

# PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 27, 2015

## NEW ISSUE—BOOK-ENTRY ONLY

**RATING:**  
S&P: "A+"  
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the Authority and the District with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.



## \$6,425,000\* CALIFORNIA MUNICIPAL FINANCE AUTHORITY Lease Revenue Bonds, Series 2015 (Snowline Joint Unified School District Financing Project)

**Dated: Date of Delivery**

**Due: May 1, as shown below**

The \$6,425,000\* California Municipal Finance Authority Lease Revenue Bonds, Series 2015 (Snowline Joint Unified School District Financing Project) (the "Bonds"), are being issued by the California Municipal Finance Authority, a joint exercise of powers entity organized and existing under the laws of the State of California (the "Authority"), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"), a resolution of the Authority (the "Resolution") and an Indenture, dated as of September 1, 2015 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are being issued to (a) finance the acquisition and installation of new interior and exterior lighting as well as a computer energy management system at 16 Snowline Joint Unified School District (the "District") school and support facility sites, and (b) pay the costs of issuance of the Bonds. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Bonds are secured by a pledge of and lien on the Revenues (as defined herein), consisting primarily of Lease Payments, described below.

The District will lease certain real property and the improvements thereon from the Authority pursuant to a Lease Agreement, dated as of September 1, 2015 (the "Lease Agreement"), by and between the Authority and the District. Under the Lease Agreement, the District is required to make Lease Payments (as defined herein) from legally available funds in amounts calculated to be sufficient to pay principal of and interest on the Bonds when due, as described herein. All of the Authority's right, title and interest in and to the Lease Agreement (except for the right to receive any Additional Payments (as defined herein) to the extent payable to the Authority and certain rights to indemnification), including the right to receive Lease Payments under the Lease Agreement, are assigned to the Trustee under the Indenture for the benefit of the Bondholders. See "SECURITY FOR THE BONDS" herein. The obligation of the District to make Lease Payments and Additional Payments is subject to abatement during any period in which, by reason of damage, destruction or a taking by eminent domain, there is substantial interference with the use and occupancy by the District of any portion of the Property.

*The Bonds are subject to redemption as described herein. See "THE BONDS—Redemption" herein.*

The Bonds are issuable in denominations of \$5,000 and any integral multiple thereof. Interest on the Bonds is payable on May 1 and November 1 of each year, commencing May 1, 2016. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS" herein and APPENDIX E—"BOOK-ENTRY ONLY SYSTEM."

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES PLEDGED UNDER THE INDENTURE. THE BONDS ARE NOT A DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, AND NEITHER THE DISTRICT, THE STATE OF CALIFORNIA NOR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, IS LIABLE THEREON. IN NO EVENT SHALL THE BONDS OR ANY INTEREST THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AUTHORITY, THE DISTRICT NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

### MATURITY SCHEDULE\*

\$ \_\_\_\_\_ Serial Bonds

CUSIP<sup>†</sup> Prefix: \_\_\_\_\_

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>†</sup> Suffix	Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>†</sup> Suffix
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\$ \_\_\_\_\_ % Term Bonds maturing May 1, \_\_\_\_; Price: \_\_\_\_\_ to Yield \_\_\_\_%—CUSIP<sup>†</sup>: \_\_\_\_\_

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, and received by the Underwriter, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by Quint & Thimmig LLP, Larkspur, California. Certain legal matters will be passed upon for the Authority and the District by Fagen Friedman & Fulfrost LLP, San Diego, California. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through DTC in New York, New York, on or about September 17, 2015.



Dated: September \_\_, 2015

\*Preliminary, subject to change.

<sup>†</sup> Copyright 2015, American Bankers Association. CUSIP<sup>®</sup> is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the registered owners of the Bonds. None of the Authority, the District or the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.



For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the District with respect to the Bonds that has been deemed “final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesperson or other person has been authorized by the Authority, the District or the Underwriter to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the District or the Underwriter. This Official Statement does not constitute an offer to sell or 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 that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

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

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,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Authority’s or the District’s forecasts in any way, regardless of the level of optimism communicated in the information. The Authority is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See “CONTINUING DISCLOSURE” herein.

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

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

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## SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

4075 Nielson Road  
Phelan, CA 92371  
(760) 868-5817  
<http://www.snowlineschools.com>

### District Board of Trustees

Steve Coulombe, *President*  
Karie LaFever, *Clerk*  
David Nilsen, *Trustee*  
Ann Bashaw, *Trustee*  
Christina Behringer, *Trustee*

### District Staff

Luke Ontiveros, *Superintendent*  
Dr. Ryan Holman, *Deputy Superintendent*  
Karen Winkler, Assistant *Superintendent of Business Services*

### Special Services

Fagen Friedman & Fulfroost LLP  
San Diego, California  
*District Counsel*

Quint & Thimmig LLP  
Larkspur, California  
*Bond Counsel and Disclosure Counsel*

U.S. Bank National Association  
Los Angeles, California  
*Trustee*

## **OFFICIAL STATEMENT**

**\$6,425,000\***

### **CALIFORNIA MUNICIPAL FINANCE AUTHORITY Lease Revenue Bonds, Series 2015 (Snowline Joint Unified School District Financing Project)**

#### **INTRODUCTION**

The following introduction presents a brief description of certain information in connection with the Bonds (as defined below) and is qualified in its entirety by reference to the entire Official Statement and the documents summarized or described herein. References to, and summaries of, provisions of the Constitution and the laws of the State of California (the “State”) and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms in the Indenture. See APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—Definitions.

#### **General Description**

This Official Statement, including the cover page and the attached appendices (this “Official Statement”), provides certain information concerning the issuance of \$6,425,000\* aggregate principal amount of California Municipal Finance Authority Lease Revenue Bonds, Series 2015 (Snowline Joint Unified School District Financing Project) (the “Bonds”), by the California Municipal Finance Authority, a joint exercise of powers entity organized under the laws of the State (the “Authority”). The Bonds are being issued pursuant to Article 4, Chapter 5, Division 7, Title 1 (commencing with section 6584) of the California Government Code, a resolution of the Authority authorizing the issuance of the Bonds (the “Authority Resolution”) and an Indenture, dated as of September 1, 2015 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are being issued to (a) finance the acquisition and installation of new interior and exterior lighting as well as a computer energy management system at 13 District school and support facility sites (the “Project”), and (b) pay the costs of issuance of the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE PROJECT.”

#### **The Authority**

Under Title 1, Division 7, Chapter 5 of the California Government Code (the “JPA Act”), certain California cities, counties and special districts have entered into a joint exercise of powers agreement (the “JPA Agreement”) forming the Authority for the purpose of exercising powers common to the members and exercising the additional powers granted to the Authority by the JPA Act and any other applicable provisions of California law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law. See “THE AUTHORITY.”

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\* Preliminary, subject to change.

## **The District**

The District is a unified school district. The majority of the territory of the District is located in San Bernardino County (the “County”), with a small portion located in Los Angeles County (“Los Angeles County”). The District is bound by State Highway 18 on the north; State Highway 395 and Interstate 15 on the east; the top of the San Gabriel Mountain range on the south; and, except for a small area of land extending westward into Los Angeles County in the Angeles National Forest, by the Los Angeles County line on the west. The District provides kindergarten through twelfth grade education within an approximately 260 square mile area, including the cities or communities of Wrightwood, Piñon Hills, Phelan, Oak Hill, Baldy Mesa and portions of the West Cajon Valley. The District currently operates five elementary schools, one K-8 school, two middle schools and one high school. In addition, the District maintains three separate alternative education centers at other locations within the District. See “THE DISTRICT,” “DISTRICT FINANCIAL INFORMATION” and APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO SAN BERNARDINO COUNTY.

## **Terms of the Bonds**

The Bonds will mature on the dates and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable semiannually on each May 1 and November 1 (each, an “Interest Payment Date”), commencing May 1, 2016, computed at the respective rates of interest set forth on the cover page of this Official Statement. The Bonds will be issuable in denominations of \$5,000 or any integral multiple thereof. The Bonds are subject to optional and mandatory redemption as described herein. See “THE BONDS.”

## **Book-Entry Only**

The Bonds will be issuable in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as the depository of the Bonds and all payments due on the Bonds will be made to DTC or its nominee. Ownership interests in the Bonds may be purchased in book-entry form only. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

## **Source of Payment for the Bonds**

Pursuant to the Site and Facility Lease, dated as of September 1, 2015 (the “Site and Facility Lease”), by and between the District and the Authority, the District will lease to the Authority certain real property and certain facilities and improvements located thereon (the “Property”) owned by the District. See “THE PROPERTY.” Concurrently, the District will sublease the Property from the Authority pursuant to a Lease Agreement, dated as of September 1, 2015 (the “Lease Agreement”), by and between the Authority and the District. Under the Lease Agreement, subject to abatement as provided therein, the District is required to make lease payments (the “Lease Payments”) from legally available funds for use and occupancy of the Property in amounts calculated to be sufficient to pay principal of and interest on the Bonds when due. The District has covenanted in the Lease Agreement to take such action as may be necessary to include the Lease Payments in each of its annual budgets during the Term of the Lease Agreement and has further covenanted to make the necessary annual appropriations for all such Lease Payments. All of the Authority’s right, title and interest in and to the Lease Agreement (apart from certain rights to receive Additional Payments to the extent payable to the



Authority and to indemnification), including the right to receive Lease Payments under the Lease Agreement, are assigned to the Trustee under the Indenture for the benefit of the Bondowners.

Except to the extent of amounts otherwise available to the District for payments under the Lease Agreement, during any period in which, by reason of material damage, destruction or condemnation there is substantial interference with the use and occupancy by the District of any portion of the Property, Lease Payments will be adjusted or abated in the proportion in which the value of that portion of the Property rendered unusable bears to the entire value of the Property. Such adjustment or abatement will end with the substantial replacement or reconstruction of the Property. To the extent proceeds of rental interruption insurance are available or there are moneys in the Insurance and Condemnation Fund, or Revenue Fund, the Lease Agreement provides there will be no abatement of Lease Payments. See “SECURITY FOR THE BONDS—Abatement.”

The Bonds are special limited obligations of the Authority payable solely from and secured by the Revenues and certain other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Indenture and pledged therefor, and the Revenues may not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that the Revenues may be applied for such other purposes as are permitted under the Indenture. “Revenues” means (i) all Lease Payments and other amounts paid, or caused to be paid, by the District, and received by the Authority pursuant to the Lease Agreement (but not Additional Payments), and (ii) all interest or other income from any investment of any money in any fund or account established pursuant to the Indenture (other than the Rebate Fund).

#### **No Reserve Fund**

A reserve fund will not be established for the Bonds.

#### **Additional Bonds**

The Authority may not issue additional bonds, notes or other indebtedness that would be payable out of the Revenues in whole or in part. See “SECURITY FOR THE BONDS—Additional Bonds.”

#### **Limited Liability**

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED SOLELY BY CERTAIN PROCEEDS OF THE BONDS HELD IN CERTAIN FUNDS AND ACCOUNTS PURSUANT TO THE INDENTURE AND THE REVENUES DERIVED FROM LEASE PAYMENTS AND OTHER PAYMENTS MADE OR CAUSED TO BE MADE BY THE DISTRICT PURSUANT TO THE LEASE AGREEMENT. THE AUTHORITY IS NOT OBLIGATED TO PAY INTEREST ON OR PRINCIPAL OF THE BONDS EXCEPT FROM THE REVENUES. THE DISTRICT HAS COVENANTED IN THE LEASE AGREEMENT TO TAKE SUCH ACTIONS AS MAY BE NECESSARY TO INCLUDE ALL LEASE PAYMENTS DUE THEREUNDER IN ITS ANNUAL BUDGETS AND TO MAKE THE NECESSARY ANNUAL APPROPRIATIONS THEREFOR. NEITHER THE BONDS NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE DISTRICT. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS DOES

NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

### **Continuing Disclosure**

The ultimate security for the payments of principal and interest on the Bonds comes from the Lease Payments to be made by the District, and, therefore, the District, as an obligated person within the meaning of the Rule (as defined below), has agreed to undertake the continuing disclosure responsibilities required by the Rule. The Authority has not undertaken a commitment to provide any continuing disclosure required by the Rule.

The District has covenanted in the Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository and any public or private repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the “Rule”) certain annual financial information and operating data of the type set forth herein including, but not limited to, its audited financial statements and, in a timely manner, notice of certain material events. See “CONTINUING DISCLOSURE” and APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE for a description of the specific nature of the annual report and notices of material events and a summary description of the terms of the Continuing Disclosure Certificate pursuant to which such reports and notices are to be made.

### **Tax Matters**

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, to the Authority’s and the District’s compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.

### **Certain Risk Factors**

Certain events could affect the ability of the District to make the Lease Payments when due. See “RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

### **Other Information**

The descriptions herein of the Indenture, the Lease Agreement and any other agreements relating to the Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Bonds are qualified in their entirety by the forms thereof and the information with respect

thereto included in the aforementioned documents. See APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS. Copies of the documents are on file and, upon request and payment to the District of a charge for copying, mailing and handling, from the Assistant Superintendent of Business, Snowline Joint Unified School District, 4075 Nielson Road, Phelan, CA 92371, telephone (760) 868-5817 X7233.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement, under any circumstances, creates any implication that there has been no change in the affairs of the District or the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District or the Authority. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

### **ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds realized upon the sale of, or in connection with, the Bonds as follows:

**Estimated Sources:**

Principal Amount of Bonds

Plus: Net Original Issue Premium

Total Sources

\_\_\_\_\_  
=====

**Estimated Uses:**

Deposit to Project Fund (1)

Costs of Issuance Fund (2)

Total Uses

\_\_\_\_\_  
=====

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(1) Represents the amount estimated to be necessary to finance the Project. See “THE PROJECT.”

