Residential Units	120,073,325	1.92	280	1.60	280	1.65
5+ Residential Units/Apartments	60,470,616	0.97	73	0.42	65	0.38
Vacant Residential	72,890,301	1.16	807	4.62	728	4.29
Subtotal Residential	$4,652,096,444	74.30%	13,603	77.95%	13,487	79.40%
Total	$6,261,281,981	100.00%	17,452	100.00%	16,987	100.00%

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

Assessed Valuation by Jurisdiction

The territory of the District includes property in the County of San Benito and the County of Santa Clara. The following table shows the assessed valuation in the District by jurisdiction.

SAN BENITO HIGH SCHOOL DISTRICT
2017-18 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Hollister	$3,634,074,971	55.77%	$3,634,541,045	99.99%
Unincorporated San Benito County	2,842,695,374	43.62	4,005,437,623	70.97
Unincorporated Santa Clara County	39,476,699	0.61	16,940,419,832	0.23
Total District	$6,516,247,044	100.00%		
Summary by County:				
San Benito County	$6,476,770,345	99.39%	$7,836,132,203	82.65%
Santa Clara County	39,476,699	0.61	449,772,839,608	0.01
Total District	$6,516,247,044	100.00%		

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes

The following table sets forth the distribution of single-family residential parcels among assessed valuation ranges for fiscal year 2017-18, including the median and average assessed value per single family parcel.

SAN BENITO HIGH SCHOOL DISTRICT
Per Parcel 2017-18 Assessed Valuation of Single Family Homes

	No. of Parcels	2017-18 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	11,529	$4,279,876,363	$371,227	$356,257

2017-18 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	231	2.004%	2.004%	$ 8,531,577	0.199%	0.199%
$50,000 - $99,999	635	5.508	7.511	47,786,707	1.117	1.316
$100,000 - $149,999	555	4.814	12.325	68,187,344	1.593	2.909
$150,000 - $199,999	725	6.288	18.614	129,025,548	3.015	5.924
$200,000 - $249,999	1,222	10.599	29.213	276,141,484	6.452	12.376
$250,000 - $299,999	1,238	10.738	39.951	341,330,611	7.975	20.351
$300,000 - $349,999	1,019	8.839	48.790	330,548,215	7.723	28.074
$350,000 - $399,999	1,040	9.021	57.811	389,609,851	9.103	37.178
$400,000 - $449,999	1,184	10.270	68.080	504,640,525	11.791	48.969
$450,000 - $499,999	1,107	9.602	77.682	521,771,798	12.191	61.160
$500,000 - $549,999	735	6.375	84.058	385,640,791	9.011	70.171
$550,000 - $599,999	578	5.013	89.071	331,464,984	7.745	77.915
$600,000 - $649,999	340	2.949	92.020	211,263,013	4.936	82.852
$650,000 - $699,999	258	2.238	94.258	173,285,616	4.049	86.900
$700,000 - $749,999	194	1.683	95.941	140,305,896	3.278	90.179
$750,000 - $799,999	107	0.928	96.869	82,935,732	1.938	92.116
$800,000 - $849,999	92	0.798	97.667	75,591,392	1.766	93.883
$850,000 - $899,999	92	0.798	98.465	80,335,796	1.877	95.760
$900,000 - $949,999	67	0.581	99.046	61,521,476	1.437	97.197
$950,000 - $999,999	36	0.312	99.358	34,972,431	0.817	98.014
$1,000,000 and greater	74	0.642	100.000	84,985,576	1.986	100.000
	11,529	100.000%		$4,279,876,363	100.000%	

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

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Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2017-18.

SAN BENITO HIGH SCHOOL DISTRICT
2017-18 Largest Total Secured Taxpayers

	Property Owner	Primary Land Use	Assessed Valuation	Total[1]
1.	K & S Market Inc.	Shopping Center	$ 37,028,037	0.59%
2.	Stone Canyon Ranch LLC	Agricultural	28,248,908	0.45
3.	9351 Fairview LLC	Agricultural	24,816,532	0.40
4.	Award Homes Inc.	Agricultural	21,166,965	0.34
5.	Northpointe Associates LLC	Industrial	20,179,042	0.32
6.	Diegeo Chateau & Estate Wines Co.	Winery	19,127,081	0.31
7.	Panoche Valley Solar LLC	Agricultural	19,113,800	0.31
8.	Las Aguilas LLC	Agricultural	18,182,130	0.29
9.	Clearist Park Inc.	Agricultural	18,000,000	0.29
10.	Ken & Jill Gimelli / Gimelli Vineyards	Agricultural	16,957,129	0.27
11.	RCT Land Company LP	Agricultural	16,404,961	0.26
12.	Marich Confectionery Associates	Industrial	14,152,055	0.23
13.	Northwest Packing Company	Industrial	13,188,245	0.21
14.	Arka Monterey Park LLC	Industrial	12,410,880	0.20
15.	KMG Electronic Chemicals Inc.	Industrial	12,008,944	0.19
16.	Doodlebug Ranches LLC	Agricultural	11,822,186	0.19
17.	Angels Company LLC	Golf Course	11,473,054	0.18
18.	Property Reserve Inc.	Agricultural	11,450,003	0.18
19.	Dayton Hudson Corporation	Commercial	11,176,535	0.18
20.	El Rancho San Benito LLC	Agricultural	10,632,877	0.17
			$347,539,364	5.55%

(1) 2017-18 local secured assessed valuation: $6,261,281,981.
Source: California Municipal Statistics, Inc.

The top 20 taxpayers on the secured roll for 2017-18 account for 5.55% of the secured assessed value in the District, which is $6,261,281,981. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for 2017-18 was K & S Market Inc., accounting for 0.59% of the secured assessed value in the District. No other secured taxpayer accounted for more than 0.45% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area 1-055, a typical tax rate area within the District, located in the City of Hollister, for fiscal years 2013-14 through 2017-18:

SAN BENITO HIGH SCHOOL DISTRICT
Typical Tax Rate per $100 Assessed Valuation
(TRA 1-055[1] -City of Hollister)

	2013-14	2014-15	2015-16	2016-17	2017-18
General Tax Rate	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
San Benito High School District	--	--	.027586	.028150	.055715
San Benito Healthcare District	.029956	.028439	.024473	.023881	.022740
Hollister School District	.012521	.012521	.038600	.033068	.057454
Gavilan Community College District	.024800	.023900	.022600	.021600	.020000
Total All Property Tax Rate	$1.067277	$1.063799	$1.113259	$1.106699	$1.155909
San Benito Water District	.250000	.250000	.025000	.025000	.025000
– San Felipe Project (Land Only)	.250000	.250000	.025000	.025000	.025000

[1] The 2017-18 assessed valuation of TRA 1-055 is $835,087,754, representing 12.82% of the District's assessed value.
Source: California Municipal Statistics, Inc.

The Teeter Plan

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

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

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

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

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

The following table shows the secured tax delinquency rate from 2012-13 through 2016-17 for all property taxes collected in the County of San Benito.

COUNTY OF SAN BENITO
Secured Tax Delinquency Rate in County

Fiscal Year	Secured Tax Delinquency Rate
2012-13	1.76%
2013-14	1.48
2014-15	1.32
2015-16	1.47
2016-17	1.48

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

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

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The table below is a statement of the District's direct and estimated overlapping bonded debt as of June 1, 2018:

SAN BENITO HIGH SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness

2017-18 Assessed Valuation: $6,516,247,044

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/18
Santa Clara County	0.009%	$ 91,116
Gavilan Joint Community College District	20.912	19,010,054
San Benito Joint Union High School District	**100.000**	**57,635,000**[1]
Hollister School District	100.000	41,475,000
North County Joint Union School District	100.000	2,804,906
San Benito Health Care District	84.463	24,262,946
City of Hollister 1915 Act Bonds	100.000	1,100,000
Santa Clara Valley Water District Benefit Assessment District	0.009	7,406
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$146,386,428
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Santa Clara County General Fund Obligations	0.009%	$ 53,344
Santa Clara County Pension Obligation Bonds	0.009	32,179
Santa Clara County Board of Education Certificates of Participation	0.009	449
Santa Clara County Vector Control District Certificates of Participation	0.009	222
Gavilan Joint Community College District General Fund Obligations	20.912	2,909,905
San Benito Joint Union High School District General Fund Obligations	**100.000**	**2,892,443**
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$5,888,542
Less: Santa Clara County supported obligations		(36,620)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$5,851,922
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$31,741,826
GROSS COMBINED TOTAL DEBT		$184,016,796[2]
NET COMBINED TOTAL DEBT		$183,980,176

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

Ratios to 2017-18 Assessed Valuation:
Direct Debt ($57,635,000) 0.88%
Total Direct and Overlapping Tax and Assessment Debt............2.25%
Combined Direct Debt ($60,527,443).......................................0.93%
Gross Combined Total Debt...2.82%
Net Combined Total Debt 2.82%

Ratios to Redevelopment Successor Agency Incremental Valuation ($1,344,806,400):
Total Overlapping Tax Increment Debt......................................2.36%

Source: California Municipal Statistics, Inc.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the Counties on all taxable property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula ("LCFF") was initially implemented in fiscal year 2013-14 and has subsequently been implemented in stages with full implementation expected in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system described below.

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

The primary component of AB 97, as amended by SB 91, is the implementation of the LCFF, which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment is required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The initial Base Grants per unit of ADA for each grade span were as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

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

The following table sets forth the ADA by grade span, enrollment and the percentage of EL/LI enrollment for fiscal years 2015-16 through the most-recently completed fiscal year and projections for fiscal years 2018-19 and 2019-20.

ADA, ENROLLMENT AND ENGLISH LANGUAGE/LOW INCOME ENROLLMENT
Fiscal Years 2015-16 through 2019-20
San Benito High School District

Fiscal Year	ADA	Total Enrollment	% of EL/LI Enrollment
2015-16	2,868	3,010	52.86%
2016-17	2,850	3,043	50.92
2017-18	2,899	3,055	55.94
2018-19[1]	2,899	3,055	55.94
2019-20[1]	2,899	3,055	55.94

[1] Projected.
Source: The District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

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

Certain schools districts, previously known as "basic aid" districts and now referred to as "community funded" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as basic aid, and does not expect to in future fiscal years.

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

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

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

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

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Revenue Limit Funding System. Prior to the implementation of the Local Control Funding Formula, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit (described below) per unit of ADA. Generally, such apportionments amounted to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (i.e., unified, high school or elementary). State law also provided for State support of specific school related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

Revenue Sources

Major revenue sources of the District's general fund are described below.

Revenue Source	2014-15	2015-16	2016-17	2017-18(1)	2018-19(2)
LCFF sources	78.2%	79.0%	80.3%	77.8%	87.9%
Federal revenues	6.6	6.2	6.1	5.3	5.5
Other State revenues	7.2	9.0	7.8	10.2	3.5
Other local revenues	8.0	5.8	5.8	6.6	4.1

(1) Based on Estimated Actuals.
(2) Based on Adopted Budget.
Source: The District.

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

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

Other State Revenues. In addition to apportionment revenues under the LCFF, the District receives some other State revenues.

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

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

Developer Fees

The District maintains a fund, separate and apart from the general fund, to account for developer fees collected by the District. In fiscal year 2017-18, the District's share of fees assessed on residential development was $1.28 per square foot. Commercial development was assessed a fee of $0.56 per square foot of which $0.19 was the District's share, the balance going to the appropriate elementary school districts. Total developer fee collections in the District for fiscal years 2014-15, 2015-16 and 2016-17 were $169,756, $1,027,677 and $940,139, respectively. The District estimates developer fee collections of $1,097,929 for fiscal year 2017-18.

Budget Procedures

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever comes first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

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

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has filed positive certifications for each reporting period in the last five years.

General Fund Budget. The District's general fund adopted budgets for fiscal years 2013-14 through 2018-19, audited actuals for the fiscal years 2014-15 through 2016-17 and estimated actual financial results for fiscal year 2017-18 are set forth on the following page.

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GENERAL FUND BUDGETING
Fiscal Years 2014-15 through 2018-19
San Benito High School District

	Adopted Budget 2014-15[1]	Audited Actuals 2014-15[1]	Adopted Budget 2015-16[1]	Audited Actuals 2015-16[1]	Adopted Budget 2016-17[1]	Audited Actuals 2016-17[1]	Adopted Budget 2017-18[1]	Estimated Actuals 2017-18[2]	Adopted Budget 2018-19[2]
REVENUES									
Revenue Limit/LCFF Sources	$22,631,452	$22,859,261	$25,780,942	$25,824,383	$27,093,749	$27,007,234	$27,589,350	$28,206,339	$30,098,110
Federal	1,835,990	1,915,403	1,862,514	2,039,414	1,957,043	2,059,312	1,934,155	1,924,876	1,899,046
Other State	1,703,959	2,111,617	2,426,855	2,931,973	1,839,721	2,606,750	1,370,342	3,694,284	1,199,419
Other Local	1,667,000	2,338,594	1,947,453	1,907,118	1,543,978	1,941,948	1,450,424	2,448,790	1,419,217
Total Revenues	27,838,401	29,224,875	32,017,764	32,702,888	32,434,491	33,615,244	32,344,271	36,274,289	34,615,792
EXPENDITURES									
Certificated Salaries	10,604,456	11,417,278	11,838,308	12,213,256	12,815,645	13,104,611	13,152,553	13,494,246	14,249,112
Classified Salaries	4,078,446	4,721,182	4,856,216	4,823,451	4,765,597	5,172,067	5,212,757	5,211,404	5,492,333
Employee Benefits	6,245,820	6,666,004	6,981,537	7,010,425	7,829,467	7,635,510	8,300,672	8,278,523	9,019,251
Books and Supplies	1,812,587	1,809,059	2,194,192	2,019,405	2,192,957	2,181,065	1,490,935	2,926,785	1,556,542
Services, Other Operating Expenses	3,050,792	2,268,828	2,538,566	2,958,368	3,065,806	3,083,812	2,505,133	3,541,719	2,368,414
Other Outgo	1,159,342	2,088,090	1,681,945	1,628,587	1,821,574	1,729,715	1,651,811	1,725,900	1,873,811
Other Outgo (indirect)	0	--	--	--	--	--	(42,864)	--	--
Capital Outlay	156,000	271,958	--	263,701	-	420,630	67,296	1,137,895	--
Total Expenditures	27,107,443	29,242,399	30,090,764	30,917,193	32,513,405	33,327,410	32,338,293	36,316,472	34,559,463
EXCESS (DEFICIENCY) OR REVENUES OVER (UNDER) EXPENDITURES	730,958	(17,524)	1,927,000	1,785,695	(78,914)	287,834	5,978	(42,183)	56,329
OTHER FINANCING SOURCES (USES)									
Interfund Transfers in			--	--	--	--	--	--	--
Interfund Transfers out	(206,000)	(206,000)	(206,000)	(227,000)	(227,000)	(206,689)	--	--	--
Total Other Financing Sources and Uses	(206,000)	(206,000)	(206,000)	(227,000)	(227,000)	(206,689)	--	--	--
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	524,958	(223,524)	1,721,000	1,558,695	(305,914)	81,145	5,978	(42,183)	56,329
Fund Balance, July 1	6,083,832	6,083,032	4,674,575	4,527,463	6,086,158	6,086,158	4,150,299	6,167,303	6,125,120
Audit Adjustments	--	(1,332,845)[3]	--	--	--	--	--	--	--
Fund Balance, June 30	$6,608,791	$4,527,463	$6,395,575	$6,086,158	$5,780,244	$6,167,303	$4,156,277	$6,125,120	$6,181,449

(1) From the audited financial statements of the District for the respective year.
(2) From the 2018-19 Adopted Budget approved by the Board on June 26, 2018.
(3) Reflects a write-off of a prior year account receivable.

Source: The District.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2017, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 1220 Monterey Street, Hollister, California 95023. See APPENDIX B hereto for the 2016-17 Audited Financial Statements of the District.

The table on the following page reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2013-14 to fiscal year 2016-17:

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SAN BENITO HIGH SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2013-14 through 2016-17

	2013-14 Audit	2014-15 Audit	2015-16 Audit	2016-17 Audit
REVENUES				
Revenue Limit/LCFF Sources	$20,894,322	$22,859,261	$25,824,383	$27,007,234
Federal Revenues	2,076,670	1,915,403	2,039,414	2,059,312
Other State Revenues	3,055,336	2,651,798	3,640,029	3,561,475
Other Local Revenues	2,480,439	2,338,594	1,907,118	1,941,948
TOTAL REVENUES	28,506,767	29,765,056	33,410,944	34,569,969
EXPENDITURES				
Current				
Instruction	14,934,017	15,443,130	16,584,142	18,006,380
Instruction Related Activities:				
Supervision of Instruction	686,339	629,827	759,632	858,760
Instructional library, media and technology	128,783	128,099	133,747	109,100
School site administration	1,329,829	1,586,897	1,641,872	1,950,460
Pupil services				
Home to school transportation	1,169,637	711,687	620,316	712,265
Food Services	--	--	13,530	4,669
All other pupil services	1,830,111	2,196,552	2,763,939	2,751,098
General administration				
Centralized data processing	956,811	872,906	943,818	1,153,607
All other general administration	1,643,135	1,905,118	2,254,097	2,245,836
Plant services	3,330,158	3,590,727	3,576,327	3,506,015
Facility acquisition and construction	--	--	13,572	264,452
Ancillary services	451,026	578,478	642,306	946,918
Other outgo	1,191,771	2,139,159	1,677,951	1,772,575
TOTAL EXPENDITURES	27,651,617	29,782,580	31,625,249	34,282,135
Excess (Deficiency) of Revenues Over Expenditures	855,150	(17,524)	1,785,695	287,834
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	75,975	--	--	--
Operating Transfers Out	(6,404,366)[(1)]	(206,000)	(227,000)	(206,689)
TOTAL OTHER FINANCING SOURCES (USES)	(6,328,391)	(206,000)	(227,000)	(206,689)
Net Change in Fund Balances	(5,473,241)	(223,524)	1,558,695	81,145
Fund Balance at Beginning of Year	10,353,488	6,083,832	4,527,463	6,086,158
Restatements/deposits investments	1,203,584[(2)]	(1,332,845)[(3)]	--	--
Restated Fund Balance Beginning of Year	11,557,073	4,750,987	4,527,463	6,086,158
Fund Balance at End of Year	$ 6,083,832	$ 4,527,463	$ 6,086,158	$ 6,167,303

(1) Includes $6,200,000 transferred from the general fund to the Fund 17 (Special Reserve Capital Projects Fund) for construction projects.
(2) Restatement due to reconciliation errors with the County of San Benito Treasury during 2012-13.
(3) Reflects a write-off of a prior year account receivable.
Source: The District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

State Budget Measures

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

2017-18 State Budget. On June 27, 2017, Governor Brown signed the budget for the State for fiscal year 2017-18 (the "2017-18 State Budget"). For the 2016-17 fiscal year, the 2017-18 State Budget increases revenues and transfers to $118.5 billion (up $3 billion from the 2016-17 State Budget) and revises expenditures downward approximately $1.1 billion from the 2016-17 State Budget to $121.4 billion.

For 2017-18, the 2017-18 State Budget includes general fund revenues and transfers of $125.9 billion and expenditures of $125.1 billion with a $1.8 billion deposit to the Rainy Day Fund to bring the Rainy Day Fund balance to $8.5 billion. A supplemental payment to PERS of $6 billion through a loan from the Surplus Money Investment Fund is intended to reduce PERS' unfunded liabilities and stabilize the State's contribution rate to PERS. The 2017-18 State Budget expands the Earned Income Tax Credit by including self- employed individuals and expanding the income ranges for which the credit applies. Additionally, the 2017-18 Budget implements the Road Repair and Accountability Act of 2017 aimed at investing in transportation infrastructure repair and modernization.

With respect to K-12 education, total spending is projected to be $92.5 billion in 2017-18. The Proposition 98 minimum funding guarantee for 2017-18 is increased by $2.6 billion over the 2016-17 State Budget level to $74.5 billion. LCFF funding under the 2017-18 State Budget is increased by $1.4 million bringing the LCFF to approximately 97% of full funding.

Significant provisions of the 2017-18 State Budget effecting K-12 education are as follows:

- One-Time Discretionary Grants — $877 million Proposition 98 funds to provide school districts, county offices of education, and charter schools with discretionary resources for deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards.

- After School and Education Safety (ASES) Program — $50 million Proposition 98 funds to increase provider reimbursement rates for the ASES program.

- California Educator Development Program — $11.3 million one-time federal Title II funds to assist local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high need subjects and schools.

- Classified School Employees Credentialing Program — $25 million one-time Proposition 98 funds, available for five years, to support recruitment of non-certificated school employees to participate in a teacher preparation program and become certificated classroom teachers.

- Bilingual Professional Development Program — $5 million one-time Proposition 98 funds for one time competitive grants to support professional development for teachers and paraprofessionals seeking to provide instruction in bilingual and multilingual settings.

- Charter School Facility Grant Program — An increase in the per student funding rate to $1,117 for the 2017-18 fiscal year and an ongoing COLA.

- County Office of Education Accountability Assistance — $7 million Proposition 98 funds to support county office LCAP review and technical assistance workload.

- California Equity Performance and Improvement Program — An increase of $2.5 million one-time Proposition 98 funds to support and promote equity.

- Refugee Student Support — $10 million one-time Proposition 98 Genera funds to provide services for refugee students transitioning to a new learning environment.

- California-Grown Fresh School Meals Grants — $1.5 million one-time Proposition 98 funds to incentivize the purchase of California-grown food by schools and expand the number of freshly prepared school meals.

- District of Choice Program Extension — A six-year extension of the District of Choice program (set to sunset in 2018) and additional oversight and accountability requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recent California Drought Conditions and Wildfires. Water shortfalls resulting from the driest conditions in recorded State history caused Governor Brown, on January 17, 2014, to declare a State-wide Drought State of Emergency for California and directed State officials to take all necessary actions to prepare for water shortages. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. Subsequent executive orders and Water Board regulations imposed reductions on water usage in response to the drought conditions. On April 7, 2017, the Governor announced the end of the State-wide drought in all but four counties in California but extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions. Additionally, in fall 2017, certain portions of the State were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. The District was not impacted by the wildfires.

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIIIA of the California Constitution

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

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the Counties to pay debt service on outstanding general obligation bonds of the District, including the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations" herein.

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

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

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

Unitary Property

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

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

Article XIIIB of the California Constitution

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

(a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for certain debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "–Proposition 98" and "–Proposition 111" below.

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of the State general fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

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

Proposition 111

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

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

a. <u>Annual Adjustments to Spending Limit</u>. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. <u>Treatment of Excess Tax Revenues</u>. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. <u>Exclusions from Spending Limit</u>. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above 1990 levels (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

e. <u>School Funding Guarantee</u>. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendment may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per $100,000 of taxable property value projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIIIA of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California (the "Controller")). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

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

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

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

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

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers).

The revenues generated from the temporary tax increases has been included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98" and "—Proposition 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases are deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA are allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district received less than $200 per unit of ADA and no community college district received less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 55

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

Proposition 51

The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities. The District makes no representation that it will either pursue or qualify for Proposition 51 State facilities funding.

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

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State Legislature will select among eligible projects as part of the annual state budget process.