(2) Includes, but is not limited to, the Underwriter’s discount, the fees and expenses of Bond Counsel, Disclosure Counsel, the Trustee and the rating agencies, costs of printing the Official Statement and other costs incurred by the Authority and the District in connection with the issuance and delivery of the Bonds.

## DEBT SERVICE SCHEDULE

The following table sets forth the debt service due on the Bonds.

### Debt Service Schedule

Bond Year Ending May 1	Principal	Interest	Total
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
TOTALS			

Pursuant to the Lease Agreement, the District is required to make Lease Payments which have been calculated to be sufficient to make the interest and principal payments due on the Bonds. The District's Lease Payments are due on the fifteenth calendar day of the month preceding each Interest Payment Date.

### THE PROPERTY

The Property consists of the District's Phelan Elementary School and Wrightwood Elementary School and the sites thereof.

*Phelan Elementary School.* The Phelan Elementary School is located at 4167 Phelan Avenue in Phelan, California. The school is a K-5 elementary school originally constructed in 1952 with a current enrollment of 280 students. The school facilities include eight permanent classrooms, 28 portable or modular classrooms, nine restrooms, a multi-purpose room, a library, a computer lab and a teacher workroom. The District estimates the replacement value of the school to be \$7,000,000.00

*Wrightwood Elementary School.* The Wrightwood Elementary School is located at 1175 Hwy 2 in Wrightwood, California. The school is a K-5 elementary school originally constructed in 1956-57 with a current enrollment of 561 students. The school facilities include 11 permanent classrooms, nine portable

classrooms, a modular administration building, eight restrooms, a multi-purpose room, a library, a computer lab and a teacher workroom. The District estimates the replacement value of the school to be \$6,000,000.00.

## **THE PROJECT**

The Bonds are being issued to (a) finance the Project, and (b) pay costs of issuance of the Bonds.

The Project consists of the following components:

*Lighting and Lighting Controls.* New LED lighting district wide. All facilities are included, as follows:

- Baldy Mesa Elementary School
- Chaparral High School
- District Office
- Eagle Summit Community Day School
- Heritage School
- Maintenance Warehouse / Purchasing
- Phelan Elementary School
- Pinon Hills Elementary School
- Pinon Mesa Middle School
- Quail Valley Middle School
- Serrano High School
- Snowline Virtual School
- Transportation
- Vista Verde Elementary School
- Wrightwood Elementary School

*Interior Metal Halide to LED Retrofit.* Replacement of interior metal halide lamps at both the M&O and Transportation facilities with LED fixtures.

*LED Pendant Lighting in Gym.* The Quail Valley Middle School gym is currently lit with metal halide lamps. New LED fixtures will be provided to replace these fixtures.

*Occupancy Sensors.* Occupancy sensors and additional control, such as daylight harvesting, as required by California Building Standards Code (Title 24) will be provided where required.

*Interior Lighting Upgrades.* Replacement of existing lighting technologies District-wide with LED fixtures. All District sites noted above are included in this scope.

*Exterior Lighting Upgrades.* The District currently uses HID lamps for parking lots and exterior areas. These lamps will be replaced with LED fixtures at all District sites noted above. Existing lamps, ballasts, and removed fixtures will be recycled or properly disposed. Existing ballasts and tombstones in retrofit applications will be de-energized but remain in place according to the manufacturer's recommendations.

*Demand Limiting through BAS Scheduling.* Demand limiting capability will be added at the following District facilities:

- Baldy Mesa Elementary School
- Chaparral High School
- District Office
- Eagle Summit Community Day School
- Heritage School
- Phelan Elementary School
- Pinon Hills Elementary School
- Pinon Mesa Middle School
- Quail Valley Middle School
- Serrano High School
- Vista Verde Elementary School
- Wrightwood Elementary School

This includes the installation of pulse meters and tying them into the District's existing building automation system so that real-time energy usage can be monitored. Logic will be programmed into the system to limit peak demand by cycling compressors on air conditioning units in 20 minute intervals.

*IT Power Management.* Installation of software on the computers and networked devices throughout the District. This software will help save energy by ensuring the computers and networked devices are not operating when they are not being used. The program also tracks the IP addresses of all the devices on the network and can provide a comprehensive inventory that will be easily accessible for the District.

## **THE BONDS**

### **General**

The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds will mature on May 1 in each of the years and in the amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates set forth on the cover page hereof.

Interest on the Bonds will be payable semiannually on each May 1 and November 1, commencing May 1, 2016 (each, an "Interest Payment Date"), to the person whose name appears on the Registration Books as the Owner thereof as of the fifteenth calendar day of the month immediately preceding each such Interest Payment Date (each, a "Record Date"), such interest to be paid by check of the Trustee mailed by first-class mail to the Owners at the respective addresses of such Owners as they appear on the Registration Books; provided, however, that payment of interest may be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who furnishes written wire instructions to the Trustee at least five days before the applicable Record Date. Principal of any Bond and any premium upon redemption will be paid by check of the Trustee upon presentation and surrender thereof at the corporate trust office of the Trustee, except as provided in APPENDIX F—BOOK-ENTRY ONLY SYSTEM. Principal of and interest and premium (if any) on the Bonds will be payable in lawful money of the United States of America.

Each Bond will be dated as of its date of delivery and will bear interest from the Interest Payment Date next preceding such date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) it is authenticated on or before April 15, 2016, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Bonds, 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,” and together with any successor securities depository, the “Securities Depository”). DTC will act as Securities Depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners thereof means Cede & Co. as aforesaid, and not the Beneficial Owners of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

### **Transfer and Exchange of Bonds**

Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Transfer of any Bond will not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption pursuant to the Indenture. Whenever any Bond or Bonds are required to be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Any Bond may be exchanged at the corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond will not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption. The Trustee may require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

### **Optional Redemption**

The Bonds maturing on or before May 1, 2025, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after May 1, 2026, are subject to optional redemption prior to their respective stated maturities, at the written direction of the Authority, from moneys deposited by the Authority or the District, in whole or in part, in such order of maturity as the District designates (and, if no specific order of redemption is designated by the District, in inverse order of maturity), on any date on or after May 1, 2025, from any available source of funds, at a redemption price

equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

### **Mandatory Sinking Account Redemption**

The Bonds maturing on May 1, \_\_\_\_\_ (the “Term Bonds”) are also subject to mandatory sinking fund redemption in part by lot on May 1, \_\_\_\_\_, and on each May 1 to and including May 1, \_\_\_\_\_, from sinking account payments made by the Authority at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; *provided, however*, that if some but not all of the Term Bonds have been optionally redeemed, the total amount of all future sinking account payments will be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among the sinking account payments as are thereafter payable on a *pro rata* basis in integral multiples of \$5,000 as determined by the Authority (notice of which determination shall be given by the Authority to the Trustee).

Sinking Account Redemption Date (May 1)	Principal Amount to be Redeemed or Purchased
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†Maturity

### **Extraordinary Redemption from Insurance or Condemnation Proceeds**

The Bonds are also subject to redemption as a whole, or in part on a pro rata basis among maturities then outstanding, as determined by the Trustee in its sole discretion, on any date, in integral multiples of \$5,000, to the extent of prepayments made by the District from insurance proceeds or condemnation proceeds not used to repair, reconstruct or replace any portion of the Property damaged or destroyed or elected by the District to be used for such purpose, at a redemption price equal to 100% of the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

### **Selection of Bonds for Redemption**

Whenever provision is made for the redemption of less than all of the Bonds of a particular maturity, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity or such given portion thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee will treat each Bond as consisting of separate \$5,000 portions and each such portion will be subject to redemption as if such portion were a separate Bond.



## **Notice of Redemption**

Notice of redemption will be mailed by first-class mail, postage prepaid, not less than 30 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books maintained by the Trustee, and to the Municipal Securities Rulemaking Board, the Securities Depositories and the Information Services. Each notice of redemption will state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon will cease to accrue and will require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

So long as the book-entry system is used for the Bonds, the Trustee will give any notice of redemption or any other notices required to be given to registered Owners of Bonds only to DTC. Any failure of DTC to advise any Participant, or of any Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on such notice. Beneficial Owners may desire to make arrangements with a Participant so that all notices of redemption or other communications to DTC which affect such Beneficial Owners, and notification of all interest payments, will be forwarded in writing by such Participant. See APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

## **Partial Redemption of Bonds**

Upon surrender of any Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

## **Effect of Redemption**

If notice of redemption has been given, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption are being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of the Indenture will be canceled by the Trustee upon surrender thereof and destroyed.

## **SECURITY FOR THE BONDS**

### **General**

The Bonds are special limited obligations of the Authority payable solely from and secured solely by the Revenues pledged therefor under the Indenture, together with amounts on deposit from time to time in the funds and accounts held by the Trustee, including proceeds of the sale of the Bonds.

Under the Indenture, the Authority assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Authority in the Lease Agreement (except for the right to receive any Additional Payments to the extent payable to the Authority and certain rights to indemnification set forth therein). The Trustee is entitled to collect and receive all of the Revenues, and any Revenues collected or received by the Authority are required to be held, and to have been collected or received, by the Authority as the agent of the Trustee and must be paid by the Authority to the Trustee.

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES AND OTHER MONEYS PLEDGED THERETO IN THE INDENTURE. THE BONDS ARE NOT A DEBT OF THE AUTHORITY, THE DISTRICT, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE AUTHORITY, THE DISTRICT, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS, EXCEPT THE AUTHORITY TO THE EXTENT DESCRIBED HEREIN, IS LIABLE THEREON. IN NO EVENT WILL THE BONDS OR ANY INTEREST OR REDEMPTION PREMIUM THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AUTHORITY NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

### **Lease Payments and Additional Payments**

The Lease Agreement requires the District, subject to abatement as provided therein, to deposit with the Trustee, as assignee of the Authority, on each April 15 and October 15, commencing on April 15, 2016 (the "Lease Payment Dates"), an amount equal to the aggregate Lease Payment coming due and payable on each such Lease Payment Date. The Lease Payments payable in any fiscal year of the District constitute payment for the use and possession of the Property during such fiscal year. The District will receive a credit towards payment of Lease Payments for amounts on deposit in the Revenue Fund (including the Interest Account and the Principal Account therein) on each Lease Payment Date.

The obligation of the District to make Lease Payments is subject to annual appropriations of the District from funds lawfully available therefor. The obligation of the District to make Lease Payments under the Lease Agreement does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the full faith and credit nor the taxing power of the District, the State or any of its political subdivisions is pledged to make Lease Payments under the Lease Agreement. The Authority has no taxing power. The Lease Payments are calculated to be sufficient to pay, when due, the principal of and interest on the Bonds.

In addition to the Lease Payments, the District is required to pay when due the following Additional Payments: (a) any fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable; (b) any amount due to the Trustee pursuant to the terms of the Indenture; (c) any reasonable fees and expenses of such accountants, consultants, attorneys, and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Indenture; and (d) any reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease Agreement, the Indenture or the Continuing Disclosure Certificate or in connection with the issuance of the Bonds.

Pursuant to the Lease Agreement, the District covenants to take such action as may be necessary to include all Lease Payments and Additional Payments due thereunder in its annual budgets and to make annual appropriations therefor. As provided in the Lease Agreement, the covenants of the District thereunder are duties imposed by law, and it is the duty of each and every public official of the District to take such action and to do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

California law requires, and the Lease Agreement provides, that Lease Payments are required to be abated in whole or in part during any period in which there is substantial interference with the use and occupancy of the Property by the District due to damage, destruction or taking in eminent domain proceedings. Under these circumstances, failure to make any Lease Payment will not be an event of default under the Lease Agreement. See “SECURITY FOR THE BONDS—Abatement” below.

Lease Payments made by the District to the Authority are payable from any revenues lawfully available to the District therefor. The Lease Agreement and the Indenture require that Lease Payments be deposited in the Revenue Fund maintained by the Trustee, which fund is held for the benefit of the owners of the Bonds. The District intends to make all Lease Payments from moneys it receives pursuant to The California Clean Energy Jobs Act (Proposition 39) but such revenues are not pledged as security for the repayment of the Bonds.