Proposition 2

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

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

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

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

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

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

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures and other financing uses. The District estimates unassigned available reserves of $3,727,827 as of June 30, 2018. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District's current policies on reserves.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

SAN BENITO HIGH SCHOOL DISTRICT

Introduction

The District operates one high school serving grades nine through twelve and one continuation high school located in the City of Hollister. The territory of the District consists primarily of the City of Hollister and unincorporated San Benito County with less than 1% of the assessed valuation of the District represented by property situated in Santa Clara County. The District is located approximately 50 miles south of the City of San Jose and approximately 24 miles northeast of the City of Salinas. The District's ADA for fiscal year 2017-18 was 2,859 students and the District has a 2017-18 total assessed valuation of $6,516,247,044. The District's audited financial statements for the fiscal year ended June 30, 2017 are attached hereto as APPENDIX B.

Graduating eighth grade students from North County Joint Union School District, Hollister School District, Southside School District, Cienega-Union School District, Tres Pinos School District, Willow Grove Union School District, Jefferson School District and Panoche School District attend high school in the District.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: San Benito High School District, 1220 Monterey Street, Hollister, California 95023, Attention: Superintendent.

Administration

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

BOARD OF TRUSTEES
San Benito High School District

Board Member	Office	Term Expires
Steve Delay	President	2018
William Tiffany	Clerk	2018
John Corrigan	Member	2020
Patty Nehme	Member	2020
Juan Robledo	Member	2018

The Superintendent of the District is responsible for administering the day-to-day affairs of the District in accordance with the policies of the Board. A brief biography of the Superintendent follows:

Shawn Tennenbaum, Ed.D., Superintendent. Dr. Tennenbaum was appointed Superintendent of the District on July 1, 2017. Prior to his appointment, he served as Interim Superintendent of the District since December 14, 2016 concurrently with his role as Director of Human Resources for which he had served since 2008. Dr. Tennenbaum has worked in the District since 2003 and has served in such capacities as a Special Education Resource Specialist, principal and athletic coach. Dr. Tennenbaum was voted "1998 Outstanding Educator of the Year" by the Santa Cruz County Task Force. Dr. Tennenbaum received his Bachelors of Science Degree in Business from University of the Pacific, his Masters of Arts

Degree in Education from San Jose State University and a Doctorate Degree in Education Leadership from San Jose State University.

Enrollment

Enrollment in the District is projected to increase in the next few years. The enrollment for fiscal year 2017-18 was 3,066 students and is budgeted to be 3,055 students in fiscal year 2018-19. The table below shows recent enrollment history in the District and a projection for fiscal year 2018-19.

SAN BENITO HIGH SCHOOL DISTRICT
Enrollment

Fiscal Year	Enrollment
2013-14	3,011
2014-15	3,010
2015-16	3,010
2016-17	3,043
2017-18[1]	3,066
2018-19[2]	3,055

[1] Enrollment data from CALPADS.
[2] Projected.
Source: The District.

Labor Relations

The District employs approximately 145.6 full-time equivalent ("FTE") certificated employees and approximately 105.41 FTE classified employees.

The certificated employees have assigned San Benito High School Teachers Association CTA/NEA ("SBHSTA") as their exclusive bargaining agent and the contract between the District and SBHSTA expires on June 30, 2020.

The classified employees of the District have assigned the San Benito High School Chapter #173 of the California School Employees Association ("CSEA") as their exclusive bargaining agent. The contract between the District and CSEA expires on June 30, 2020.

District employees are represented by bargaining units as summarized in the following table.

SAN BENITO HIGH SCHOOL DISTRICT
Labor Organizations

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
San Benito High School Teachers Association (CTA/NEA)	144	June 30, 2020
San Benito High School Chapter #173 of California School Employees Association	140	June 30, 2020

Source: The District.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 14.43% of eligible salary expenditures in 2017-18 and 16.28% in 2018-19, while participants contribute either 10.25 % or 9.205% (increasing to 10.205% as of July 1, 2018) of their respective salaries depending on their date of hire. The State also contributes to STRS, currently in an amount equal to 9.328% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay in 2017-18. The State's total contribution has also increased from approximately 3% in fiscal year 2013-14 to 6.328% of payroll, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

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

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

Source: A.B. 1469.

The District contributed $784,742 to STRS for fiscal year 2012-13, $819,739 to STRS for fiscal year 2013-14, $960,349 for fiscal year 2014-15, $1,246,720 for fiscal year 2015-16 and $1,551,919 for fiscal year 2016-17. Such contributions were equal to 100% of the required contributions for the respective years. The District estimates a contribution to STRS of $1,838,342 for fiscal year 2017-18 and has budgeted a contribution of $2,229,223 for fiscal year 2018-19. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 15.531% of eligible salary expenditures for fiscal year 2017-18, while participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries and participants enrolled in PERS subsequent to January 1, 2013 contribute at an actuarially determined rate which is currently set at 6.59% of their respective salaries.

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

The District contributed $462,440 to PERS for fiscal year 2013-14, $566,103 for fiscal year 2014-15, $605,077 for fiscal year 2015-16 and $767,191 for fiscal year 2016-17 which amounts equaled 100% of required contributions to PERS. The District estimates a contribution of $860,120 for fiscal year 2017-18 and has budgeted a contribution of $1,088,706 for fiscal year 2018-19.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2017.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation as of July 1, 2017
(Dollar Amounts in Millions) [(1)]

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)	$84,416	$60,865	($23,551)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	286,950	197,718	(107,261)

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

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee's Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2017, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
PERS	$8,287,464
STRS	18,538,670
Total	$26,826,134

Source: The District.

For further information about the District's contributions to STRS and PERS, see Note 13 in the District's audited financial statements for fiscal year ended June 30, 2017 attached hereto as Appendix B.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions.* The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The District does not offer any post-employment benefits other than pensions from STRS and PERS.

Risk Management

The District participates in three joint powers authorities: (JPAs) Monterey and San Benito Counties Schools Property and Liability JPA, Santa Cruz/San Benito County Schools Insurance Group and Self-Insured Schools of California III ("SISC III"). The JPAs provide for property and liability insurance coverage, workers' compensation coverage and employee health benefits.

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters. The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

District Debt Structure

General Obligation Bonds. On June 3, 2014, the District received authorization to issue $42,500,000 aggregate principal amount of general obligation bonds (the "2014 Authorization"). The District has issued its $30,000,000 San Benito High School District (San Benito and Santa Clara Counties, California) General Obligation Bonds (Election of 2014), Series 2015 and its $12,500,000 San Benito High School District (San Benito and Santa Clara Counties, California) General Obligation Bonds (Election of 2014), Series 2017 under the 2014 Authorization. No further general obligation bonds remain for issuance under the 2014 Authorization.

On November 8, 2016, the District received authorization to issue $60,000,000 aggregate principal amount of general obligation bonds. The District has issued its $17,000,000 General Obligation Bonds (2016 Election), Series 2017 under the 2016 Authorization. The Bonds are the second and final series of general obligation bonds to be issued under the 2016 Authorization. Subsequent to the issuance of the Bonds, a de minimus amount of general obligation bonds will remain for issuance under the 2016 Authorization.

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

Equipment Lease/Purchase Agreement. In October 2017, the District entered into an equipment Lease/Purchase Agreement through a private placement with Compass Bank to finance a portion of the installation of solar photovoltaic systems. The Lease/Purchase Agreement was in the amount of $2,892,442.76 with lease payments from April 1, 2019 through October 1, 2032. The District received an allocation from the Internal Revenue Service to designate portions of the payments under the Lease/Purchase Agreement as New Clean Renewable Energy Bonds. The District receives a direct pay federal subsidy for the New Clean Renewable Energy Bonds.

THE SAN BENITO COUNTY POOLED INVESTMENT FUND

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

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

The complete Statement of Investment Policy can be found at www.cosb.us/county-departments/treasurer/investment-policy. However, the information presented on such website is not incorporated herein by any reference.

The following table identifies the types of securities held by the County Pool as of March 31, 2018.

San Benito County Investment Pool
Portfolio Summary
as of March 31, 2018

Asset Class	Face Amount/ Shares	Market Value	Book Value	% of Portfolio	YTM @ Cost	Days to Maturity
Certificate of Deposit - Negotiable	$57,250,000.00	$57,260,655.00	$57,258,354.59	30.39%	2.05	52
Commercial Paper – Discount	55,400,000.00	55,232,512.00	55,206,103.07	29.41	2.01	52
Managed Pool Accounts	19,982,925.62	19,982,925.62	19,982,925.62	10.61	1.58	1
Medium Term Notes	54,661,000.00	54,865,622.65	54,865,622.66	29.02	2.50	309
Money Market	1,090,613.87	1,090,613.87	1,090,613.87	0.58	0.00	1
Total/Average	$188,384,539.49	$188,432,329.15	$188,403,619.81	100.00%	2.11	121

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District has entered into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth below under the caption "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

The District has engaged Capitol Public Finance Group to assist it in the provision of financial information and operating data as well as notice of certain enumerated events as required under the Continuing Disclosure Agreement relating to the Bonds.

LEGAL MATTERS

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

TAX MATTERS

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

Interest on the Bonds owned by a corporation (other than an S corporation, a regulated investment company, a real estate investment trust, or a real estate mortgage investment conduit) will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation for taxable years beginning prior to January 1, 2018.

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

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

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

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

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

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

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

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

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

LEGALITY FOR INVESTMENT

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

RATING

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "Aa3" to the Bonds. Such rating reflects only the views of Moody's and an explanation of the significance of such rating may be obtained as follows: Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, tel. (212) 553-0300. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the "Underwriter"), has agreed to purchase the Bonds at the purchase price of $45,215,666.13 (reflecting the principal of the Bonds plus a net original issue premium in the amount of $2,424,040.40 less an Underwriter's discount of $204,230.32), at the rates and yields shown on the inside cover hereof.

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

Underwriter Disclosure

In 2013 and 2014, Stifel's Fabric of Society program provided a scholarship to a graduating senior in the San Benito High School District.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds, and the District's certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the San Benito High School District, 1220 Monterey Street, Hollister, California 95023.

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

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

SAN BENITO HIGH SCHOOL DISTRICT

By: /s/ Shawn Tennenbaum, Ed.D.
Superintendent

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APPENDIX A

FORM OF BOND COUNSEL OPINIONS

[Closing date]

Board of Trustees
San Benito High School District
1220 Monterey Street
Hollister, California 95203

Re: $42,995,856.05 San Benito High School District (San Benito and Santa Clara Counties, California) General Obligation Bonds (Election of 2016), Series 2018

Ladies and Gentlemen:

We have acted as bond counsel for the San Benito High School District (San Benito and Santa Clara Counties, California) (the "District") in connection with the issuance by the District of $42,995,856.05 aggregate principal amount of the District's General Obligation Bonds (Election of 2016) Series 2018 (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of Education of the District on June 26, 2018 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

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

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

1. The Bonds constitute valid and binding general obligations of the District, payable as to principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

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

3. It is further our opinion, based upon the foregoing, that pursuant to section 103 of the Internal Revenue Code of 1986, as amended and in effect on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance with the provisions of the Resolution and in reliance upon representations and certifications of the District made in the Tax Certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, when the Bonds are delivered to and paid for by the initial purchasers thereof, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

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

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

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

Respectfully submitted,

Dannis Woliver Kelley

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APPENDIX B

SAN BENITO HIGH SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2017

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SAN BENITO HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

SAN BENITO HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Governing Board
San Benito High School District
Hollister, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Benito High School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the San Benito High School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, budgetary comparison schedule on page 56, schedule of the district's proportionate share of net pension liability on page 57, and the schedule of district contributions on page 58, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Benito High School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the San Benito 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Benito High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Benito High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 13, 2017

SAN BENITO HIGH SCHOOL
A GREAT PLACE TO LEARN

San Benito High School District
1220 Monterey Street
HOLLISTER, CALIFORNIA 95023-4708
PHONE (831) 637-5831
www.sbhsd.k12.ca.us

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California
DISTINGUISHED
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ACHIEVEMENT
AWARD

1984
United States
Department of
Education
EXEMPLARY
HIGH SCHOOL
AWARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of San Benito High School District's ("District") comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the San Benito High School District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement Number 34.