### **Insurance and Condemnation Awards**

In the event of any damage to or destruction of any part of the Property covered by insurance, the Authority, except as hereinafter provided, is required to cause the proceeds of such insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Property, and the Trustee is required to hold said proceeds in a fund established by the Trustee for such purpose separate and apart from all other funds, to the end that such proceeds are required to be applied to the repair, reconstruction or replacement of the Property to at least the same good order, repair and condition as was the case prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. The Trustee is required to invest said proceeds in Permitted Investments pursuant to the Written Request of the District, as agent for the Authority under the Lease Agreement, and withdrawals of said proceeds are required to be made from time to time upon the filing of a Written Request of the District with the Trustee, stating that the District has expended moneys or incurred liabilities in an amount equal to the amount therein stated for the purpose of the repair, reconstruction or replacement of the Property, and specifying the items for which such moneys were expended, or such liabilities were incurred, in reasonable detail. The District is required to file a written certificate with the Trustee to the effect that sufficient funds from insurance proceeds or from any funds legally available to the District, or from any combination thereof, are available in the event it elects to repair, reconstruct or replace the

Property. Any balance of such proceeds not required for such repair, reconstruction or replacement and the proceeds of use and occupancy insurance are required to be treated by the Trustee as Lease Payments. Alternatively, the District, at its option, if the proceeds of such insurance together with any other moneys then available for such purpose are sufficient to prepay all, in case of damage or destruction in whole of the Property, or that portion, in the case of partial damage or destruction of the Property, of the Lease Payments relating to the damaged or destroyed portion of the Property, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Property and thereupon is required to cause said proceeds to be used for the redemption of Outstanding Bonds. The District is not required to apply the proceeds of insurance to redeem the Bonds in part due to damage or destruction of a portion of the Property unless the Trustee receives a written certificate of the Authority to the effect that the Lease Payments on the undamaged portion of the Property will be sufficient to pay the initially-scheduled principal and interest on the Bonds remaining unpaid after such redemption.

No assurance can be given that the proceeds of any insurance or condemnation award will be sufficient under all circumstances to repair or replace any damaged or taken Property or to prepay all Lease Payments with respect to the Property. Also, the District makes no representation as to the sufficiency of any insurance awards or the adequacy of any self-insurance to pay, when and as due, amounts payable under the Lease Agreement or the Bonds.

### **Abatement**

The Lease Agreement provides for the abatement of Lease Payments during any period in which by reason of damage to or destruction of the Property (other than by eminent domain which may cause abatement of Lease Payments as described below), which causes substantial interference with the use and occupancy by the District of the Property or any portion thereof. The amount of such abatement will be an amount agreed upon by the District and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Property not damaged or destroyed or the portion of the Property completed and available for use and possession by the District. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. There will be no abatement of the Lease Payments to the extent that moneys derived from any person as a result of such damage or destruction are available to pay the amount which would otherwise be abated or if there is any money available in the Revenue Fund or from the proceeds of rental interruption insurance to pay the amount which would otherwise be abated. See “—Insurance—Rental Interruption Insurance.” The District will have in place at the time of closing of the sale of the Bonds a policy of rental interruption insurance that will cover at least two years of Lease Payments. If reconstruction or replacement of the Property takes longer than two years and the Revenue Fund is depleted, then the Owners would not receive payments on their Bonds as scheduled. However, if Lease Payments are abated, the term of the Lease Agreement will be extended for a period equal to the period of the abatement, up to 10 years, or until all payments on the Bonds are made.

If all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Lease Agreement will terminate with respect to the Property as of the day possession is so taken. If less than all of the Property is taken permanently, or if all of the Property or any part thereof is taken temporarily under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect, and (b) there will be a partial abatement of Lease Payments in an amount to be agreed upon by the District and the Authority such that

the resulting Lease Payments for the Property represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

## **Insurance**

*Fire and Extended Coverage Insurance.* The District is required under the Lease Agreement to procure and maintain or cause to be procured and maintained, throughout the term of the Lease Agreement, insurance against loss or damage to any structures constituting any part of the Property by fire and lightning, with extended coverage insurance, vandalism, malicious mischief insurance and sprinkler system leakage insurance. Said extended coverage insurance is required to, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance is required to be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Property, excluding the cost of excavations, of grading and filling, and of the land (except that insurance may be subject to deductible clauses for any one loss of not to exceed two hundred fifty thousand dollars (\$250,000) or a comparable deductible adjusted for inflation), or, in the alternative, is required to be in an amount and in a form sufficient, in the event of total or partial loss, to enable a portion of all Bonds then Outstanding equal to the amount of such Bonds to be paid from Lease Payments to be redeemed. The net proceeds of such insurance will be applied as provided under the caption "SECURITY FOR THE BONDS—Insurance and Condemnation Awards" above.

*Rental Interruption Insurance.* The Lease Agreement requires the District to procure and maintain or cause to be procured and maintained rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Property as a result of certain hazards, in an amount at least equal to the maximum Lease Payments coming due and payable during any future 24-month period. Such insurance may be maintained as part of or in conjunction with any other property insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance except for a time element deductible not to exceed sixty days in duration. The proceeds of such insurance, if any, will be paid to the Trustee and deposited in the Revenue Fund, and will be credited towards the payment of the Lease Payments as the same become due and payable.

*Title Insurance.* The District is required to obtain upon the execution and delivery of the Lease Agreement, title insurance on the Property, in an amount not less than the aggregate principal amount of Bonds issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances. Proceeds of such insurance are required to be delivered to the Trustee as a prepayment of rent and are required to be applied by the Trustee to the redemption of Bonds.

## **Additional Bonds**

Pursuant to the Indenture, the Authority may not issue additional bonds, notes or other indebtedness which would be payable out of the Revenues in whole or in part. See "THE AUTHORITY."

## **SAN BERNARDINO COUNTY INVESTMENT POOL**

*This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been obtained from the office of the Auditor-Controller for inclusion*

*in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the County Treasurer, 172 West Third Street, 1<sup>st</sup> Floor, San Bernardino, California 92415, Phone (909) 387-6375.*

State law requires that all moneys of a county along with school districts and certain special districts within such county be held by the treasurer of the county. The County Investment Pool (the “County Pool”) represents moneys entrusted to the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. All income is distributed to the participants based on their average daily balance.

Funds held by the County in the County Pool are invested in accordance with the County Investment Policy. The County Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity, and rating which vary with each security type. The composition of the portfolio will change over time as investments mature, or are sold, and as new investments are made. The County Investment Policy is submitted to the County Board of Supervisors annually.

Funds on deposit with the Treasurer are managed to insure preservation of capital through high quality investments, maintenance of liquidity, and yield (in that order of priority). The maximum remaining term to maturity for an investment is two years; except that the Treasurer may authorize investments in U.S. Treasury obligations and/or U.S. Agency obligations with a maximum remaining term to maturity of five years. The weighted average maturity of the investment pool, determined at the time of purchase, cannot exceed 540 days to final maturity/call. The County Pool has never invested in derivatives or reverse repurchase agreements, and such investments are not allowed by the County Investment Policy.

The following table summarizes the County Pool investment portfolio as of June 30, 2015.

**PORTFOLIO STATISTICS**  
**San Bernardino County Investment Pool**  
**as of June 30, 2015**

Type of Investment	Par Value	Market Value	Market % of Portfolio
Certificates of Deposit	\$ 800,000,000.00	\$ 799,587,532.25	16.20%
Commercial Paper	810,000,000.00	809,742,060.00	16.40
Corporate Notes	125,046,000.00	126,058,782.57	2.60
Federal Agencies	1,981,444,000.00	1,992,348,126.70	40.40
Money Market Funds	150,000,000.00	150,000,000.00	3.10
Bank Deposit Account	50,000,000.00	50,000,000.00	1.00
Joint Powers Authority	130,000,000.00	130,000,000.00	2.60
Supranationals	125,000,000.00	125,010,550.00	2.60
U.S. Treasuries	740,000,000.00	745,206,635.00	15.10
Total Securities	\$4,911,490,000.00	\$4,927,953,686.52	100.00%
Cash Balance	183,155,877.72	183,155,877.72	
Total Investments	\$5,094,645,877.72	\$5,111,109,564.24	
Accrued Interest	—	7,896,903.02	
Total Portfolio	\$5,094,645,877.72	\$5,119,006,467.26	

Source: San Bernardino County Treasurer



## **THE AUTHORITY**

Under the JPA Act, certain California cities, counties and special districts have entered into the JPA Agreement forming the Authority for the purpose of exercising powers common to the members and exercising the additional powers granted to the Authority by the JPA Act and any other applicable provisions of California law. Under the JPA Agreement, the Authority may issue bonds, notes or any other evidence of indebtedness, for any purpose or activity permitted under the JPA Act or any other applicable law.

The Authority may sell and deliver obligations other than the Bonds. These obligations will be secured by instruments separate and apart from the Indenture and Lease Agreement, and the holders of such other obligations of the Authority will have no claim on the security for the Bonds. Likewise, the Holders of the Bonds will have no claim on the security for such other obligations that may be issued by the Authority.

Neither the Authority nor its independent contractors has furnished, reviewed, investigated or verified the information contained in this Official Statement other than the information contained in this section and the section entitled “ABSENCE OF LITIGATION—The Authority.” The Authority does not and will not in the future monitor the financial condition of the District or otherwise monitor payment of the Bonds or compliance with the documents relating thereto. Any commitment or obligation for continuing disclosure with respect to the Bonds or the District has been undertaken solely by the District. See “CONTINUING DISCLOSURE.”

## **THE DISTRICT**

### **General Information**

The District is a unified school district. The majority of the territory of the District is located in the County with a small portion located in Los Angeles County. The District is bound by State Highway 18 on the north; State Highway 395 and Interstate 15 on the east; the top of the San Gabriel Mountain range on the south; and, except for a small area of land extending westward into Los Angeles County in the Angeles National Forest, by the Los Angeles County line on the west.

The District provides pre-kindergarten and kindergarten through twelfth grade education within an approximately 260 square mile area, including the cities or communities of Wrightwood, Piñon Hills, Phelan, Oak Hills, Baldy Mesa and portions of the West Cajon Valley.

The District currently operates five elementary schools, one K-8 school, two middle schools and one high school. In addition, the District maintains three separate alternative education centers at other locations within the District. The District is under the authority of the County Office of Education.

Enrollment in the District for grades K-12 in the 2014-15 school year was 7,821 students, and is budgeted at 7,682 in Fiscal Year 2015-16. In Fiscal Year 2015-16, the District has budgeted for approximately 775 employees. Budgeted full-time-equivalent positions (FTEs) include 387 certificated (credentialed teaching) staff, 322 classified (non-teaching) staff, and 66 management personnel. The District has budgeted general fund expenditures of approximately \$68,744,531 in Fiscal Year 2015-16.

Total assessed valuation of taxable property in the District in Fiscal Year 2014-15 is \$2,838,559,636. The District operates under the jurisdiction of the County Superintendent of Schools.

See APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO SAN BERNARDINO COUNTY.

### **Board of Education and Administration**

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

#### **BOARD OF EDUCATION Snowline Joint Unified School District**

Name	Position	Expiration of Term
Steve Coulombe	President	2018
Karie LaFever	Clerk	2018
David Nilsen	Trustee	2016
Ann Bashaw	Trustee	2016
Christina Behringer	Trustee	2018

The District's day-to-day operations are managed by a board-appointed Superintendent of Schools. Luke Ontiveros was appointed as Superintendent of the District on July 1, 2013. Mr. Ontiveros has over 28 years experience in California schools.

### **DISTRICT FINANCIAL INFORMATION**

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

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the State Legislature (the "Legislature") to school districts. Commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education. In Fiscal Year 2013-14, State legislation replaced the majority of revenue limit and categorical funding formulas with a new set of funding formulas. The Governor refers to the new funding formulas as the "Local Control Funding Formula" ("Local Control Funding Formula" or "LCFF"). The State budget provided funding in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The new system provides a more uniform base per-pupil rate for each of several grade levels. The base rates are augmented by several funding supplements such as for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; and (2) school districts with high concentrations of English learners and lower income families. The new funding system requires school districts to develop local plans describing how the school district intends to educate its students. See "GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION – 2014-15 State Budget" below.

Under the prior system, California Education Code Section 42238 and following, each school district is determined to have a target funding level: a "base revenue limit" per student multiplied by the



school district's student enrollment measured in units of average daily attendance ("ADA"). The base revenue limit is calculated from the school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was determined as the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution ultimately, a school district whose local property tax revenues exceed was base revenue limit is entitled to receive no State equalization aid, and receives only its special categorical aid, which was deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such school districts were known as "basic aid districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts."

The 2013-14 State Budget implemented the new Local Control Funding Formula school funding allocation system. The Local Control Funding Formula replaced revenue limit and most categorical program funding.

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

### **Average Daily Attendance**

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

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. The following table shows the District's enrollment, ADA and revenue limit revenues under the historical funding program and for 2013-14 and 2014-15 and estimated 2015-16 revenues under the Local Control Funding Formula.

**AVERAGE DAILY ATTENDANCE,  
LCFF/REVENUE LIMIT REVENUES AND ENROLLMENT  
Snowline Joint Unified School District  
Fiscal Years 2011-12 to 2015-16**

Fiscal Year	Average Daily Attendance <sup>(1)</sup>	LCFF/Revenue Limit Revenues <sup>(2)</sup>	Enrollment <sup>(3)</sup>
2011-12	7,890.55	41,170,645	8,289
2012-13	7,905.57	41,466,402	8,071
2013-14	7,725.20	49,259,263	7,824
2014-15	7,491.89	54,553,286	7,826
2015-16	7,478.46	62,489,027	7,682

Source: Snowline Joint Unified School District

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

## **District Budget**

The District is required by the provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets' ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

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

local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district boards must be notified by September 15 of the county superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than October 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The District's budget for fiscal year 2015-16 was adopted June 23, 2015.

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 and 2014-15.

**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**  
**Snowline Joint Unified School District**  
**Fiscal Years 2013-14 and 2014-15**  
(Estimated Actuals)

Fiscal Year	Average Daily Attendance				Total District ADA	Total District Enrollment <sup>(2)</sup>	% of EL/LI Enrollment <sup>(3)</sup>
	K-3	4-6	7-8	9-12			
2013-14	2,094.34	1,805.16	1,269.96	2,555.74	7,725.20	7,824	59.15%
2014-15	2,047.65	1,761.87	1,256.58	2,425.79	7,491.89	7,826	62.18%

Source: Snowline Joint Unified School District

(1) Reflects P-2 ADA.

(2) Reflects CBEDS enrollment.

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

## Accounting Practices

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

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

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

## Financial Statements

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the Business Office of the District, 4075 Nielson Road, Phelan, California 92371, telephone

number (760) 868-5817. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014.

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Snowline Joint Unified School District**  
**Fiscal Years 2011-12 to 2015-16**

	Fiscal Year				
	2011-12	2012-13	2013-14 <sup>(1)</sup>	2014-15 <sup>(1)(2)</sup>	2015-16 <sup>(1)(2)</sup>
	Audited	Audited	Audited	Estimated Actuals	Budget
<b>REVENUES</b>					
Revenue Limit Sources/LCFF <sup>(1)</sup>	41,170,645	41,466,402	49,259,263	54,553,286	62,489,027
Federal Sources	3,340,919	3,806,257	2,398,544	2,996,820	2,673,866
Other State Sources	9,015,227	9,295,609	5,231,635	2,820,059	6,407,553
Other Local Sources	3,682,650	3,462,673	3,037,513	2,794,101	1,419,320
Total Revenues	57,209,441	58,030,941	59,926,955	63,166,269	72,989,766
<b>EXPENDITURES</b>					
Certificated Salaries	28,156,484	28,923,785	29,335,699	33,286,021	32,673,994
Classified Salaries	10,693,994	11,013,745	11,258,849	12,097,043	12,855,042
Employee Benefits	10,373,353	12,106,052	10,683,036	10,359,610	10,978,584
Books and Supplies	2,551,653	2,402,927	3,102,496	4,501,719	4,783,286
Contract Services and Op. Ex.	4,624,934	5,251,641	5,041,220	5,309,155	5,434,846
Capital Outlay	(108,198)	318,333	438,125	494,426	1,136,985
Other Outgo	420,166	(98,016)	138,593	668,416	879,794
Debt Service - Principal	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-
Total Expenditures	56,712,386	59,918,467	59,998,018	66,716,392	68,744,531
Excess (Deficiency) of Revenues over Expenditures	497,055	(1,887,526)	(71,063)	(3,550,122)	4,245,235
Fund Balance, July 1	23,487,361	23,984,416	22,096,890	22,025,826	18,475,703
Fund Balance, June 30	23,984,416	22,096,890	22,025,826	18,475,703	22,720,938

Source: Snowline Joint Unified School District 2010-2014 audited financial statements and 2015-16 Adopted Budget.

(1) Beginning in FY2013-14 the Local Control Funding Formula (LCFF) has replaced the prior revenue limit system of funding.

(2) FY2014-15 Estimated Actuals and 2015-16 Budget Totals from the 2015-16 budget, adopted June 23, 2015.

### Summary of District Revenues and Expenditures

See “District Budget” for a general description of the annual budget process for California school districts. The District’s audited financial statements for the year ending June 30, 2014, are reproduced in Appendix B. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. For fiscal year 2015-16, the District

has budgeted an unrestricted and undesignated general fund reserve of 10.4%, or approximately \$7,140,636, not including the State mandated reserve of 3%. Substantially all funds of the District are required by law to be deposited with and invested by the County Finance Director on behalf of the District, pursuant to law and the investment policy of the County.

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

As part of the State Budget for Fiscal Year 2013-14 (the "2013-14 State Budget"), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013 Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district student demographic. Each school district and charter school will receive a per pupil base grant used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years. Beginning in fiscal year 2013-14 an annual transition adjustment is calculated for each individual school district, equal to such district's proportionate share of appropriations included in the State Budget. The Governor's Department of Finance estimates the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by 2020-21.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to \$7,643 per unit of ADA (by the end of the implementation period). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site by the target year so as to continue receiving its adjustment to the K-3 base grant.
- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."
- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment.

Of the more than \$25 billion in funding that is being invested through the LCFF through 2020-21, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 State Budget, the target average base grant was \$7,643, which was an increase of \$2,375 from the prior year's average revenue limit. Base grants are 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. 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 1.94% cost of living adjustment in Fiscal Years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The sum of a school district's adjusted base, supplemental and concentration grants will be multiplied by such district's Second Principal Apportionment (P-2) ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with categorical block grant add-ons, will yield a school district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and the individual school district's share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues in a particular year may significantly affect appropriations made by the State Legislature to school districts.

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

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

**CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS  
GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION  
LOCAL CONTROL TARGET FUNDING FORMULA 2014-15**

Grade Levels	Base Grants	Grade Span Adjustments	Supplemental Grant	Concentration Grant	Total per ADA
TK-3	\$7,011	\$729	\$1,424	\$1,432	\$10,596
4-6	\$7,116	—	\$1,309	\$1,317	\$9,742
7-8	\$7,328	—	\$1,348	\$1,356	\$10,032
9-12	\$8,491	\$221	\$1,603	\$1,612	\$11,927

Source: California Department of Education

Beginning July 1, 2015, school districts are required to develop a three-year Local Control and Accountability Plan (each, a "LCAP"). County Superintendent of Schools and the State Superintendent



of Public Instruction will review and provide support to school districts and county offices of education under their jurisdiction. In addition, the Fiscal Year 2013-14 State Budget created the California Collaborative for Education Excellence (the “Collaborative”) to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to school district or county office’s local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

*Federal Sources.* The federal government provides funding for several school district programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Education for Economic Security, and the free and reduced lunch program.

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

These other State revenues are primarily restricted revenue funding items such as the Special Education Master Plan, Economic Impact Aid, Class Size Reduction Program, Tier 3 Funding and home-to-school transportation.

Other State revenues include the California State Lottery (the “Lottery”), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research.

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

## **District Expenditures**

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



*Labor Relations.* Currently the District employs 387 full-time equivalent (FTE) certificated employees, 322 FTE classified employees, 66 management and confidential employees. There is one formal bargain unit operating in the District which is described in the table below.

**LABOR ORGANIZATIONS**  
**Snowline Joint Unified School District**

Labor Organization	Contract Expiration
California Schools Employees Association	6/30/2018

Source: Snowline Joint Unified School District

**Retirement Programs**

*Information set forth below regarding the District's retirement programs has been obtained from the District's most recent audited financial statements, included here as APPENDIX B. The information regarding the District's retirement programs are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be constructed as a representation by either the District or the Underwriter.*

Qualified employees are covered under multiple-employer contributory 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).

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make.

**State Teachers' Retirement System (CalSTRS)**

*Plan Description.* The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

*Funding Policy.* Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$2,384,216, \$2,359,730, and \$2,296,985, respectively, and equal 100 percent of the required contributions for each year.

*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 \$1,448,910 (5.541 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.

### **California Public Employees' Retirement System (CalPERS)**

*Plan Description.* The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

*Funding Policy.* As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$1,118,033, \$1,065,976, and \$996,664, respectively, and equal 100 percent of the required contributions for each year.

### **Alternative Retirement Program**

The District also contributes to an Accumulation Program for Part-time and Limited Service Employees (APPLE), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

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 APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to \$113,247, which was 3.75 percent of its current-year covered payroll. Employees' required and actual contribution matched that of the employer's.

See also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, Note 12.

### **Early Retirement Incentive Program**

The District has adopted an early retirement incentive program pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

A total of 25 employees have retired in exchange for the additional two years of service credit.

See also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, Note 15.

### **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, 2014, the District participated in the Southern California Regional Liability Excess Fund (SoCal ReLiEF) public risk entity pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. Excess coverage is provided by the Schools Excess Liability Fund (SELF) public risk entity pool.

*Workers' Compensation.* For fiscal year 2014, the District participated in the Southern California Schools Risk Management (SCSRM) risk entity pool for workers' compensation coverage. The intent of SCSRM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SCSRM. Each participant pays its workers' compensation premium based on its individual rate.

*Employee Medical Benefits.* The District has contracted with Riverside County Employer/Employee Partnership for Benefits (REEP) and Coalition for Controlling Insurance Costs in California Schools (CICCS) to provide employee health benefits. Additionally, the District purchases commercial insurance for basic life insurance and vision programs.

The District pays an annual premium/contribution to each entity for its property and liability, workers' compensation, and excess liability coverage.

See also APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, Notes 11 and 14.

## **District Debt Structure**

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

*General Obligation Bonds.* The District has no general obligation bonds outstanding..

*General Fund Obligations.* In June 2009, the District caused the execution and delivery of \$56,035,000 Certificates of Participation (2009 Refinancing Project) (the “2009 Certificates”). The proceeds of the 2009 Certificates were used to refund certificates of participation executed and delivered by the District in 2005 and 2007. The 2009 Certificates pay interest at rates from 3.00% to 5.75%. At August 1, 2015, the principal balance outstanding was \$55,660,000.

In May 2010, the District caused the execution and delivery of \$6,590,000 Certificates of Participation (2010 Refinancing Project) (the “2010 Certificates”). The proceeds of the 2010 Certificates were used to refund certificates of participation executed and delivered by the District in 1998. The 2010 Certificates pay interest at rates from 2.00% to 3.75%. At August 1, 2015, the principal balance outstanding was \$1,990,000.

*Community Facilities District 2005-3.* On March 27, 2007, the Community Facilities District No. 2005-3 of the District issued \$2,235,000 of 2007 Special Tax Bonds, Series A (the “2005-3 CFD Bonds”) pursuant to the Mello-Roos Community Facilities Act of 1982. The 2005-3 CFD Bonds mature on September 1, 2036, with interest yields from 4.00 - 5.00%. The proceeds of the 2005-3 CFD Bonds were used to pay the costs of financing water facilities which will serve to credit the water capacity and connection fees with respect to the property in the community facilities district, to fund a reserve fund for the 2005-3 CFD Bonds, to fund capitalized interest on the 2005-3 CFD Bonds through March 1, 2008, to pay certain administrative expenses of the community facilities district and to pay the costs of issuing the 2005-3 CFD Bonds. At August 1, 2015, the principal balance outstanding was \$1,960,000. The 2005-3 CFD Bonds are payable from special taxes levied on property located within Community Facilities District No. 2005-3.

*Community Facilities District 2002-1.* On February 25, 2015, the Community Facilities District No. 2002-1 of the District issued \$8,930,000 of Special Tax Refunding Bonds (the “2002-1 CFD Bonds”) pursuant to the Mello-Roos Community Facilities Act of 1982 to refund certain bonds issued in 2004. The 2002-1 CFD Bonds mature on September 1, 2034, with interest yields from 2.00% to 4.00%. At August 1, 2015, the principal balance outstanding was \$8,930,000. The 2002-1 CFD Bonds are payable from special taxes levied on property located within Community Facilities District No. 2002-1.

## **Property Taxation System**

The collection of property taxes is significant to the District and the Owners of the Bonds as the general *ad valorem* property tax levied in accordance with Article XIII A of the California Constitution and its implementing legislation is taken into account in connection with the State’s Local Control Funding Formula (“LCFF”) which determines the amount of funding received by the District from the State to operate the District’s educational programs. The LCFF replaces revenue limit and most State categorical program funding previously used to determine the amount of funding received by the District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district’s student demographic. See “Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System.”

The District received approximately 7.2% of its total general fund operating revenues from local property taxes in fiscal year 2014-15.

Local property taxation is the responsibility of various county officers. 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 Director of Finance prepares and mails tax bills to taxpayers and collects the taxes. In addition, the Director of Finance, as ex officio treasurer of each school district located in the County, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

### **Method of Property Taxation**

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

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

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

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

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and if unpaid become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to any delinquent payment. Property on the secured roll, with respect to which taxes are delinquent, becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county treasurer.

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

### **Assessed Valuations**

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution.

Certain classes of property, such as churches, colleges, not-for-profit hospitals and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions. The general *ad valorem* property tax levy is based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and county taxing purposes. The valuation of secured property by the County Assessor is established as of January 1, and is subsequently equalized in September of each year.



The table below shows the assessed valuation in the District for fiscal years 2010-11 to 2014-15.