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

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

> The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

The Primary unit of the government is the San Benito High School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $24.8 million for the fiscal year ended June 30, 2017, and $25.1 million for the fiscal year ended June 30, 2016, a decrease of $0.3 million. Of this amount, $7.5 million was restricted. Restricted net position is reported separately to show legal constraints from enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

(Amounts in millions)	Governmental Activities		
	2017	2016	Difference
Assets			
Current and other assets	$ 43.9	$ 38.8	$ 5.1
Capital assets	71.4	47.8	23.6
Total Assets	115.3	86.6	28.7
Deferred Outflows of Resources	6.7	6.1	0.6
Liabilities			
Current liabilities	7.4	9.0	(1.6)
Long-term debt	61.5	31.6	29.9
Aggregate net pension liability	26.8	22.5	4.3
Total Liabilities	95.7	63.1	32.6
Deferred Inflows of Resources	1.5	4.5	(3.0)
Net Position			
Net investment in capital assets	32.7	32.7	-
Restricted	7.5	6.8	0.7
Unrestricted	(15.4)	(14.4)	(1.0)
Total Net Position	**$ 24.8**	**$ 25.1**	**$ (0.3)**

The $24.8 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by $1.0 million.

Changes in Net Position

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

Table 2

(Amounts in millions)	Governmental Activities		
	2017	2016	Difference
Revenues			
Program revenues:			
Charges for services	$ 0.3	$ 0.3	$ -
Operating grants and contributions	5.2	4.8	0.4
General revenues:			
Federal and State aid not restricted	14.2	15.0	(0.8)
Property taxes	16.9	15.2	1.7
Other general revenues	1.9	1.7	0.2
Total Revenues	38.5	37.0	1.5
Expenses			
Instruction related	22.0	19.9	2.1
Student support services	4.8	4.7	0.1
Administration	3.6	3.4	0.2
Plant services	3.9	4.1	(0.2)
Other	4.5	3.3	1.2
Total Expenses	38.8	35.4	3.4
Change in Net Position	**$ (0.3)**	**$ 1.6**	**$ (1.9)**

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $38.8 million as compared to $35.4 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $16.9 million because the cost was paid by those who benefited from the programs ($0.3 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($5.2 million). We paid for the remaining "public benefit" portion of our governmental activities with $14.2 million in unrestricted funds and with $1.9 million in other revenues, like interest and general entitlements.

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

Table 3

(Dollar amounts in millions)	Total Cost of Services	Net Cost of Services
Instruction related	$ 22.0	$ 19.0
Student support services	4.8	3.2
Administration	3.6	3.1
Plant services	3.9	3.9
Other	4.5	4.1
Total	**$ 38.8**	**$ 33.3**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $36.5 million, while the prior year reported a balance $29.8 million, which is an increase of $6.7 million from last year. The General Fund increased $0.1 million due to increase state funding. Our Building Fund increased $6.3 million due to our new bond issuance of $31.4 million less expenditures from those proceeds of $23.5 million during the fiscal year. Our Non-Major Capital Facilities Fund increased by $0.9 million due to developer fee payments and our Non-Major Bond Interest and Redemption Fund increased by $0.7 million due to tax assessments being collected for the future debt payments of our bonds.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget as it charted a course through uncertain fiscal waters created at the state and federal level. It had to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 27, 2017. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District budgeted a decrease in the General Fund balance of approximately $0.3 million. Although revenues were only slightly less than budgeted, expenditures and transfers out were approximately $0.4 million less than budgeted, leaving the fund with an increase of approximately $0.1 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the net capital assets totaled $47.8 million. At June 30, 2017, the District had $71.4 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions and depreciation) of approximately $23.6 million from last year mainly due to the projects costs being funded by our bonds.

Table 4

(Amounts in millions)	Governmental Activities		
	2017	2016	Difference
Land and construction in progress	$ 47.5	$ 23.3	$ 24.2
Buildings and improvements	22.6	23.5	(0.9)
Equipment	1.3	1.0	0.3
Total	**$ 71.4**	**$ 47.8**	**$ 23.6**

We present more detailed information about our capital assets in the Notes to Financial Statements.

Long-Term Obligations

At the end of this year, the District had approximately $61.5 million in obligations outstanding mainly due to new bond issuances. These obligations consist of:

(Amounts in millions)	Governmental Activities		
	2017	2016	Difference
General obligation bonds	$ 61.3	$ 31.5	$ 92.8
Conpensated absences	0.2	0.1	0.3
Total	**$ 61.5**	**$ 31.6**	**$ 93.1**

Net Pension Liability (NPL)

As of June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2017, the District reported Deferred Outflows from pension activities of $6.7 million, Deferred Inflows from pension activities of $1.5 million, and a Net Pension Liability of $26.8 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time the financial statements were prepared and audited, the District was unaware of any locally existing circumstances that could significantly affect its financial health in future years. The State economy has improved and the District has been seeing a slight increase in enrollment. In preparation for anticipated student growth and facility improvement, the community has passed Measures G and U. The Board of Trustees has consistently demonstrated in the past that it is prepared to take the steps necessary to ensure the District's solvency and preserve the financial integrity of the District.

THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives.

SAN BENITO HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 42,184,551
Receivables	1,704,844
Prepaid expenses	9,791
Stores inventories	29,324
Nondepreciable capital assets	47,471,056
Capital assets being depreciated	59,582,173
Accumulated depreciation	(35,649,114)
Total Assets	115,332,625
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	6,679,285
LIABILITIES	
Overdrafts	93,989
Accounts payable	6,674,319
Unearned revenue	644,366
Long-term obligations:	
Current portion of long-term obligations other than pensions	535,441
Noncurrent portion of long-term obligations other than pensions	60,973,305
Total Long-Term Obligations	61,508,746
Aggregate net pension liability	26,826,134
Total Liabilities	95,747,554
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,474,662
NET POSITION	
Net investment in capital assets	32,710,139
Restricted for:	
Debt service	2,868,754
Capital projects	3,901,267
Educational programs	722,290
Other activities	17,519
Unrestricted	(15,430,275)
Total Net Position	$ 24,789,694

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues	
Functions/Programs	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 18,982,874	$ -	$ 2,494,214
Instruction-related activities:			
Supervision of instruction	877,923	-	175,683
Instructional library, media, and technology	111,421	-	-
School site administration	2,025,215	-	268,875
Pupil services:			
Home-to-school transportation	1,042,233	-	272
Food services	983,864	256,316	618,054
All other pupil services	2,823,861	-	801,139
Administration:			
Data processing	1,191,623	-	134,535
All other administration	2,383,547	12,608	356,268
Plant services	3,935,043	-	-
Ancillary services	963,087	-	-
Interest on long-term obligations	1,725,981	-	-
Other outgo	1,772,575	-	369,748
Total Governmental Activities	$ 38,819,247	$ 268,924	$ 5,218,788

General revenues and subventions:
- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
$ (16,488,660)
(702,240)
(111,421)
(1,756,340)
(1,041,961)
(109,494)
(2,022,722)
(1,057,088)
(2,014,671)
(3,935,043)
(963,087)
(1,725,981)
(1,402,827)
(33,331,535)
15,055,068
1,766,981
119,921
14,153,768
161,310
1,754,034
33,011,082
(320,453)
25,110,147
$ 24,789,694

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 8,663,204	$ 26,203,443	$ 7,317,904
Receivables	1,597,091	10,000	97,753
Due from other funds	-	-	440,238
Prepaid expenditures	9,791	-	-
Stores inventories	21,772	-	7,552
Total Assets	$ 10,291,858	$ 26,213,443	$ 7,863,447
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ -	$ -	$ 93,989
Accounts payable	3,048,502	3,576,005	49,812
Due to other funds	431,687	6,549	2,002
Unearned revenue	644,366	-	-
Total Liabilities	4,124,555	3,582,554	145,803
Fund Balances:			
Nonspendable	32,063	-	7,852
Restricted	721,564	22,630,889	6,780,414
Committed	2,017,004	-	929,378
Unassigned	3,396,672	-	-
Total Fund Balances	6,167,303	22,630,889	7,717,644
Total Liabilities and Fund Balances	$ 10,291,858	$ 26,213,443	$ 7,863,447

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

Total Governmental Funds
$ 42,184,551
1,704,844
440,238
9,791
29,324
$ 44,368,748
$ 93,989
6,674,319
440,238
644,366
7,852,912
39,915
30,132,867
2,946,382
3,396,672
36,515,836
$ 44,368,748

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SAN BENITO HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balance - Governmental Funds		**$ 36,515,836**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 107,053,229	
Accumulated depreciation is	(35,649,114)	
Net Capital Assets		71,404,115
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		2,319,110
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		470,529
The difference between projected and actual earnings on pension plan investments are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		2,759,763
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(95,790)
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		(248,989)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(26,826,134)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Bonds payable, including premiums	61,324,865	
Compensated absences	183,881	
Total Long-Term Obligations		(61,508,746)
Total Net Position - Governmental Activities		**$ 24,789,694**

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

SAN BENITO HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund
REVENUES		
Local Control Funding Formula	$ 27,007,234	$ -
Federal sources	2,059,312	-
Other State sources	3,561,475	-
Other local sources	1,941,948	96,380
Total Revenues	34,569,969	96,380
EXPENDITURES		
Current		
Instruction	18,006,380	-
Instruction-related activities:		
Supervision of instruction	858,760	-
Instructional library, media and technology	109,100	-
School site administration	1,950,460	-
Pupil services:		
Home-to-school transportation	712,265	-
Food services	4,669	-
All other pupil services	2,751,098	-
Administration:		
Data processing	1,153,607	-
All other administration	2,245,836	-
Plant services	3,506,015	-
Facility acquisition and construction	264,452	23,059,078
Ancillary services	946,918	-
Other outgo	1,772,575	-
Debt service		
Principal	-	-
Interest and other	-	441,750
Total Expenditures	34,282,135	23,500,828
Excess (Deficiency) of Revenues Over Expenditures	287,834	(23,404,448)
Other Financing Sources (Uses)		
Transfers in	-	-
Other sources	-	29,662,250
Transfers out	(206,689)	-
Net Financing Sources (Uses)	(206,689)	29,662,250
NET CHANGE IN FUND BALANCES	81,145	6,257,802
Fund Balance - Beginning	6,086,158	16,373,087
Fund Balance - Ending	$ 6,167,303	$ 22,630,889

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 27,007,234
591,629	2,650,941
103,103	3,664,578
3,154,725	5,193,053
3,849,457	38,515,806
37,617	18,043,997
-	858,760
-	109,100
1,541	1,952,001
-	712,265
866,784	871,453
2,392	2,753,490
-	1,153,607
42,860	2,288,696
205,733	3,711,748
1,472,118	24,795,648
-	946,918
-	1,772,575
1,440,000	1,440,000
1,284,231	1,725,981
5,353,276	63,136,239
(1,503,819)	(24,620,433)
206,689	206,689
1,699,210	31,361,460
-	(206,689)
1,905,899	31,361,460
402,080	6,741,027
7,315,564	29,774,809
$ 7,717,644	$ 36,515,836

SAN BENITO HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds		**$ 6,741,027**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which captial outlay exceeds depreciation in the period.		
Capital outlay	$ 24,795,648	
Depreciation expense	(1,233,474)	
Net Expense Adjustment		23,562,174
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year vacation earned was more than the amounts paid by $22,429.		(22,429)
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		(728,158)
Proceeds received from the sale of bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(31,361,460)
In governmental funds, premiums are recognized as revenues. In the the government-wide satements, premiums are amortized over the life of the debt. Amortization for the year totalled $48,393.		48,393
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		1,440,000
Change in Net Position of Governmental Activities		**$ (320,453)**

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

SAN BENITO HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 122,041	$ 354,233
LIABILITIES		
Due to student groups	-	$ 354,233
NET POSITION		
Reserved for scholarships	$ 122,041	

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

SAN BENITO HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Scholarship Trust
ADDITIONS	
Contributions	$ 45,161
Interest	125
Total Additions	45,286
DEDUCTIONS	
Scholarships awarded	39,780
Miscellaneous	67
Total Deductions	39,847
Change in Net Position	5,439
Net Position - Beginning	116,602
Net Position - Ending	$ 122,041

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The San Benito High School District (the District) was organized under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District operates one high school, one continuation school, one adult school, and one independent study program.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the California State Accounting Manuel (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Non-Capital Fund, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in assets and fund balance of $2,017,004.