**HISTORIC ASSESSED VALUATIONS**  
**Snowline Joint Unified School District**  
**Fiscal Years 2010-11 to 2014-15**

San Bernardino County Portion

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2010-11	\$ 2,694,294,005	\$ 77,500	\$ 20,816,166	\$ 2,715,187,671
2011-12	2,623,554,345	77,500	21,120,787	2,644,752,632
2012-13	2,589,837,669	77,500	20,857,870	2,610,773,039
2013-14	2,635,265,264	77,500	20,524,797	2,655,867,561
2014-15	2,762,440,749	26,395	20,990,842	2,783,457,986

Los Angeles County Portion

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2010-11	\$ 52,140,044	-	\$ 2,654,283	\$ 54,794,327
2011-12	51,099,969	-	2,254,483	53,354,452
2012-13	51,384,524	-	2,868,789	54,253,313
2013-14	51,448,406	-	2,614,978	54,063,384
2014-15	52,045,874	-	3,055,776	55,101,650

Total District

Fiscal Year	Local Secured	Utility	Unsecured	Total Valuation
2010-11	\$ 2,746,434,049	\$ 77,500	\$ 23,470,449	\$ 2,769,981,998
2011-12	2,674,654,314	77,500	23,375,270	2,698,107,084
2012-13	2,641,222,193	77,500	23,726,659	2,665,026,352
2013-14	2,686,713,670	77,500	23,139,775	2,709,930,945
2014-15	2,814,486,623	26,395	24,046,618	2,838,559,636

Source: California Municipal Statistics, Inc.

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

*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values.* There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the

base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

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

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

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

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

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



The following table shows the 2014-15 assessed valuation of each jurisdiction within the boundaries of the District:

**ASSESSED VALUATION BY JURISDICTION<sup>(1)</sup>**  
**Snowline Joint Unified School District**  
**Fiscal Year 2014-15**

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Hesperia	\$ 61,734,322	2.17%	\$ 4,722,050,423	1.31%
City of Victorville	398,009,777	14.02	7,268,021,655	5.48
Unincorporated Los Angeles County	55,101,650	1.94	89,355,630,286	0.06
Unincorporated San Bernardino County	2,323,713,887	81.86	28,646,389,447	8.11
Total District	<u>\$2,838,559,636</u>	<u>100.00%</u>		
<u>Summary by County:</u>				
Los Angeles County	\$ 55,101,650	1.94%	\$ 1,201,271,457,529	0.00%
San Bernardino County	2,783,457,986	98.06	178,617,832,417	1.56
Total	<u>\$2,838,559,636</u>	<u>100.00%</u>		

Source: California Municipal Statistics, Inc.

(1) Before deduction of redevelopment incremental valuation.

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

**ASSESSED VALUATION AND PARCELS BY LAND USE**  
**Snowline Joint Unified School District**  
**Fiscal Year 2014-15**

	2014-15 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<u>Non Residential:</u>				
Agricultural/Rural	\$ 2,258,796	.08%	10	.04%
Commercial	64,258,651	2.28	107	.42
Office Building	9,397,623	.33	25	.10
Industrial	10,537,299	.37	73	.29
Government/Social/Institutional	3,278,533	.12	94	.37
Possessory/Leasehold Interest	26,699,334	.95	33	.13
Miscellaneous	1,634,128	.06	29	.12
Subtotal Non-Residential	\$ 118,064,364	4.19%	371	1.47%
<u>Residential:</u>				
Single Family Residence	\$ 1,886,162,857	67.02%	10,614	42.12%
Mobile Home	280,056,190	9.95	3,508	13.92
Mobile Home Park	1,725,884	.06	2	.01
2-4 Residential Units	71,617,850	2.54	400	1.59
5+ Residential Units/Apartments	1,895,972	.07	7	.03
Miscellaneous Residential Improvements	4,965,739	.18	85	.34
Subtotal Residential	\$ 2,246,424,492	79.82%	14,616	58.00%
Vacant Parcels	\$ 449,997,767	15.99%	10,214	40.53%
Total	\$ 2,814,486,623	100.00%	25,201	100.00%

Source: California Municipal Statistics, Inc.

(1) Local secured assessed valuation; excluding tax-exempt property.

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

**ASSESSED VALUATION OF SINGLE FAMILY HOMES**  
**Snowline Joint Unified School District**  
**Fiscal Year 2014-15**

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	10,614	\$ 1,886,162,857	\$ 177,705	\$ 166,800

  

2014-15 Assessed Valuation	No. of Parcels <sup>(1)</sup>	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	100	0.942%	0.942%	\$ 1,550,755	0.082%	0.082%
\$25,000 - \$49,999	277	2.610	3.552	10,467,407	0.555	0.637
\$50,000 - \$74,999	370	3.486	7.038	23,418,273	1.242	1.879
\$75,000 - \$99,999	673	6.341	13.379	60,003,056	3.181	5.060
\$100,000 - \$124,999	1,234	11.626	25.005	139,376,522	7.389	12.449
\$125,000 - \$149,999	1,636	15.414	40.418	224,219,244	11.888	24.337
\$150,000 - \$174,999	1,510	14.226	54.645	245,527,904	13.017	37.354
\$175,000 - \$199,999	1,343	12.653	67.298	251,270,107	13.322	50.676
\$200,000 - \$224,999	998	9.403	76.701	210,973,805	11.185	61.861
\$225,000 - \$249,999	763	7.189	83.889	180,574,220	9.574	71.435
\$250,000 - \$274,999	502	4.730	88.619	131,073,076	6.949	78.384
\$275,000 - \$299,999	393	3.703	92.321	112,926,854	5.987	84.371
\$300,000 - \$324,999	277	2.610	94.931	86,189,598	4.570	88.941
\$325,000 - \$349,999	178	1.677	96.608	59,843,409	3.173	92.114
\$350,000 - \$374,999	127	1.197	97.805	45,992,737	2.438	94.552
\$375,000 - \$399,999	75	0.707	98.511	29,046,300	1.540	96.092
\$400,000 - \$424,999	54	0.509	99.020	22,233,512	1.179	97.271
\$425,000 - \$449,999	35	0.330	99.350	15,276,174	0.810	98.081
\$450,000 - \$474,999	19	0.179	99.529	8,741,772	0.463	98.544
\$475,000 - \$499,999	16	0.151	99.680	7,757,928	0.411	98.956
\$500,000 and greater	34	0.320	100.000	19,700,204	1.044	100.000
Total	10,614	100.000%		\$ 1,886,162,857	100.000%	

Source: California Municipal Statistics, Inc.

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

## Tax Rates

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

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the two principal Tax Rate Areas (“TRAs”) within the District from fiscal year 2010-11 to fiscal 2014-15. TRA 101-33 comprises approximately 17% of the total assessed value of property in the District and TRA 12-205 comprises approximately 4% of the total assessed value of property in the District.

**DEFINITIONS AND SUMMARY OF AD VALOREM TAX RATES**  
**Snowline Joint Unified School District**  
**Fiscal Years 2010-11 to 2014-15**

Total Tax Rates (TRA 101-33 – 2014-15 Assessed Valuation: \$485,275,471)

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Victor Valley Joint Community College District	.0306	.0253	.0274	.0264	.0262
Total Tax Rate – All Property	<u>1.0306%</u>	<u>1.0253%</u>	<u>1.0274%</u>	<u>1.0264%</u>	<u>1.0262%</u>

Total Tax Rates (TRA 101-33 – 2014-15 Assessed Valuation: \$112,452,123)

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General Tax Rate	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Victor Valley Joint Community College District	.0306	.0253	.0274	.0264	.0264
Total Tax Rate – All Property	<u>1.0306%</u>	<u>1.0253%</u>	<u>1.0274%</u>	<u>1.0264%</u>	<u>1.0264%</u>
Mojave Water Agency	<u>.0550%</u>	<u>.0550%</u>	<u>.0550%</u>	<u>.0550%</u>	<u>.0550%</u>
Total Tax Rate – Land and Improvements Only	<u>.0550%</u>	<u>.0550%</u>	<u>.0550%</u>	<u>.0550%</u>	<u>.0550%</u>
Mojave Water District, I.D. No. 1	<u>.1125%</u>	<u>.1125%</u>	<u>.1125%</u>	<u>.1125%</u>	<u>.1125%</u>
Total Tax Rate – Land Only	<u>.1125%</u>	<u>.1125%</u>	<u>.1125%</u>	<u>.1125%</u>	<u>.1125%</u>

Source: California Municipal Statistics, Inc.

(1) Maximum rate for purposes other than paying debt service in accordance with Article XIII A of the State Constitution.

## Tax Levies and Delinquencies

Beginning in 1978-79, Article XIII A and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each County.

### SECURED TAX CHARGES AND DELINQUENCIES Snowline Joint Unified School District Fiscal Years 2010-11 to 2014-15

#### Los Angeles County Portion

Fiscal Year	Secured Tax Charge <sup>(1)</sup>	Amount Del. June 30	% Del. June 30
2009-10	\$ 54,299.34	\$ 1,646.38	3.03%
2010-11	53,426.55	1,134.04	2.12
2011-12	52,672.17	963.08	1.83
2012-13	53,808.29	854.24	1.59
2013-14	53,882.79	696.29	1.29

Source: California Municipal Statistics, Inc.

(1) 1% General Fund apportionment.

Tax delinquency data is not available from San Bernardino County.

## Alternative Method of Tax Apportionment

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to secured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

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

subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

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

### **Largest Property Owners**

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2014-15, representing 3% of the District's total secured assessed valuation.

#### **LARGEST LOCAL SECURED TAXPAYERS Snowline Joint Unified School District Fiscal Year 2014-15**

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total <sup>(1)</sup>
1.	Dr. Prem Reddy Family Foundation	Vacant/Undeveloped	\$ 9,536,675	.34%
2.	Wildlands Conservancy	Vacant/Undeveloped	6,946,136	.25
3.	Carl E. Ross Living Trust	Vacant/Undeveloped	6,646,984	.24
4.	Ha & Yoo Enterprise Inc.	Shopping Center	5,775,100	.21
5.	Edennis Property LLC	Commercial	5,765,812	.20
6.	Stater Bros. Markets	Commercial	3,900,000	.14
7.	Oak Hills Investment Co. LLC	Vacant/Undeveloped	3,171,316	.11
8.	Kia LLC	Industrial	3,155,195	.11
9.	Dora Land	Vacant/Undeveloped	3,132,481	.11
10.	Victorville Oasis LLC	Vacant/Undeveloped	3,119,529	.11
11.	AW Properties West LLC	Vacant/Undeveloped	3,049,750	.11
12.	Prime A Investments LLC	Vacant/Undeveloped	2,978,660	.11
13.	Eagle Theater	Commercial Lot	2,960,000	.11
14.	Desert Community Bank Inc.	Bank	2,958,802	.11
15.	Overhead Investment Company LLC	Vacant/Undeveloped	2,895,669	.10
16.	B-VV1 LLC	Vacant/Undeveloped	2,765,161	.10
17.	Cameron Properties Inc.	Vacant/Undeveloped	2,719,357	.10
18.	Phelan Stow-It LLC	Industrial	2,718,406	.10
19.	Ash Sater	Commercial	2,712,525	.10
20.	Phelan Service Station LP	Commercial	2,502,395	.09
			<u>\$ 79,409,953</u>	<u>2.82%</u>

Source: California Municipal Statistics, Inc.

(1) 2014-15 Local secured and utility assessed valuation: \$2,814,486,623.

### **Direct and Overlapping Debt**

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they

necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of July 1, 2015, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT**  
**Snowline Joint Unified School District**  
**As of July 1, 2015**

SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

2014-15 Assessed Valuation:     \$2,838,559,636

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/15</u>
Los Angeles County Flood Control District	.005%	\$ 755
Victor Valley Joint Community College District	11.337	14,980,160
Mojave Water Agency	7.752	905,821
Snowline Joint Unified School District Community Facilities District No. 2002-1	100.000	8,930,000
Snowline Joint Unified School District Community Facilities District No. 2005-3	100.000	1,960,000
San Bernardino County Service Area No. 70, Improvement Zone L	95.421	286,263
Los Angeles County Regional Park and Open Space Assessment District	.005	4,144
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$27,067,143</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
San Bernardino County General Fund Obligations	1.558%	\$ 7,232,002
San Bernardino County Pension Obligation Bonds	1.558	7,101,313
San Bernardino County Flood Control General Fund Obligations	1.558	1,514,843
Los Angeles County General Fund and Superintendent of Schools Obligations	.005	94,703
<b>Snowline Joint Unified School District Certificates of Participation</b>	<b>100.000</b>	<b>57,650,000</b> <sup>(1)</sup>
City of Hesperia Certificates of Participation	1.307	495,810
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$74,088,671</b>
 <b>COMBINED TOTAL DEBT</b>		<b>\$101,155,814</b> <sup>(2)</sup>

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt ..... 0.95%  
**Combined Direct Debt (\$57,650,000)..... 2.03%**  
Combined Total Debt ..... 3.56%

Source: California Municipal Statistics, Inc.

(1) Excludes issue to be sold.

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



## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

*Articles XIII A, XIII B, XIII C and XIII D of the California Constitution, Propositions 98, 111, 218 and 39, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and of the District to spend tax proceeds.*

### Article XIII A of the California Constitution

Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the 2014 Authorization falls within the exception for bonds approved by a 55% vote.

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

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

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

## **Legislation Implementing Article XIII A**

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

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

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

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

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

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

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

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

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

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

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

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

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

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it, in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it, will be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

### **Unitary Property**

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

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

### **California Lottery**

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

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2015-16, the District budgets to receive \$1,240,233 in State Lottery aid, representing approximately 2%

of the District's general fund revenues. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

### **Proposition 46**

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

### **Proposition 39**

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

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

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

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Trustees. They are exempt from most State laws and regulations affecting public schools. As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2% of all K-12 students). Under current law, school

districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

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

### **Article XIIC and XIID of the California Constitution**

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

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

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

authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

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

### **Propositions 98 and 111**

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

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

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

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



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

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

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

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

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

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



a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

### **Proposition 30**

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. Beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$680,000 for joint filers).

The revenues generated from the temporary tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111” above. 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 will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

### **Supplemental Information Concerning Litigation Against the State of California**

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

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded

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

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

## **Proposition 26**

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

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 26 and 98 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 the District's revenues or their ability to expend revenues.

## **GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION**

### **State Funding of Education; State Budget Process**

*General.* As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% county-wide *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the State Constitution).

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

*Adoption of Annual State Budget.* According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25", a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget.

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

federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: [www.sco.ca.gov](http://www.sco.ca.gov). Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

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

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

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged behind the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, and 2009, to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

## **Recent State Budgets**

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent

official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading “Bond Information”, posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer’s Office Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading “Financial Information”, includes the State’s Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State’s most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance’s Internet home page at [www.dof.ca.gov](http://www.dof.ca.gov), under the heading “California Budget”, includes the text of proposed and adopted State Budgets.

- The State Legislative Analyst’s Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst’s Internet home page at [www.lao.ca.gov](http://www.lao.ca.gov) under the heading “Subject Area – Budget (State)”.

*Prior Years’ Budgeting Techniques.* Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2015-16 Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

## **2015-16 State Budget**

On June 24, 2015, Governor Edmund G. Brown Jr. signed the Fiscal Year 2015-16 State Budget (the “2015-16 Budget”) which expands child care, boosts funding for public schools and opens the State’s public healthcare program to immigrant children who are in the country illegally. The new spending plan, which includes a \$115.4 billion general fund, takes effect July 1 and provides for an estimated 170,000 immigrants 18 and younger to qualify for Medi-Cal. In addition, Governor Brown called special legislative sessions to find sustainable funding for transportation and public healthcare. For K-12 schools, the 2015-16 Budget increases funding levels by more than \$3,000 per student in Fiscal Year 2015-16 over Fiscal Year 2011-12 levels with implementation of the LCFF. The 2015-16 Budget includes total funding of \$83.2 billion (\$49.7 billion General Fund and \$33.5 billion other funds) for all K-12 education programs and also includes Proposition 98 funding of \$68.4 billion for Fiscal Year 2015-16, an increase of \$7.6

billion over the 2014-15 Budget Act level. In addition, the 2015-16 Budget reduces the Proposition 98 maintenance factor to \$772 million.

Significant Adjustments in the 2015-16 Budget pertaining to K-12 education include the following:

- *LCFF*. An increase of \$6 billion Proposition 98 General Fund to continue the transition to the LCFF closing the remaining funding implementation gap by more than 51 percent.
- *Career Technical Education*. The 2015-16 Budget establishes the Career Technical Education (“CTE”) Incentive Grant Program and provides \$400 million, \$300 million, and \$200 million Proposition 98 General Fund in Fiscal Years 2015-16, 2016-17, and 2017-18, respectively, for local education agencies to establish new or expand high-quality CTE programs.
- *Educator Support*. An increase of \$500 million one-time Proposition 98 General Fund for educator support, \$490 million of which is designated to activities that promote educator quality and effectiveness, including beginning teacher and administrator support and mentoring, support for teachers who have been identified as needing improvement, and professional development that is aligned to the state academic content standards.
- *Special Education*. The 2015-16 Budget includes \$60.1 million Proposition 98 General Fund (\$50.1 million ongoing and \$10 million one-time) to implement selected program changes recommended by the California Statewide Special Education Task Force (the “Task Force”), making targeted investments that improve service delivery and outcomes for all disabled students.
- *K-12 High Speed Internet Access*. An increase of \$50 million in one-time Proposition 98 funding to support additional investments in internet connectivity and infrastructure to assist local educational agencies with securing required internet connectivity and infrastructure to implement the new computer-adaptive tests administered under Common Core.
- *K-12 Mandates*. An increase of \$3.2 billion in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs to make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments such as Common Core implementation.
- *K-12 Deferrals*. The 2015-16 Budget provides \$897 million Proposition 98 General Fund to eliminate deferrals consistent with the revenue trigger included in the 2014-15 Budget.
- *Adult Education*. The 2015-16 Budget includes \$500 million Proposition 98 General Fund for the Adult Education Block Grant program to provide funds for adult education administered by school districts, county offices of education, and community college districts. This program will coordinate efforts of various entities — such as schools, community colleges, universities, local workforce investment boards, libraries, social services agencies, public safety agencies, and employers - to provide education and training more effectively.



- *Early Education.* An increase of \$34.4 million (\$30.9 million Proposition 98, \$3.5 million General Fund) to provide access to full-day State Preschool for an additional 7,030 children from low-income working families. In addition, \$145 million will shift from general child care to State preschool to allow full-day State preschool providers that are local educational agencies to access a single funding stream (Proposition 98) in their full-day State Preschool contracts.

For additional information regarding the 2015-16 Budget, see the Department of Finance website at [dof.ca.gov](http://dof.ca.gov). The District can take no responsibility for the continued accuracy of the above-referenced internet address or for the accuracy, completeness, or timeliness of information posted therein, and such information is not incorporated herein by reference. The District cannot predict the impact that the final fiscal year 2015-16 State budget, or subsequent State budgets, will have on its finances and operations.

## **RISK FACTORS**

*This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

### **Lease Payments Are Not Debt**

The obligation of the District to make the Lease Payments under the Lease Agreement does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the District to make Lease Payments constitute a debt of the District, the State of California or any political subdivision thereof (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are not general obligations of the Authority, but are limited obligations payable solely from and secured by a pledge of Revenues and amounts held in the funds and accounts created under the Indenture, consisting primarily of Lease Payments. The Authority has no taxing power.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the District has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for the Lease Payments. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments, or which the District, in its discretion, may determine to pay prior to the Lease Payments.

The District has the capacity to enter into other obligations payable from the District's general fund, without the consent of or prior notice to the Owners of the Bonds. To the extent that additional



obligations are incurred by the District, the funds available to make Lease Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other municipal services before making Lease Payments. The same result could occur if, because of State constitutional limits on expenditures, the District is not permitted to appropriate and spend all of its available revenues. The District's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the District's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIII B of the California Constitution."

### **Valid and Binding Covenant to Budget and Appropriate**

Pursuant to the Lease Agreement, the District covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon issuance of the Bonds, Bond Counsel will render its opinions (substantially in the forms of APPENDIX D—FORM OF BOND COUNSEL OPINION) to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the District. As to the Authority's practical realization of remedies upon default by the District, see "—Limitations on Remedies."

### **Abatement**

In the event of loss or substantial interference in the use and possession by the District of all or any portion of the Property caused by material damage, title defect, destruction to or condemnation of the Property, Lease Payments will be subject to abatement. In the event that such component of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the District's rental interruption insurance will be available in lieu of Lease Payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Property or prepayment of the Bonds, there could be insufficient funds to make payments to Owners in full. Reduction in Lease Payments due to abatement as provided in the Lease Agreement does not constitute a default thereunder. The District will have in place at the time of closing of the sale of the Bonds a policy of rental interruption insurance that will cover at least two years of Lease Payments. If reconstruction or replacement of the Property takes longer than two years and the Revenue Fund is depleted, then the Owners would not receive payments on their Bonds as scheduled. However, if Lease Payments are abated, the term of the Lease Agreement will be extended for a period equal to the period of the abatement, up to 10 years, or until all payments on the Bonds are made.

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Bonds.

## **No Acceleration Upon Default**

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement and the Trustee is not empowered to sell a fee simple interest in the Property and use the proceeds of such sale to prepay the Bonds or pay debt service thereon. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest as described below.

## **Limitation on Remedies**

The enforcement of any remedies provided in the Lease Agreement and the Indenture could prove both expensive and time consuming. Although the Lease Agreement provides that if the District defaults the Trustee may reenter the Property and re-let the Property, portions of the Property may not be easily recoverable, and even if recovered, could be of little value to others because of the Property's specialized nature. Additionally, the Trustee may have limited ability to re-let the Property to provide a source of rental payments sufficient to pay the principal of and interest on the Bonds so as to preserve the tax-exempt nature of interest on the Bonds. The Trustee is not obligated to re-let the Property in a manner so as to preserve the tax-exempt nature of interest on the Bonds. Furthermore, due to the governmental nature of the Property, it is not certain whether a court would permit the exercise of the remedy of re-letting with respect thereto.

Alternatively, the Trustee may terminate the Lease Agreement and proceed against the District to recover damages pursuant to the Lease Agreement. Any suit for money damages would be subject to limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The rights of the Owners of the Bonds are subject to certain limitations on legal remedies against cities, redevelopment agencies and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the District were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease Agreement and from taking any steps to collect amounts due from the District under the Lease Agreement.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not

subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bondowners.

### **Risk of Uninsured Loss including Seismic Risks**

The District, like much of California, is subject to seismic activity that could result in interference with its right to use and possession of the Property. The District is not obligated under the Lease Agreement to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Property. The occurrence of severe seismic activity in the area of the Property could result in substantial damage and interference with the District's right to use and occupy all or a portion of the Property, and result in Lease Payments being subject to abatement. See "Abatement" above. The District would, however, promptly apply for Federal disaster aid or State of California disaster aid in the event that the Property is damaged or destroyed as a result of an earthquake. Any money received as a result of such disaster aid will be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Property or, at the option of the District, to prepay all outstanding Bonds if such use of such disaster aid is permitted. See "THE BONDS—Redemption."

There can be no assurance that the providers of the District's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to redeem the Bonds.

Under the Lease Agreement the District may obtain casualty insurance which provides for a deductible up to \$250,000. Should the District be required to meet such deductible expenses, the availability of general fund revenues to make Lease Payments may be correspondingly affected.

### **Eminent Domain**

If the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if the Property or any part thereof is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking, and (b) there will be a partial abatement of Lease Payments as a result of the application of net proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the District and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property. The District covenants in the Lease Agreement to contest any eminent domain award which is insufficient to either: (i) prepay the Lease Payments in whole, if all the Property is condemned; or (ii) prepay a pro rata share of Lease Payments, in the event that less than all of the Property is condemned.

### **Hazardous Substances**

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws

with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The District is unaware of the existence of hazardous substances on or near the Property site.

### **Bankruptcy**

The District is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the District may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the District were to become a debtor under the Bankruptcy Code, the District would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the District or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the District; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the District's debt (a "Plan") without the consent of the Trustee or all of the Owners of Bonds, which Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

In addition, the District could either reject the Lease Agreement or assume the Lease Agreement despite any provision of the Lease Agreement which makes the bankruptcy or insolvency of the District an event of default thereunder. In the event the District rejects the Lease Agreement, the Trustee, on behalf of the Owners of the Bonds, would have a pre-petition claim that may be limited under the Bankruptcy Code and treated in a manner under a Plan over the objections of the Trustee or Owners of the Bonds. Moreover, such rejection would terminate the Lease Agreement and the District's obligations to make payments thereunder.

The Authority is a public agency and, like the District, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may

have priority of payment superior to that of the Owners of the Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable. However, the bankruptcy of the Authority, and not the District, should not affect the Trustee's rights under the Lease Agreement. The Authority could still challenge the assignment, and the Trustee and/or the Owners of the Bonds could be required to litigate these issues in order to protect their interests.

### **Limitations on Remedies**

The rights of the Owners of Bonds are subject to the limitations on legal remedies against counties in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the District, there are no involuntary petitions in bankruptcy. If the District were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Lease Agreement, and from taking any steps to collect amounts due from the District under the Lease Agreement.

All legal opinions with respect to the enforcement of the Lease Agreement and the Indenture will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

### **No Liability of Authority to the Owners**

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Lease Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

### **Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the District has covenanted in the Lease Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the District in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until prepaid under the optional redemption provisions of the Indenture.

## **No Reserve Fund**

No debt service reserve fund has been established with respect to the Bonds.

## **Pension Benefit Liability**

Many factors influence the amount of the District's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of applicable law, changes in the levels of benefits provided or in the contribution rates of the District, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the District to PERS as a result of which the District would be obligated to make additional payments to PERS over the amortization schedule for full funding of the District's obligation to PERS.

## **Changes in Law**

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the general fund revenues of the District and consequently, having an adverse effect on the security for the Bonds.

## **ABSENCE OF LITIGATION**

### **The Authority**

To the knowledge of the Authority, there is no material litigation pending or threatened against the Authority concerning the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance thereof.

### **The District**

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

## **CONTINUING DISCLOSURE**

Pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), the District has covenanted to provide certain financial information and operating data relating to the District and the



balances of funds relating to the Bonds, by not later than April 1 of each fiscal year commencing with the report for the fiscal year ending June 30, 2015 (the “Annual Information”), and to provide notices of the occurrence of certain enumerated events, if deemed by the District to be material. The Annual Information and notices of material events will be filed by the District or the Dissemination Agent, with the Municipal Securities Rulemaking Board (the “MSRB”), via its Electronic Municipal Market Access (“EMMA”) system. The nature of the information to be provided in the Annual Information and the notices of material events is set forth in APPENDIX E—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

During the last five years, the District has failed to comply in certain respects with continuing disclosure obligations related to its outstanding indebtedness and certain of its related entities, including certain community facilities districts formed by the District. Such failure to comply fell into two general categories: (i) failure to provide significant event notices with respect to changes in the ratings of outstanding indebtedness, primarily related to changes in the ratings of various bond insurers insuring the indebtedness of the District or its related entities; and (ii) missing or late filing of annual reports with respect to a number of the bond issues. In many cases with respect to audited comprehensive annual financial statements, budgetary information and interim financial reports, such information and reports were available on the District’s website and/or available in other continuing disclosure filings made by the District.