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

Non-Major Governmental Funds

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

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

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

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

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

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

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

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

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

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county investment pool are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported in the fund financial statements as accounts payable. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accounts Payable

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

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

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

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer may assign amounts for specific purposes. The District currently does not have any assigned funds.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $7,509,830 of restricted net position.

Interfund Activity

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

Estimates

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

Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

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

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

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

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;

- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities, net of overdrafts	$ 42,090,562
Fiduciary funds	476,274
Total Deposits and Investments	$ 42,566,836

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	$ 267,055
Cash in revolving	800
Investments, net of overdrafts	42,298,981
Total Deposits and Investments	$ 42,566,836

The Adult Education Fund and Cafeteria Fund ended the year with a cash overdraft of $27,816 and $66,173, respectively.

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

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

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 42,144,116	$ 42,144,116	$ -	$ -	$ -
Held by Trustee:					
Mutual Funds	209,269	209,269	-	-	-
Total	$ 42,353,385	$ 42,353,385	$ -	$ -	$ -

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, $34,526 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Funds	$ 209,269	$ 209,269	$ -	$ -

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	$ 852,085	$ -	$ 78,497	$ 930,582
State Government				
State grants and entitlements	702,729	-	5,715	708,444
Local Sources	42,277	10,000	13,541	65,818
Total	$ 1,597,091	$ 10,000	$ 97,753	$ 1,704,844

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Additions	Balance June 30, 2017
Governmental Activities			
Capital Assets Not Being Depreciated			
Land	$ 5,225,110	$ -	$ 5,225,110
Construction in process	18,070,216	24,175,730	42,245,946
Total Capital Assets Not Being Depreciated	23,295,326	24,175,730	47,471,056
Capital Assets Being Depreciated			
Land improvements	2,771,846	-	2,771,846
Buildings and improvements	53,891,810	176,357	54,068,167
Furniture and equipment	2,298,599	443,561	2,742,160
Total Capital Assets Being Depreciated	58,962,255	619,918	59,582,173
Less Accumulated Depreciation			
Land improvements	344,985	127,730	472,715
Buildings and improvements	32,848,263	903,469	33,751,732
Furniture and equipment	1,222,392	202,275	1,424,667
Total Accumulated Depreciation	34,415,640	1,233,474	35,649,114
Governmental Activities Capital Assets, Net	$ 47,841,941	$ 23,562,174	$ 71,404,115

Depreciation expense was charged to functional expenses as follows:

Governmental Activities	
Instruction	$ 567,399
School site administration	24,669
Home-to-school transportation	320,703
Food services	98,678
All other general administration	37,004
Data processing services	24,669
Plant services	160,352
Total Depreciation Expenses, Governmental Activities	$ 1,233,474

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	$ -	$ 431,687
Building	-	6,549
Total Major Governmental Funds	-	438,236
Non-Major Governmental Funds		
Adult Education	21,689	-
Cafeteria	-	2,002
Deferred Maintenance	412,000	-
Special Reserve Capital Outlay	6,549	
Total Non-Major Governmental Funds	440,238	2,002
Total All Governmental Funds	$ 440,238	$ 440,238

The General Fund owes the Adult Education Non-Major Governmental Fund for operating costs.	$ 19,687
The General Fund owes the Deferred Maintenance Non-Major Governmental Fund a contribution for future maintenance projects.	412,000
The Cafeteria Non-Major Governmental Fund owes the Adult Education Non-Major Governmental Fund meals paid from Adult Education programs.	2,002
The Building Fund owes the Special Reserve Capital Outlay Non-Major Governmental Fund for capital projects that should have been funded with bond proceeds.	6,549
Total	$ 440,238

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2017, consist of the following:

The General Fund transferred to the Adult Education Non-Major Governmental Fund for operating costs.	$ 689
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for deferred maintenance project costs.	206,000
Total	$ 206,689

NOTE 7 - PREPAID EXPENDITURES

Prepaid expenditures at June 30, 2017, consist of the following:

	General Fund
Conferences	$ 9,791

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consists of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	$ 2,112,126	$ 3,576,005	$ 47,847	$ 5,735,978
Deferred payroll	340,331	-	1,965	342,296
State principal apportionment	335,472	-	-	335,472
Salaries and benefits	260,573	-	-	260,573
Total	$ 3,048,502	$ 3,576,005	$ 49,812	$ 6,674,319

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consisted of the following:

	General Fund
Federal financial assistance	$ 644,366

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General Obligation Bonds, 2014, Series 2015	$ 30,000,000	$ -	$ 1,440,000	$ 28,560,000	$ 425,000
General Obligation Bonds, 2014, Series 2017	-	12,500,000	-	12,500,000	-
General Obligation Bonds, 2016, Series 2017	-	17,000,000	-	17,000,000	-
Premium on bond issuances	1,451,798	1,861,460	48,393	3,264,865	110,441
Compensated absences - net	161,452	22,429	-	183,881	-
Total	$ 31,613,250	$ 31,383,889	$ 1,488,393	$ 61,508,746	$ 535,441

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. Compensated absences will be paid by the fund for which the employee worked.

Bonded Debt

In May 2015, the District issued $30,000,000 of Election of 2014, Series 2015 General Obligation Bonds. The Bonds were authorized at an election of the registered voters of the District held on June 3, 2014, which authorized the issuance and sale of $42,500,000 principal amount of general obligation bonds for the purpose of financing the acquisition, construction, furnishing and equipping of District facilities. The Bonds were issued as current interest bonds. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2016.

In March 2017, the District issued $12,500,000 of Election of 2014, Series 2016 General Obligation Bonds. The Bonds were authorized at an election of the registered voters of the District held on June 3, 2014, which authorized the issuance and sale of $42,500,000 principal amount of general obligation bonds for the purpose of financing the acquisition, construction, furnishing and equipping of District facilities. The Bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2017. This was the final bond sale from the 2014 measure.

In March 2017, the District issued $17,000,000 of Election of 2016, Series 2017 General Obligation Bonds. The Bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which authorized the issuance and sale of $60,000,000 principal amount of general obligation bonds for the purpose of financing the acquisition, construction, furnishing and equipping of District facilities. The Bonds were issued as current interest bonds. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2017.

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued	Redeemed	Bonds Outstanding June 30, 2017
8/1/15	8/1/45	4.0-5.0%	$ 30,000,000	$ 30,000,000	$ -	$ 1,440,000	$ 28,560,000
3/29/17	8/1/46	2.0-5.25%	12,500,000	-	12,500,000	-	12,500,000
3/29/17	8/1/46	3.0-5.25%	17,000,000	-	17,000,000	-	17,000,000
			$ 59,500,000	$ 30,000,000	$ 29,500,000	$ 1,440,000	$ 58,060,000

Debt Service Requirements to Maturity

The bonds mature as follows:

Election 2014, Series 2015

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 425,000	$ 1,255,432	$ 1,680,432
2019	-	1,234,182	1,234,182
2020	-	1,234,182	1,234,182
2021	-	1,234,182	1,234,182
2022	-	1,234,181	1,234,181
2023-2027	870,000	6,130,705	7,000,705
2028-2032	2,665,000	5,857,718	8,522,718
2033-2037	5,185,000	5,060,500	10,245,500
2038-2042	8,890,000	3,418,750	12,308,750
2043-2046	10,525,000	1,094,200	11,619,200
Total	$ 28,560,000	$ 27,754,032	$ 56,314,032

Election 2014, Series 2017

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ -	$ 125,652	$ 125,652
2019	210,000	476,157	686,157
2020	170,000	471,956	641,956
2021	220,000	465,156	685,156
2022	275,000	458,557	733,557
2023-2027	1,470,000	2,132,131	3,602,131
2028-2032	1,620,000	1,855,431	3,475,431
2033-2037	1,750,000	1,585,469	3,335,469
2038-2042	1,815,000	1,241,637	3,056,637
2043-2047	4,970,000	800,175	5,770,175
Total	$ 12,500,000	$ 9,612,321	$ 22,112,321

Election 2016, Series 2017

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ -	$ 201,283	$ 201,283
2019	1,730,000	762,756	2,492,756
2020	1,695,000	693,556	2,388,556
2021	-	625,756	625,756
2022	-	625,756	625,756
2023-2027	-	3,128,780	3,128,780
2028-2032	1,360,000	3,063,830	4,423,830
2033-2037	2,545,000	2,757,857	5,302,857
2038-2042	3,845,000	2,158,014	6,003,014
2043-2047	5,825,000	966,001	6,791,001
Total	$ 17,000,000	$ 14,983,589	$ 31,983,589

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2017, amounted to $183,881.

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	$ 500	$ -	$ 300	$ 800
Stores inventory	21,772	-	7,552	29,324
Prepaid expenditures	9,791	-	-	9,791
Total Nonspendable	32,063	-	7,852	39,915
Restricted				
Legally restricted programs	721,564	-	10,393	731,957
Capital projects	-	22,630,889	3,901,267	26,532,156
Debt services	-	-	2,868,754	2,868,754
Total Restricted	721,564	22,630,889	6,780,414	30,132,867
Committed				
Adult education	-	-	88	88
Deferred maintenance	-	-	690,600	690,600
Capital projects	-	-	238,690	238,690
Stabilization	2,017,004	-	-	2,017,004
Total Committed	2,017,004	-	929,378	2,946,382
Unassigned	3,396,672	-	-	3,396,672
Total	$ 6,167,303	$ 22,630,889	$ 7,717,644	$ 36,515,836

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, the District contracted with Monterey and San Benito Counties Schools Property and Liability JPA for property and liability insurance coverage. Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2017, the District participated in the Santa Cruz/San Benito County Schools Insurance Group, an insurance purchasing pool. The intent of the Santa Cruz/San Benito County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Santa Cruz/San Benito County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Santa Cruz/San Benito County Schools Insurance Group. Each participant pays its workers ' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Santa Cruz/San Benito County Schools Insurance Group. Participation in the Santa Cruz/San Benito County Schools Insurance Group is limited to districts that can meet the Santa Cruz/San Benito County Schools Insurance Group selection criteria. The firm of Keenan and Associates provides administrative, cost control, and actuarial services to the Santa Cruz/San Benito County Schools Insurance Group.

Employee Medical Benefits

The District has contracted with the Self-Insured Schools of California III (SISC III) to provide employee health benefits. SISC III is a shared risk pool. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 18,538,670	$ 4,100,299	$ 1,111,849	$ 1,921,741
CalPERS	8,287,464	2,578,986	362,813	1,125,527
Total	$ 26,826,134	$ 6,679,285	$ 1,474,662	$ 3,047,268

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before	On or after
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a precentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $1,551,919.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 18,538,670
State's proportionate share of the net pension liability associated with the District	10,553,734
Total	$ 29,092,404

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0229 percent and 0.0240 percent, resulting in a net decrease in the proportionate share of 0.0011 percent.

For the year ended June 30, 2017, the District recognized pension expense of $1,921,741. In addition, the District recognized pension expense and revenue of $1,020,130 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,551,919	$ -
Net change in proportionate share of net pension liability	1,074,565	659,619
Difference between projected and actual earnings on pension plan investments	1,473,815	-
Differences between expected and actual experience in the measurement of the total pension liability	-	452,230
Total	$ 4,100,299	$ 1,111,849

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	$ 32,154
2019	32,154
2020	856,734
2021	552,773
Total	$ 1,473,815

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 22,442
2019	22,442
2020	22,442
2021	22,442
2022	22,443
Thereafter	(149,495)
Total	$ (37,284)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the 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 is based on Teachers' Retirement Board of the California State Teachers' Retirement System (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 ten-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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 26,681,328
Current discount rate (7.60%)	$ 18,538,670
1% increase (8.60%)	$ 11,775,853

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $767,191.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $8,287,464. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively was 0.0420 percent and 0.0430 percent, resulting in a net decrease in the proportionate share of 0.0010 percent.

For the year ended June 30, 2017, the District recognized pension expense of $1,125,527. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 767,191	$ -
Net change in proportionate share of net pension liability	169,407	113,824
Difference between projected and actual earnings on pension plan investments	1,285,948	-
Differences between expected and actual experience in the measurement of the total pension liability	356,440	-
Changes of assumptions	-	248,989
Total	$ 2,578,986	$ 362,813

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2018	$ 180,371
2019	180,371
2020	589,585
2021	335,621
Total	$ 1,285,948

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 83,808
2019	75,809
2020	3,417
Total	$ 163,034

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 12,364,942
Current discount rate (7.65%)	$ 8,287,464
1% increase (8.65%)	$ 4,892,161

Other Information

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS for early retirement incentives granted to terminated employees.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to Social Security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $954,725 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted and actual amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Cash in County Treasury

The County Office of Education has reconciled the ending cash in county treasury based on balances obtained from the County Auditor-Controller's Office. The two agencies have made improvements in their cooperative processing of cash activity allowing for reconciliation between the two. The County Auditor-Controller's Office is also performing a multi-year reconciliation of its cash balances which could impact the District's cash balances. Additionally, stale-dated warrants are actively being researched to see if any can be cancelled and crediting the cash impact back to the District. The District should maintain sufficient excess reserves until the reconciliation process is complete based on information forwarded from the County Office of Education.

Litigation

The District is not currently a party to any legal proceedings.

Operating Leases

The District has entered into various operating leases for equipment with no 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.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
AG/ASB/Athletic Conversion	$ 226,553	December, 2019
Classroom Demolition	349	December, 2019
CTE Building Demolition	20,499	December, 2019
HVAC-100 & 200 Buildings	1,870,017	Summer, 2018
HVAC-300 Buildings	(1,263)	Summer, 2017
HVAC-400 Buildings	145	Summer, 2017
Kitchen/Servery/Student Union	13,117	December, 2019
Modernization-100 & 200's	2,249,159	Summer, 2018
Modernization-Special Education	179,925	Summer, 2018
Nash Road Closure	100,277	August, 2018
New Visual Arts Building	4,941,068	January, 2018
New Vocational Ed Building	12,751,469	August, 2017
Parking Lots & Tennis Courts	19,004	Summer, 2017
PE Classroom/Weightroom	1,268,741	Summer, 2017
Portable Restrooms	34,569	Summer, 2017
Public Address System	1,055,585	Summer, 2017
Science Building	55,287	Summer, 2019
Shade Structures	32,413	December, 2018
Softball Field	6,613	Summer, 2019
Sports Practice Fields	3,263	May, 2018
Student Growth Building	38,564	Summer, 2019
Track and Football Complex	34,405	Summer, 2019
Total	$ 24,899,759	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Santa Cruz/San Benito County Schools Insurance Group (SC-SBCSIG), Self-Insured Schools of California III (SISC III), and Monterey and San Benito Counties Schools Property/Liability JPA (MSBCSPLJPA) public entity risk pools. The District pays an annual premium to each entity for its workers' compensation, health, and property liability coverage. The relationships between the District, the pools and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

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

The District has appointed one member to the governing board of SC-SBCSIG.

During the year ended June 30, 2017, the District made payment of $344,914 to SC-SBCSIG for workers' compensation insurance. At June 30, 2017, the District was not owed nor did it owe funds from/to SC-SBCSIG.

The District has no appointed members to the governing board of SISC III.

During the year ended June 30, 2017, the District made payment of $4,125,339 to SISC III for medical, dental and vision insurance. At June 30, 2017, the District was not owed nor did it owe funds from/to SISC III.

The District has appointed one member to the governing board of MSBCSPLJPA.

During the year ended June 30, 2017, the District made payment of $217,195 to MSBCSPLJPA for property and liability insurance. At June 30, 2017, the District was not owed nor did it owe funds from/to MSBCSPLJPA.

REQUIRED SUPPLEMENTARY INFORMATION

SAN BENITO HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 27,093,749	$ 27,014,604	$ 27,007,234	$ (7,370)
Federal sources	1,957,043	2,000,532	2,059,312	58,780
Other State sources	1,839,721	2,668,532	2,606,750	(61,782)
Other local sources	1,543,978	1,950,475	1,941,948	(8,527)
Total Revenues [1]	32,434,491	33,634,143	33,615,244	(18,899)
EXPENDITURES				
Current				
Certificated salaries	12,815,645	13,103,337	13,104,611	(1,274)
Classified salaries	4,765,597	5,059,601	5,172,067	(112,466)
Employee benefits	7,829,467	7,626,107	7,635,510	(9,403)
Books and supplies	2,192,957	2,408,350	2,181,065	227,285
Services and operating expenditures	2,714,500	3,590,051	3,083,812	506,239
Other outgo	1,778,933	1,625,229	1,729,715	(104,486)
Capital outlay	65,000	566,024	420,630	145,394
Total Expenditures [1]	32,162,099	33,978,699	33,327,410	651,289
Excess of Revenues Over Expenditures	272,392	(344,556)	287,834	632,390
Other Financing Uses				
Transfers out	-	-	(206,689)	(206,689)
NET CHANGE IN FUND BALANCES	272,392	(344,556)	81,145	425,701
Fund Balance - Beginning	6,086,158	6,086,158	6,086,158	-
Fund Balance - Ending	$ 6,358,550	$ 5,741,602	$ 6,167,303	$ 425,701

[1] On behalf payments have been excluded from revenues and expenditures in this schedule. In addition, due to the consolidation of Fund 17, Special Reserve Capital Outlay Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this other fund are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

SAN BENITO HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
CalSTRS		
District's proportion of the net pension liability	0.0229%	0.0240%
District's proportionate share of the net pension liability	$ 18,538,670	$ 16,132,006
State's proportionate share of the net pension liability associated with the District	10,553,734	8,532,053
Total	$ 29,092,404	$ 24,664,059
District's covered - employee payroll	$ 11,619,012	$ 10,814,741
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	159.55%	149.17%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%
CalPERS		
District's proportion of the net pension liability	0.0420%	0.0430%
District's proportionate share of the net pension liability	$ 8,287,464	$ 6,332,592
District's covered - employee payroll	$ 5,107,428	$ 4,809,303
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	162.26%	131.67%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

2015
0.0219%
$ 12,795,390
7,726,409
$ 20,521,798
$ 9,936,242
128.77%
77%
0.0407%
$ 4,618,392
$ 4,302,648
107.34%
83%

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
CalSTRS		
Contractually required contribution	$ 1,551,919	$ 1,246,720
Contributions in relation to the contractually required contribution	1,551,919	1,246,720
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 12,336,399	$ 11,619,012
Contributions as a percentage of covered - employee payroll	12.58%	10.73%
CalPERS		
Contractually required contribution	$ 767,191	$ 605,077
Contributions in relation to the contractually required contribution	767,191	605,077
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 5,524,129	$ 5,107,428
Contributions as a percentage of covered - employee payroll	13.888%	11.847%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

2015
$ 960,349
960,349
$ -
$ 10,814,741
8.88%
$ 566,103
566,103
$ -
$ 4,809,303
11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

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

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

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SAN BENITO HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education (CDE):			
Title I, Part A, Basic	84.010	14329	$ 532,484
Title I, Part C, Migrant Education - Regular	84.011	14326	453,311
Title I, Part C, Migrant Education - Summer	84.011	10005	141,121
Title II, Supporting Effective Instruction	84.367	14341	61,747
Title III, English Language Acquisition - LEP	84.365	14346	40,137
Title III, English Language Acquisition - IEP	84.365	15146	2,170
Special Education, Basic Local Assistance	84.027	13379	487,972
Technology Secondary II, Section 131	84.048	14894	75,697
Workability II	84.126	10006	240,579
Total U.S. Department of Education			2,035,218
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	24,094
Total Department of Health and Human Services			24,094
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through CDE:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	401,063
Especially Needy Breakfast	10.553	13526	183,028
Summer Food Program	10.559	13004	7,538
Food Distribution - Commodities	10.555	13391	12,180
Subtotal Child Nutrition Cluster			603,809
Total U.S. Department of Agriculture			603,809
Total Expenditures of Federal Awards			$ 2,663,121

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

ORGANIZATION

The San Benito High School District was established in September 1875 and encompasses all elementary school districts within the County except Bitterwater-Tully Union School District and Aromas/San Juan Unified School District. The District operates one high school, one continuation school, one adult school, and one independent study program. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Steve Delay	President	2018
William G. Tiffany	Clerk	2018
John Corrigan	Member	2020
Patty Neheme	Member	2020
Juan Robledo	Member	2018

ADMINISTRATION

Shawn Tennenbaum	Interim-Superintendent
Roseanne Lascano	Director of Finance and Operations

See accompanying note to supplementary information.

SAN BENITO HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	2,839.12	2,828.75
Extended Year Special Education		
Ninth through twelfth	7.59	7.59
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	3.34	5.30
Total ADA	2,850.05	2,841.64

See accompanying note to supplementary information.

SAN BENITO HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-1987 Minutes Requirement	2016-2017 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 9 - 12	64,800				
Grade 9		66,998	180	N/A	Complied
Grade 10		66,998	180	N/A	Complied
Grade 11		66,998	180	N/A	Complied
Grade 12		66,998	180	N/A	Complied

See accompanying note to supplementary information.

SAN BENITO HIGH SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Bond Interest and Redemption Fund
FUND BALANCE	
Balance, June 30, 2017, Unaudited Actuals	$ 2,648,023
Increase in:	
Cash in county	220,731
Balance, June 30, 2017, Audited Financial Statement	$ 2,868,754

See accompanying note to supplementary information.

SAN BENITO HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 [1]	2017 [4]	2016 [4]	2015 [4]
GENERAL FUND				
Revenues [3]	$ 33,320,822	$ 33,598,240	$ 32,702,888	$ 29,224,875
Expenditures	33,934,423	33,327,410	30,917,193	29,242,399
Other uses and transfers out	-	206,689	227,000	206,000
Total Expenditures and Other Uses [3]	33,934,423	33,534,099	31,144,193	29,448,399
INCREASE/(DECREASE) IN FUND BALANCE	$ (613,601)	$ 64,141	$ 1,558,695	$ (223,524)
ENDING FUND BALANCE	$ 3,536,698	$ 4,150,299	$ 4,086,158	$ 2,527,463
AVAILABLE RESERVES [2]	$ 2,837,725	$ 3,396,672	$ 3,231,009	$ 3,862,227
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	8.4%	10.1%	10.4%	13.1%
LONG-TERM OBLIGATIONS	Not Available	$ 61,508,746	$ 31,613,250	$ -
AVERAGE DAILY ATTENDANCE AT P-2	2,850	2,850	2,868	2,845

The General Fund balance has increased by $1,622,836 over the past two years. The fiscal year 2017-2018 budget projects a decrease of $613,601 (14.78 percent). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by $61,508,746 over the past two years due to the issuance of General Obligation Bonds.