## **LEGAL MATTERS**

All legal matters in connection with the issuance, sale and delivery of the Bonds are subject to the approval of Quint & Thimmig LLP, Larkspur, California, Bond Counsel. Bond Counsel’s opinion with respect to the Bonds will be substantially in the form set forth in APPENDIX D—FORM OF BOND COUNSEL OPINION. Certain legal matters will also be passed on for the District by Quint & Thimmig LLP, as Disclosure Counsel, and for the District by Fagen Friedman & Fulfrost LLP, San Diego, California. The fees and expenses of Special Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds.

## **TAX MATTERS**

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

Subject to the Authority’s and the District’s compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be



includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Bond Counsel expects to deliver an opinion at the time of delivery of the Bonds in substantially the form set forth in APPENDIX D—FORM OF BOND COUNSEL OPINION.

Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

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

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Authority and the District comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

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

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

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

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

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

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

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

## **UNDERWRITING**

The Bonds are being purchased by Crews & Associates, Inc. (the “Underwriter”). The Underwriter will purchase the Bonds at a price of \$ \_\_\_\_\_, which amount represents the principal amount of the Bonds of \$ \_\_\_\_\_, less \$ \_\_\_\_\_, representing the Underwriter’s discount, plus \$ \_\_\_\_\_, representing net original issue premium. The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

## **RATING**

Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), has assigned the rating of “A+” to the Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P at 55 Water Street, New York, NY 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

## **FINANCIAL STATEMENTS**

The District’s financial statements for the fiscal year ended June 30, 2014, included in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2014, have been audited by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants (the “Auditor”), as stated in their reports appearing in such appendix. The Auditor has not undertaken to update its reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report.

### **ADDITIONAL INFORMATION**

Summaries and explanations of the Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements of their provisions. The preparation and distribution of this Official Statement have been authorized by the District.

SNOWLINE JOINT UNIFIED SCHOOL  
DISTRICT

By \_\_\_\_\_  
Superintendent

## APPENDIX A

### GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO SAN BERNARDINO COUNTY

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

#### Introduction

San Bernardino County (the "County") was established by an act of the State Legislature on April 26, 1853, forming the County from parts of Los Angeles, San Diego, and Mariposa Counties. The County is a charter law county divided into five supervisorial districts on the basis of population. The County encompasses an area of over 20,160 square miles and includes 24 incorporated cities. In terms of land area, it is the largest county in the contiguous United States. The County is larger than each of the nine smallest states, larger than the four smallest states combined, and larger than 71 different sovereign nations. The County is also one of the fastest growing areas in the nation and is the fifth most populous of the 58 counties in California and the twelfth most populous county in the United States.

The bulk of the population of the County, roughly two million, live in the roughly 480 square miles south of the San Bernardino Mountains adjacent to Riverside and in the San Bernardino Valley. Over 300,000 others live just north of the San Bernardino Mountains, agglomerating around Victorville covering roughly 280 square miles in Victor Valley, adjacent to Los Angeles County. Roughly another 100,000 people live scattered across the rest of the sprawling county.

The Mojave National Preserve covers some of the eastern desert, especially between Interstate 15 and Interstate 40. The desert portion also includes the cities of Needles next to the Colorado River and Barstow at the junction in Interstate 15 and Interstate 40. Trona is at the northwestern part of the county west of Death Valley. This national park, mostly within Inyo County, also has a small portion of land within the San Bernardino County. The largest metropolitan area in the Mojave Desert part of the county is Victor Valley, with the incorporated localities of Adelanto, Apple Valley, Hesperia, and Victorville. Further south, a portion of Joshua Tree National Park overlaps the county near Twentynine Palms. Additional places near and west of Twentynine palms include Yucca Valley, Joshua Tree, and Morongo Valley.

The mountains are home to the San Bernardino National Forest, and include the communities of Crestline, Lake Arrowhead, Running Springs, Big Bear City, Forest Falls, and Big Bear Lake.

The San Bernardino Valley is at the eastern end of the San Gabriel Valley. The San Bernardino Valley includes the cities of Ontario, Chino, Chino Hills, Upland, Fontana, Rialto, Colton, Grand Terrace, Rancho Cucamonga, San Bernardino, Loma Linda, Highland, Redlands, and Yucaipa.

## Population

The table below summarizes the population of the County.

### SAN BERNARDINO COUNTY Population

Year	San Bernardino County
2011	2,046,619
2012	2,054,786
2013	2,069,806
2014	2,084,151
2015	2,104,291

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2010-2015, with 2010 Census Benchmark.

## Employment

The following table summarizes the historical numbers of workers by industry in the County for the last five years:

### SAN BERNARDINO COUNTY Labor Force and Industry Employment Annual Averages by Industry

	2010	2011	2012	2013	2014 <sup>(1)</sup>
Total, All Industries	613,500	604,300	623,500	648,600	670,600
Total Farm	2,600	2,500	2,500	2,400	2,100
Mining and Logging	600	600	800	900	1,000
Construction	24,300	25,000	26,400	27,400	29,700
Manufacturing	47,200	46,500	47,300	48,300	49,900
Wholesale Trade	29,600	29,300	31,400	34,000	35,800
Retail Trade	77,000	76,900	80,700	82,400	83,600
Transportation, Warehousing & Utilities	47,200	48,500	53,000	54,500	58,900
Information	3,800	4,500	5,200	5,300	5,000
Financial Activities	21,700	21,400	21,600	22,100	22,100
Professional & Business Services	73,100	73,600	73,300	74,900	76,700
Educational & Health Services	86,200	86,800	91,100	100,700	105,100
Leisure & Hospitality	55,100	55,200	57,000	60,900	63,300
Other Services	19,900	20,300	20,800	20,900	21,500
Government	125,100	113,300	112,400	114,000	115,900

Source: California Employment Development Department, based on March 2015 benchmark.

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

(1) Last available full year data.

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

**SAN BERNARDINO COUNTY, CALIFORNIA, and UNITED STATES**  
**Civilian Labor Force, Employment, and Unemployment**  
**(Annual Averages)**  
**2010-2014**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(1)</sup>
2010	San Bernardino County	861,500	739,400	122,100	14.2%
	California	18,336,300	16,091,900	2,244,300	12.2
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	San Bernardino County	855,400	741,100	114,300	13.4%
	California	18,419,500	16,260,100	2,159,400	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	San Bernardino County	862,200	759,800	102,500	11.9%
	California	18,554,800	16,630,100	1,924,700	10.4
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	San Bernardino County	865,100	778,100	87,000	10.1%
	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 <sup>(2)</sup>	San Bernardino County	911,400	838,200	73,200	8.0%
	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

Sources: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Averages 2010-2014 and US Bureau of Labor Statistics.

(1) Data not seasonally adjusted.

(2) Last available full year data.



## Major Employers

The table below sets forth the principal employers of the County in 2015.

### SAN BERNARDINO COUNTY 2015 Major Employers

Employer Name	Location	Industry
Armando Entertainment	Colton	Entertainment Bureaus
Arrowhead Regional Medical Ctr	Colton	Hospitals
Beaver Medical Clinic Inc	Redlands	Physicians & Surgeons
Big Bear Mountain Resorts	Big Bear Lake	Resorts
Bnsf Railway Co	San Bernardino	Railroads
California State-San Brnrn	San Bernardino	Schools-Universities & Colleges Academic
Colton Joint Unified Sch Dist	Colton	Schools
Comm Hospital-San Bernardino	San Bernardino	Hospitals
Desert Valley Hospital	Victorville	Hospitals
Environmental Systems Research	Redlands	Geographics Information Systems
Fedex Ground	Bloomington	Delivery Service
Kaiser Permanente Medical Care	Fontana	Hospitals
Loma Linda University Children	Loma Linda	Hospitals
Loma Linda University Med Ctr	Loma Linda	Hospitals
Mountain High Ski Resort	Wrightwood	Skiing Centers & Resorts
Ontario International Airport	Ontario	Airports
San Antonio Community Hospital	Upland	Hospitals
San Bernardino Cnty Schl Supt	San Bernardino	Schools
San Bernardino County Sheriff	San Bernardino	County Government-General Offices
San Manuel Indian Bingo/Casino	Highland	Casinos
Snow Summit Mountain Resort	Big Bear Lake	Resorts
Snowline Joint Unified School	Phelan	Schools
Transportation Department	San Bernardino	State Government-Transportation Programs
Va Loma Linda Health Care Syst	Loma Linda	Hospitals
Yrc Freight	Bloomington	Trucking-Motor Freight

Source: California Employment Development Department, Major Employers in San Bernardino County.

## Construction Activity

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

SAN BERNARDINO COUNTY Building Permits and Valuation (Dollars in Thousands)					
	2010	2011	2012	2013	2014
<u>Permit Valuation:</u>					
New Single-family	233,404	232,698	283,202	450,790	490,036
New Multi-family	61,080	49,011	135,503	157,932	137,909
Res. Alterations/Additions	62,731	99,082	61,998	57,443	80,525
Total Residential	357,215	380,792	480,704	666,165	708,470
Total Nonresidential	252,998	322,141	562,615	1,434,334	958,266
Total All Building	610,214	702,933	1,043,319	2,100,500	1,666,737
<u>New Dwelling Units:</u>					
Single Family	1,198	1,075	1,214	1,874	1,937
Multiple Family	649	409	596	1,439	1,266
Total	1,847	1,484	1,810	3,313	3,203

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

## Commercial Activity

Taxable sales in the County are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to that of prior years.

### SAN BERNARDINO COUNTY Taxable Sales, 2009-2013 (Dollars in thousands)

	2009	2010	2011	2012	2013 <sup>(2)</sup>
Retail and Food Services					
Motor Vehicles and Parts Dealers	2,356,548	2,624,920	3,068,198	3,511,089	3,896,135
Furniture and Home Furnishings Stores	507,681	471,879	411,908	435,093	472,946
Electronics and Appliance Stores	456,253	440,027	446,203	473,174	499,085
Bldg Mtrl. and Garden Equip. and Supplies	1,109,777	1,142,663	1,180,594	1,247,091	1,369,290
Food and Beverage Stores	1,108,248	1,113,419	1,147,885	1,177,132	1,211,638
Health and Personal Care Stores	412,973	420,254	462,977	482,082	494,452
Gasoline Stations	2,612,062	3,059,166	3,559,983	3,748,749	3,699,402
Clothing and Clothing Accessories Stores	1,143,894	1,270,559	1,381,705	1,489,626	1,615,013
Sporting Goods, Hobby, Book and Music Stores	501,643	503,207	522,786	536,289	563,057
General Merchandise Stores	2,594,195	2,704,521	2,851,371	2,986,332	3,123,008
Miscellaneous Store Retailers	1,222,691	1,223,314	1,245,156	1,262,685	1,323,190
Nonstore Retailers	119,835	125,111	141,263	170,230	273,954
Food Services and Drinking Places	2,184,337	2,209,838	2,316,023	2,461,365	2,605,706
Total Retail and Food Services	16,330,138	17,308,880	18,736,053	19,980,937	21,173,875
All Other Outlets	7,322,296	7,378,982	8,586,928	9,550,983	10,003,947
Totals All Outlets <sup>(1)</sup>	23,652,433	24,687,862	27,322,980	29,531,921	31,177,823

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

- (1) Totals may not add up due to independent rounding.
- (2) Last available full year data.

## Median Household Income

The following table summarizes the median household effective buying income for the County, the State of California and the nation for the years 2010 through 2014.

### SAN BERNARDINO COUNTY, CALIFORNIA and UNITED STATES Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2010	San Bernardino County	32,115,644	43,018
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	San Bernardino County	32,969,928	42,818
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	San Bernardino County	34,251,993	43,741
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	San Bernardino County	33,477,908	43,034
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	San Bernardino County	33,866,800	43,919
	California	901,189,699	50,072
	United States	7,357,153,421	45,448

Source: Nielsen Claritas, Inc.

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## **APPENDIX B**

### **AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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**SNOWLINE JOINT UNIFIED  
SCHOOL DISTRICT**

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**ANNUAL FINANCIAL REPORT**

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**JUNE 30, 2014**

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

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# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Snowline Joint Unified School District  
Phelan, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Snowline Joint Unified School District (the District) as of and for the year ended June 30, 2014, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Snowline Joint Unified School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter - Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 5 through 15 and budgetary comparison information on page 55 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 Snowline Joint Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information as listed on 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 5, 2014, on our consideration of the Snowline Joint Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Snowline Joint Unified School District's internal control over financial reporting and compliance.

*Vavrinek, Irine, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2014





## **INTRODUCTION**

The Snowline Joint Unified School District (the District) is dedicated to making a difference in the Snowline Learning Community by developing successful individuals and educational excellence through a passionate commitment to collaboration and continuous improvement.