Average daily attendance has increased by five over the past two years. No change is anticipated during fiscal year 2017-2018.

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1 Budget 2018 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all unassigned fund balances contained within the General Fund.

3 On behalf payments to CalSTRS have been excluded from revenues and expenditures, and the calculation of available reserves in this schedule.

4 General Fund amounts do not include activity related to the consolidation of the Special Reserve Non-Capital Fund as required by GASB Statement No. 54.

See accompanying note to supplementary information.

SAN BENITO HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ -	$ 350	$ 309,339
Receivables	6,941	84,212	600
Due from other funds	21,689	-	412,000
Stores inventories	-	7,552	-
Total Assets	$ 28,630	$ 92,114	$ 721,939
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	$ 27,816	$ 66,173	$ -
Accounts payable	-	6,420	31,339
Due to other funds	-	2,002	-
Total Liabilities	27,816	74,595	31,339
Fund Balances:			
Nonspendable	-	7,852	-
Restricted	726	9,667	-
Committed	88	-	690,600
Total Fund Balances	814	17,519	690,600
Total Liabilities and Fund Balances	$ 28,630	$ 92,114	$ 721,939

See accompanying note to supplementary information.

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
	$ 3,646,974	$ 260,846	$ 231,641	$ 2,868,754	$ 7,317,904
	5,000	500	500	-	97,753
	-	-	6,549	-	440,238
	-	-	-	-	7,552
	$ 3,651,974	$ 261,346	$ 238,690	$ 2,868,754	$ 7,863,447
	$ -	$ -	$ -	$ -	$ 93,989
	1,365	10,688	-	-	49,812
	-	-	-	-	2,002
	1,365	10,688	-	-	145,803
	-	-	-	-	7,852
	3,650,609	250,658	-	2,868,754	6,780,414
	-	-	238,690	-	929,378
	3,650,609	250,658	238,690	2,868,754	7,717,644
	$ 3,651,974	$ 261,346	$ 238,690	$ 2,868,754	$ 7,863,447

SAN BENITO HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	$ -	$ 591,629	$ -
Other State sources	41,172	47,552	-
Other local sources	(2)	273,417	3,078
Total Revenues	41,170	912,598	3,078
EXPENDITURES			
Current			
Instruction	37,617	-	-
Instruction-related activities:			
School site administration	1,541	-	-
Pupil services:			
Food services	-	866,784	-
All other pupil services	2,392	-	-
Administration:			
All other administration	222	42,638	-
Plant services	-	-	158,323
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	41,772	909,422	158,323
Excess (Deficiency) of Revenues Over Expenditures	(602)	3,176	(155,245)
Other Financing Sources			
Transfers in	689	-	206,000
Other sources	-	-	-
Net Financing Sources	689	-	206,000
NET CHANGE IN FUND BALANCES	87	3,176	50,755
Fund Balance - Beginning	727	14,343	639,845
Fund Balance - Ending	$ 814	$ 17,519	$ 690,600

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	-	-	$ 591,629
-	-	-	14,379	103,103
963,846	5,874	150,687	1,757,825	3,154,725
963,846	5,874	150,687	1,772,204	3,849,457
-	-	-	-	37,617
-	-	-	-	1,541
-	-	-	-	866,784
-	-	-	-	2,392
-	-	-	-	42,860
-	47,410	-	-	205,733
49,855	773,702	648,561	-	1,472,118
-	-	-	1,440,000	1,440,000
-	-	-	1,284,231	1,284,231
49,855	821,112	648,561	2,724,231	5,353,276
913,991	(815,238)	(497,874)	(952,027)	(1,503,819)
-	-	-	-	206,689
-	-	-	1,699,210	1,699,210
-	-	-	1,699,210	1,905,899
913,991	(815,238)	(497,874)	747,183	402,080
2,736,618	1,065,896	736,564	2,121,571	7,315,564
$ 3,650,609	$ 250,658	$ 238,690	$ 2,868,754	$ 7,717,644

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consisted of the fair market value of commodities received by the District that were not recorded in the District's financial statements.

	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 2,650,941
Reconciling item:		
Food Distribution - Commodities	10.555	12,180
Total Schedule of Expenditures of Federal Awards		$ 2,663,121

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
San Benito High School District
Hollister, 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 San Benito High School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise San Benito High School District's basic financial statements, and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

We noted certain matters that we reported to management of San Benito High School District in a separate letter dated December 13, 2017.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 13, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
San Benito High School District
Hollister, California

Report on Compliance for Each Major Federal Program

We have audited San Benito 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 San Benito High School District's (the District) major Federal programs for the year ended June 30, 2017. San Benito High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Benito High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about San Benito High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 13, 2017

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
San Benito High School District
Hollister, California

Report on State Compliance

We have audited San Benito High School District's compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the San Benito High School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the San Benito High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about San Benito High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of San Benito High School District's compliance with those requirements.

Unmodified Opinion

In our opinion, San Benito High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No (see below)
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	No (see below)
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No (see below)
After School	No (see below)
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
Immunizations	Yes
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

The District does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

The District has only grades 9 - 12; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

We did not perform procedures for the After School Education and Safety Program because the District does not offer the program.

The District does not offer Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based Program.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 13, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A
84.011	Title I, Part C, Migrant Education - Regular
84.011	Title I, Part C, Migrant Education - Summer
84.027	Special Education, Basic Local Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Type of auditor's report issued on compliance for programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

SAN BENITO HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings and Questioned Costs

2016-001 40000

SAN BENITO HIGH SCHOOL DISTRICT

Unduplicated Local Control Funding Formula Pupil Count

Criteria

With the Local Control Funding Formula, school districts receive supplemental funding known as the Supplement Grant and Concentration Grant. The amount of funding received is generated by the number of students who are either English Learners (EL) or participants in the Free/Reduced Meal Program in accordance with *Education Code* Sections 2574(b)(3)(C), 42238.02(b)(3)(b), and 41020.

Condition

During the audit of the unduplicated local control funding formula pupil count, several students in our sample were reported as English Learners on the CalPads report, while being recorded in the districts attendance system, Aeries, as English Only.

Effect

Twenty-two students were selected as a sample, with four found out of compliance during testing procedures. Our sample size was expanded to all students listed on the CalPads 1.18 report as English Learners only. Of this sample, there were forty-eight students incorrectly reported as English Learners in CalPads.

The below table summarizes the effect of students who were incorrectly reported.

San Benito High School District	
Certified total enrollment	9,120
Certified total unduplicated pupil count	4,559
Unduplicated pupil count adjustment for English Learners	(48)
Adjusted total enrollment	9,120
Adjusted total unduplicated pupil count	4,521

Cause

It appears there was a communication issue between Aeries and CalPads where updates in student information was not synched between the two systems.

Questioned Cost

The above mentioned condition has a questioned cost of $13,904 in State general apportionment revenue.

Recommendation

The District must have procedures in place to periodically synch information between Aeries and CalPads. This will help to ensure that any changes in student data made by the district will also be updated to CalPads.

Current Status

Implemented.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

Governing Board
San Benito High School District
Hollister, California

In planning and performing our audit of the financial statements of San Benito High School District, for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 13, 2017, on the government-wide financial statements of the District.

DISTRICT OFFICE

Overdrawn Bank Account

Observation

During our audit, we noted that the Cafeteria account was overdrawn by $137.50 due to a timing issue of a deposit in transit. The District had recorded income of $142 in June but was not deposited until July.

Recommendation

The District should review the monthly reconciliation preparation procedures with Cafeteria management. Before checks are disbursed the District should ensure there are sufficient funds in the account.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
December 13, 2017

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APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF HOLLISTER AND THE COUNTY OF SAN BENITO

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

County of San Benito

The County of San Benito, California (the "County") was incorporated in 1874, with the City of Hollister as the County Seat. The County occupies 1,391 square miles, of which approximately 99.5% is unincorporated. Incorporated cities in the County are Hollister and San Juan Bautista. There are also several historic unincorporated communities in the County, including Aromas, Paicines, Panoche, Tres Pinos, and New Idria. The County is located south of San Jose and west of the Central Valley of California. The County is surrounded by Santa Cruz and Monterey Counties to the west, Santa Clara County to the north, and Merced and Fresno Counties to the east and south.

The County is largely rural, with over 90% of the land area used for farming, ranching, or forestry. Agriculture, which includes grazing land, is the predominant use in the County, totaling 85% of the unincorporated land area of the County.

City of Hollister

The City of Hollister (the "City"), the largest community in the County, is located along Highway 156 approximately 68 miles south of San Jose and 23 miles northeast of Salinas. The City was incorporated on March 26, 1872 by the San Justo Homestead Association of farmers. The City is the gateway to Pinnacles National Park, a former volcanic field.

The City operates under a council-manager form of government. The City Council is comprised of five elected members that appoint a City Manager and act as the City's legislative and policy-making body.

County Government

The County is governed by a County Administrator and a Board of Supervisors of five members. Each supervisor is responsible for one of five districts within the County.

The County Administrator's Office is responsible for staffing the Board and Board committees, planning and overseeing County operations, and ensuring that Board policies are carried out in the most efficient and service oriented manner.

The duties and responsibilities of the Board of Supervisors include appointing County department heads and employees, providing for the compensation of all County officials and employees, creating officers, boards and commissions as needed, awarding all contracts for Public Works and all other contracts exceeding $25,000, adopting an annual budget, and supervising the operations of departments and exercising executive and administrative authority through the County government and County Administrator.

Population

The population of the City, the City of San Juan Bautista and the County for calendar years 2014 through 2018 are presented in the following table.

POPULATION ESTIMATES
City of Hollister, City of San Juan Bautista and County of San Benito
2014-2018

Year[1]	City of Hollister	City of San Juan Bautista	County of San Benito
2014	35,905	1,863	56,219
2015	36,137	1,877	56,452
2016	36,297	1,879	56,624
2017	36,458	1,891	56,879
2018	36,703	1,873	57,088

(1) As of January 1.
Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties and the State, 2014-2018. Based on March 2010 Benchmark.

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Major Employers

The County is host to a diverse mix of major employers representing industries ranging from agriculture to manufacturing and retail. The following table lists the County's major employers.

MAJOR EMPLOYERS
County of San Benito
2017

Employer	Employees
Natural Select Foods	1,000
Hazel Hawkins Memorial Hospital	575
San Benito Foods	500
Pride of San Juan	425
Milgard	330
San Benito High School District	245
Quantic Holex	240
McCormick Selph	220
Semifab	200
Target	170
Safeway	155
City of Hollister	145
Guerra Nut Shelling Co.	130
Granite Rock	115
Cable Car Sunglasses	110
Corbin, Inc.	110
Lifesparc Inc.	100
Safety Storage	100
California PC Products	100
West Marine	85

Source: City of Hollister Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2017.

Employment

The civilian labor force in the County consisted of an average of 30,100 workers as of 2017. The total employment component of the labor force was 27,800 workers. The annual average unemployment rate in the County for 2017 was 6.9%. In contrast, the average unemployment rate in California in 2017 was 4.8%. The higher rate in the County reflects agricultural employment and the seasonal pattern of crop harvesting and food producing. The following table summarizes the labor force, employment and unemployment figures for the years 2013 through 2017 for the City, County, State of California and United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
City of Hollister, County of San Benito, State of California and United States
2013-2017

Year and Area	Labor Force	Employment[1]	Unemployment[2]	Unemployment Rate (%)[3]
2013				
City of Hollister	17,300	15,200	2,200	12.5%
County of San Benito	28,900	25,700	3,200	11.1
State of California	18,671,600	17,002,900	1,668,700	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Hollister	18,300	16,600	1,700	9.4
County of San Benito	29,200	26,500	2,700	9.3
State of California	18,811,400	17,397,100	1,414,300	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Hollister	18,400	17,000	1,400	7.7
County of San Benito	29,300	27,100	2,200	7.7
State of California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Hollister	18,700	17,400	1,300	6.9
County of San Benito	29,800	27,800	2,000	6.8
State of California	19,102,700	18,065,000	1,037,700	5.4
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Hollister	18,800	17,700	1,100	5.7
County of San Benito	30,100	27,800	2,000	6.9
State of California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

Source: California Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics. Based on March 2016 Benchmark.

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Industry

The following table summarizes average annual industry employment in the County from 2013 to 2017.

INDUSTRY EMPLOYMENT ANNUAL AVERAGES
County of San Benito
2013-2017

Industry	2013	2014	2015	2016	2017
Total Farm	1,700	1,800	1,800	2,100	2,100
Manufacturing	2,700	2,800	2,200	2,200	3,300
Trade, Transportation and Utilities	3,200	3,300	3,500	3,500	2,200
Information	100	100	100	100	100
Financial Activities	400	400	400	400	300
Professional & Business Services	1,100	1,200	1,100	1,100	1,200
Educational & Health Services	1,200	1,300	1,400	1,500	1,400
Leisure & Hospitality	1,200	1,300	1,300	1,300	1,500
Other Services	400	400	400	400	500
Government	2,700	2,800	2,900	2,900	3,000
TOTAL, ALL INDUSTRIES	15,500	16,100	16,100	16,700	17,100

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California Employment Development Department, Labor Market Information Division, San Benito County Annual Average Labor Force and Industry Employment. Based on March 2017 Benchmark.

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Building Permits

The following table presents the building permit valuation and number of new dwelling units in the County for fiscal years 2013 through 2017.

COUNTY OF SAN BENITO
Building Permit Valuations and Number of Dwelling Units
2013 through 2017

	2013	2014	2015	2016	2017
Valuation					
Single Family Residential	$32,574,476	$20,711,846	$66,826,484	$117,407,443	$147,085,008
Multi-Family Residential	0	0	4,246,497	9,554,796	323,509
Residential Alterations	3,019,546	3,245,347	3,088,971	7,779,183	4,267,205
Total Residential	$35,594,022	$23,957,193	$74,161,952	$134,741,422	$151,675,722
Industrial	$ 42,000	$ 0	$ 6,800,000	$ 4,988,373	$ 0
Other Non-Residential	4,071,122	7,796,551	20,614,353	26,532,908	3,593,447
Non-Residential Alterations	3,199,966	6,311,684	18,397,246	4,804,744	14,610,691
Total Non-Residential	$7,313,088	$14,108,235	$45,811,599	$36,326,025	$18,204,138
Number of New Dwelling Units					
Single Family	138	78	223	443	586
Multi- Family	0	0	49	99	2
Total	138	78	272	542	588

Source: Construction Industry Research Board.

Commercial Activity

The following tables summarize the annual volume of taxable transactions in the County and City between 2012 and 2016.

TAXABLE SALES
County of San Benito
2012-2016
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2012	786	$308,777	1,199	$530,017
2013	844	329,051	1,260	560,238
2014	888	338,945	1,313	560,376
2015	880	357,217	1,446	607,831
2016	965	387,568	1,541	664,452

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

TAXABLE SALES
City of Hollister
2012-2016
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2012	421	$244,627	685	$280,951
2013	446	256,001	700	303,314
2014	466	264,763	724	309,737
2015	467	279,603	797	329,648
2016	--[1]	310,544	--[1]	364,171

Note: In 2009, retail permits expanded to include permits for food services.
1 Data not yet available.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

Personal Income

The following table shows the personal income for the County from 2012 through 2016, the most recent data available.

PERSONAL INCOME
County of San Benito
2012-2016
(Dollars in Thousands)

Year	County of San Benito	Annual % Change
2012	$2,153,480	--
2013	2,224,472	3.3%
2014	2,364,002	3.8
2015	2,565,863	8.5
2016	2,756,362	7.4

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

The following table shows the per capita personal income in the County, the State and the United States for calendar years 2012 through 2016.

PER CAPITA PERSONAL INCOME[1]
County of San Benito, State of California, and United States
2012-2016

Year	County of San Benito	California	United States
2012	$37,959	$48,312	$44,267
2013	39,526	48,471	44,462
2014	40,868	51,344	46,494
2015	44,844	54,718	48,451
2016	46,392	56,374	49,246

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

Transportation

The County is served by three State highways, including State Routes 25, which is the major north-south route through the center of the County, and State Routes 146 and 156, which are the principal east-west routes of the County connecting to the Monterey Peninsula and the Central Valley. U.S. Highway 101, the major coastal highway in California, transects the northern end of the County.

The City is located 40 miles east of the Monterey Peninsula Airport and 50 miles south of San Jose International Airport, which provide regularly-scheduled service to other cities in California and points worldwide. In addition, Hollister Municipal Airport is located in the northern portion of the City and operates as a general aviation airport. Hollister Municipal Airport is home to Calfire Air Attack Base which provides fire suppression services in six counties.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the San Benito High School District (the "District") in connection with the execution and delivery of $42,995,856.05 aggregate principal amount of the District's General Obligation Bonds (Election of 2016), Series 2018 (the "Bonds"). The Bonds are being issued pursuant to Resolution adopted by the Board of Education of the District on June 26, 2018 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

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

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

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

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

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be Capitol Public Finance Group.

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

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

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated July 24, 2018 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2018, which would be due on April 1, 2019, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

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

(c) The Dissemination Agent shall:

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

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

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

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

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

(i) General fund budget for the current fiscal year;

(ii) Assessed valuations for the current fiscal year;

(iii) 20 largest local secured taxpayers for the current fiscal year;

(iv) Secured tax charges and delinquencies for the most recent completed fiscal year, only if San Benito County terminates or discontinues the Teeter Plan within the District; and

(v) Average daily attendance and enrollment for the District, to the extent such information is not included in audited financial statements of the District.

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

SECTION 6. Reporting of Listed Events.

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

(i) Principal and interest payment delinquencies.

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

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

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

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

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating changes; or

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

(b) The District shall give, or cause to be given to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

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

(ii) Modifications of rights to Bondholders;

(iii) Bond calls;

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

(v) Non-payment related defaults;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 11. Default. The District shall give notice to each NRMSIR or to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

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

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

Dated: August 9, 2018

SAN BENITO HIGH SCHOOL DISTRICT

By:____

Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Benito High School District

Name of Issue: $42,995,856.05 General Obligation Bonds (Election of 2016), Series 2018

Date of Issuance: August 9, 2018

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated August 9, 2018. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: __________________________

[ISSUER/DISSEMINATION AGENT]

By:____

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository).Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in St. Paul, Minnesota. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in St. Paul, Minnesota, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

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APPENDIX F

ACCRETED VALUE TABLES

Date	Capital Appreciation Bond maturing 8/1/2039 @ 4.00%	Capital Appreciation Bond maturing 8/1/2040 @ 4.00%	Capital Appreciation Bond maturing 8/1/2041 @ 4.00%	Capital Appreciation Bond maturing 8/1/2042 @ 4.00%	Capital Appreciation Bond maturing 8/1/2043 @ 4.00%
8/9/2018	$2,094.95	$1,992.65	$1,906.65	$1,824.00	$1,744.65
2/1/2019	2,136.90	2,032.90	1,945.25	1,861.05	1,780.15
8/1/2019	2,181.65	2,075.90	1,986.50	1,900.60	1,818.05
2/1/2020	2,227.35	2,119.80	2,028.60	1,941.00	1,856.75
8/1/2020	2,274.05	2,164.65	2,071.60	1,982.25	1,896.30
2/1/2021	2,321.65	2,210.40	2,115.55	2,024.35	1,936.70
8/1/2021	2,370.30	2,257.15	2,160.40	2,067.35	1,977.95
2/1/2022	2,419.95	2,304.90	2,206.20	2,111.30	2,020.10
8/1/2022	2,470.65	2,353.65	2,252.95	2,156.15	2,063.10
2/1/2023	2,522.40	2,403.45	2,300.75	2,202.00	2,107.05
8/1/2023	2,575.25	2,454.25	2,349.50	2,248.80	2,151.95
2/1/2024	2,629.20	2,506.15	2,399.30	2,296.55	2,197.80
8/1/2024	2,684.30	2,559.20	2,450.20	2,345.35	2,244.60
2/1/2025	2,740.55	2,613.30	2,502.15	2,395.20	2,292.40
8/1/2025	2,797.95	2,668.60	2,555.15	2,446.10	2,341.25
2/1/2026	2,856.55	2,725.00	2,609.35	2,498.10	2,391.10
8/1/2026	2,916.40	2,782.65	2,664.65	2,551.15	2,442.05
2/1/2027	2,977.50	2,841.50	2,721.15	2,605.40	2,494.05
8/1/2027	3,039.90	2,901.60	2,778.85	2,660.75	2,547.20
2/1/2028	3,103.60	2,962.95	2,837.75	2,717.30	2,601.45
8/1/2028	3,168.60	3,025.65	2,897.90	2,775.05	2,656.85
2/1/2029	3,235.00	3,089.65	2,959.35	2,834.00	2,713.45
8/1/2029	3,302.75	3,155.00	3,022.10	2,894.25	2,771.25
2/1/2030	3,371.95	3,221.70	3,086.15	2,955.75	2,830.25
8/1/2030	3,442.60	3,289.85	3,151.60	3,018.55	2,890.55
2/1/2031	3,514.70	3,359.45	3,218.40	3,082.70	2,952.10
8/1/2031	3,588.35	3,430.50	3,286.65	3,148.20	3,015.00
2/1/2032	3,663.55	3,503.05	3,356.30	3,215.10	3,079.20
8/1/2032	3,740.30	3,577.15	3,427.45	3,283.40	3,144.80
2/1/2033	3,818.65	3,652.80	3,500.10	3,353.20	3,211.80
8/1/2033	3,898.65	3,730.05	3,574.35	3,424.45	3,280.20
2/1/2034	3,980.30	3,808.95	3,650.10	3,497.20	3,350.05
8/1/2034	4,063.70	3,889.50	3,727.50	3,571.55	3,421.40
2/1/2035	4,148.85	3,971.75	3,806.50	3,647.40	3,494.30
8/1/2035	4,235.75	4,055.75	3,887.20	3,724.95	3,568.75
2/1/2036	4,324.50	4,141.55	3,969.60	3,804.10	3,644.75
8/1/2036	4,415.10	4,229.15	4,053.75	3,884.90	3,722.40
2/1/2037	4,507.60	4,318.60	4,139.70	3,967.50	3,801.65
8/1/2037	4,602.05	4,409.90	4,227.45	4,051.80	3,882.65
2/1/2038	4,698.45	4,503.20	4,317.10	4,137.90	3,965.35
8/1/2038	4,796.90	4,598.45	4,408.60	4,225.80	4,049.80

Date	Capital Appreciation Bond maturing 8/1/2039 @ 4.00%	Capital Appreciation Bond maturing 8/1/2040 @ 4.00%	Capital Appreciation Bond maturing 8/1/2041 @ 4.00%	Capital Appreciation Bond maturing 8/1/2042 @ 4.00%	Capital Appreciation Bond maturing 8/1/2043 @ 4.00%
2/1/2039	$4,897.35	$4,695.70	$4,502.10	$4,315.60	$4,136.05
8/1/2039	5,000.00	4,795.00	4,597.55	4,407.35	4,224.15
2/1/2040	--	4,896.40	4,695.00	4,501.00	4,314.15
8/1/2040	--	5,000.00	4,794.55	4,596.65	4,406.05
2/1/2041	--	--	4,896.20	4,694.30	4,499.90
8/1/2041	--	--	5,000.00	4,793.60	4,595.75
2/1/2042	--	--	--	4,895.95	4,693.60
8/1/2042	--	--	--	5,000.00	4,793.60
2/1/2043	--	--	--	--	4,895.70
8/1/2043	--	--	--	--	5,000.00