Through our passion and commitment to students, we are committed to providing high-quality service to the entire diverse Snowline Learning Community (students, staff, families, and community members) through our core values:

**EFFECTIVE TEAMWORK  
RESPECTFUL RELATIONSHIPS  
COMPREHENSIVE SAFETY  
COLLABORATIVE COMMUNICATION  
SHARED ACCOUNTABILITY**

The Management's Discussion and Analysis of the Snowline Joint Unified School District's financial statements provides an overall review of the District's activities for the fiscal year ended June 30, 2014. This analysis is provided to assist our citizens, taxpayers, and investors in reviewing the District's finances and to show the District's accountability for the money it receives. In addition, the analysis should be reviewed in conjunction with the auditor's transmittal letter, notes to the basic financial statements and the basic government-wide financial statements to enhance their understanding of the District's financial performance.

For the 2013-2014 school year, the Snowline Joint Unified School District offered instruction to students from pre-kindergarten through twelfth grade. Six elementary schools, two middle schools, one comprehensive high school, one continuation high school, one independent study school, and one community day school operated on a traditional August through June schedule, for the instruction of 7,752 students.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

The financial statements presented herein include all of the activities of the Snowline Joint Unified School District (the District) and its component units 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. They present governmental activities and business-type activities separately. 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.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

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The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, business-type, and fiduciary.

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

The *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. *Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Snowline Joint Unified 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 methods used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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. Other non-financial factors to consider are changes in the District's property tax base, student enrollment growth, condition of District's facilities, quality of education, and safety of our schools.

In the *Statement of Net Position* and the *Statement of Activities*, the District is separated into two distinct kinds of activities:

**Governmental activities** - Most of the District's programs and services are reported in this category. This includes the instruction of regular and special education students from pre-kindergarten through grade twelve, support services, operation and maintenance of the District, pupil transportation, and extra-curricular activities.

**Business-type activities** - Activities where fees are charged to recover the costs of goods or services the District provides. The District's food services costs are reported in this section.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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### 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, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions.

**Governmental funds** - Most of the District's activities 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental fund statements that explains the differences between them.

**Proprietary funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.

**Fiduciary funds** - The District is the trustee, or fiduciary, for funds held on behalf of others, like funds for associated student body activities and scholarships. The District's fiduciary activities are reported in separate Statements of 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.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Statement of Net Position

Table 1 reflects the District's combined net position of \$57.7 million for the fiscal year ended June 30, 2014. Of this amount, \$7.1 million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Board of Trustee's ability to use that 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.

**Table 1**

	2014			2013		
	Governmental Activities	Business-Type Activities	School District Activities	Governmental Activities, as restated	Business-Type Activities	School District Activities, as restated
<b>ASSETS</b>						
Current and other assets	\$ 44,976,888	\$ 2,131,164	\$ 47,108,052	\$ 50,379,234	\$ 1,842,620	\$ 52,221,854
Capital assets, net	74,522,949	371,269	74,894,218	75,107,320	385,330	75,492,650
<b>Total Assets</b>	<b>119,499,837</b>	<b>2,502,433</b>	<b>122,002,270</b>	<b>125,486,554</b>	<b>2,227,950</b>	<b>127,714,504</b>
<b>Deferred Outflows of Reserves</b>	<b>3,213,141</b>	<b>-</b>	<b>3,213,141</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>						
Current liabilities	7,416,764	57,964	7,474,728	6,987,656	20,651	7,008,307
Long-term obligations	60,086,273	-	60,086,273	60,917,980	-	60,917,980
<b>Total Liabilities</b>	<b>67,503,037</b>	<b>57,964</b>	<b>67,561,001</b>	<b>67,905,636</b>	<b>20,651</b>	<b>67,926,287</b>
<b>Net Position</b>						
Invested in capital assets, net of related debt	42,854,351	371,269	43,225,620	33,330,582	385,330	33,715,912
Restricted	5,283,108	2,073,200	7,356,308	4,683,492	1,821,969	6,505,461
Unrestricted	7,072,482	-	7,072,482	19,566,844	-	19,566,844
<b>Total Net Position</b>	<b>\$ 55,209,941</b>	<b>\$ 2,444,469</b>	<b>\$ 57,654,410</b>	<b>\$ 57,580,918</b>	<b>\$ 2,207,299</b>	<b>\$ 59,788,217</b>

The \$7.1 million in combined unrestricted net position of District activities represents the accumulated results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our non-capital liabilities (compensated absences as an example), we would have \$7.1 million left. 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 63.8 percent (\$7.1 million compared to \$19.6 million).

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2, which reflects the changes in net position for fiscal year 2013-2014, takes the information from that Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

As reported in the *Statement of Activities* on page 17, the cost of all of our school district activities this year was \$69.2 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$5.6 million because the cost was paid by those who benefited from the programs (\$1.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$9.9 million). We paid for the remaining "public benefit" portion of our school district activities with \$45.9 million in unrestricted Federal and State aid and \$4.5 million in interest and general entitlements.

**Table 2**

	2014			2013		
	Governmental Activities	Business-Type Activities	School District Activities	Governmental Activities	Business-Type Activities	School District Activities
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 636,593	\$ 606,641	\$ 1,243,234	\$ 894,522	\$ 581,081	\$ 1,475,603
Operating grants and contributions	7,305,922	2,577,720	9,883,642	8,228,833	2,475,975	10,704,808
Capital grants and contributions	4,093	-	4,093	5,594	-	5,594
General revenues:						
Federal and State aid - unrestricted	45,864,817	-	45,864,817	43,321,613	-	43,321,613
Property taxes	5,608,201	-	5,608,201	4,160,862	-	4,160,862
Other general revenues	4,462,460	10,156	4,472,616	4,788,599	9,896	4,798,495
<b>Total Revenues</b>	<b>63,882,086</b>	<b>3,194,517</b>	<b>67,076,603</b>	<b>61,400,023</b>	<b>3,066,952</b>	<b>64,466,975</b>
<b>Expenses</b>						
Instruction-related	45,706,863	-	45,706,863	45,647,118	-	45,647,118
Student support services	6,042,158	2,957,347	8,999,505	6,592,730	2,764,940	9,357,670
Administration	3,759,432	-	3,759,432	3,695,500	-	3,695,500
Maintenance and operations	6,836,389	-	6,836,389	6,403,713	-	6,403,713
Other	3,908,221	-	3,908,221	3,474,693	-	3,474,693
<b>Total Expenses</b>	<b>66,253,063</b>	<b>2,957,347</b>	<b>69,210,410</b>	<b>65,813,754</b>	<b>2,764,940</b>	<b>68,578,694</b>
<b>Change in Net Assets</b>	<b>\$ (2,370,977)</b>	<b>\$ 237,170</b>	<b>\$ (2,133,807)</b>	<b>\$ (4,413,731)</b>	<b>\$ 302,012</b>	<b>\$ (4,111,719)</b>

As reported in the *Statement of Activities* on page 17, the cost of all District-wide activities this year was \$69.2 million. Instruction comprised 66.0 percent of expenses; pupil support services 13.0 percent; administration 5.5 percent; and plant maintenance, operations, and miscellaneous services 15.5 percent.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2014**

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### Governmental Activities

Table 3 reflects the total cost and net cost of services for the District's largest activities - instruction, school administration, other pupil services, pupil transportation, administration, maintenance and operations, miscellaneous, and food services. Net cost (total cost less revenues generated by the activities) 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**

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction and other instruction-related activities	\$ 41,170,373	\$ 34,638,737	\$ 40,962,794	\$ 34,799,600
School administration	4,536,490	4,315,877	4,684,324	4,491,257
Other pupil services	3,581,297	2,998,300	3,446,204	2,503,253
Pupil transportation	2,460,861	2,460,861	3,146,151	1,889,875
Administration	3,759,432	3,233,595	3,695,500	3,238,424
Maintenance and operations	6,836,389	6,817,577	6,403,713	6,367,316
Miscellaneous	3,908,221	3,841,508	3,475,068	3,395,080
<b>Total Governmental Activities</b>	<b>66,253,063</b>	<b>58,306,455</b>	<b>65,813,754</b>	<b>56,684,805</b>
Food service	2,957,347	(227,014)	2,764,940	(292,116)
<b>Total School District Activities</b>	<b>\$ 69,210,410</b>	<b>\$ 58,079,441</b>	<b>\$ 68,578,694</b>	<b>\$ 56,392,689</b>

### THE DISTRICT'S FUNDS

The District's budget is prepared in accordance with California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District began projecting the 2013-2014 budget two years before it was adopted. The process of firming up the projected budget started in January 2013 and was completed by formal adoption by the Board of Trustees on June 24, 2014. During the course of the fiscal year, the District revises revenue and expenditure budgets based upon a number of variables that often change throughout the year. Such variables include: LCFF GAP funding percentage and the unique district percentage used to calculate supplemental and concentration grant funding, enrollment/attendance percentages, negotiated salary/benefit adjustments, staff increases/decreases, utility rates, new instructional programs, and State and Federal fiscal issues.

At the close of fiscal year 2013-2014, the District reported a combined fund balance of \$38,561,461 which is a decrease of \$2,483,479 from the prior fiscal year.

# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014**

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Listed below are the highlights as to why the combined fund balances of the District changed:

The fund balance of our principal operating fund, the General Fund, decreased from \$22,096,889 to \$22,025,825.

### **General Fund:**

1. Transition year from Revenue Limit Funding to LCFF Funding. Establishment of EPA account in accordance with LCFF.
2. Changes in funding for Class Size Reduction and Transportation.
3. Decrease in Federal programs for Title I, II and III. Decrease in Federal Special Education dollars.
4. Increase in Common Core State Standards funding in 2013-2014.
5. Decrease in EIA, LEP and Transportation funding, as these are now funded through the LCFF calculation.
6. Decrease in State Special Education Costs from 2012-2013 to 2013-2014, partly due to a reduction in NPS expenses and consultant fees.
7. Increase in funds collected for Use of Facilities.
8. Decrease in revenue due to decreased funding for the Regional Occupational Program.
9. Decrease in Lottery revenue due to declining enrollment and increase in expenditures because 20 percent reduction was restored to school sites.
10. An increase in Technology expenditures district wide.
11. Net increase in expenditures for salaries and benefits due to restoration of 9 furlough days for certificated, certificated management and classified management employees.
12. Increase in fees to be transferred to the County for education of students receiving County services. Based on LCFF, districts must transfer funds received in object code 8011 back to the County in object code 7142.
13. Increase in departmental expenses as 20 percent cut was restored.
14. Moved expenditures from RS 0000 to other unrestricted resources to clear out fund balances in Revenue Limit, pre LCFF resources. This reduced program carryovers and was part of the transition to LCFF.
15. Increase in maintenance costs for supplies associated with school site projects such as the Wrightwood kitchen, Quail Valley library and other district wide summer maintenance programs.

### **Pupil Transportation Fund:**

1. Increase due to interest earnings.

### **Capital Facilities Fund:**

1. Increase due to interest earnings, developer fee collections.
2. Increase in expenses due to fees for Bond consultant and fencing for Heritage school.

### **County Schools Facilities Fund:**

1. Increase due to interest earnings.

### **Special Reserve Fund:**

1. Increase due to interest earnings.



# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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Component Unit Capital Project Fund (48/49):

1. Decrease due to using COPS funds to purchase busses.

Debt Service Fund:

1. Increase due to interest earnings.

**Table 4**

	Balances and Activities			
	July 01, 2013	Revenues	Expenditures	June 30, 2014
General Fund	\$ 22,096,890	\$ 59,926,955	\$ 59,998,018	\$ 22,025,827
Component Unit Capital Project Fund	17,427,080	3,820,217	6,282,306	14,964,991
Pupil Transportation Fund	7,626	24	-	7,650
Capital Facilities Fund	226,173	188,253	142,845	271,581
County School Facilities Fund	1,267,319	4,200	-	1,271,519
Special Reserve Capital Outlay Fund	19,580	77	-	19,657
Debt Service Fund	272	975,727	975,763	236
<b>Total</b>	<b>\$ 41,044,940</b>	<b>\$ 64,915,453</b>	<b>\$ 67,398,932</b>	<b>\$ 38,561,461</b>

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget numerous times as it attempts to deal with unexpected changes in revenues and expenditures. This information comes from a variety of Federal, State, local and private industry sources. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 55.)

1. Revenue budget transfers were adjusted based on changes in ADA and changes in the estimated GAP funding percentage. Revenues were also revised for property tax estimates and interest earnings. Revised entitlements for Federal/State programs and revised use of facilities revenue were the major revenue changes to the budget.
2. Adjustments to expenditures were based on restoring furlough days to certificated, certificated management and classified management.
3. Program carryovers from 2012-2013 were allocated to specific programs in the 2013-2014 budget.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2014, the District had \$74.9 million in a broad range of capital assets, including land, construction, buildings and improvements, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$598,432, or 0.8 percent, from last year.

**Table 5**

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 14,827,532	\$ -	\$ 14,827,532	\$ 14,827,532	\$ -	\$ 14,827,532
Construction in progress	5,521,394	-	5,521,394	5,221,289	-	5,221,289
Buildings and improvements	43,745,134	-	43,745,134	46,049,784	-	46,049,784
Furniture and equipment	10,428,889	371,269	10,800,158	9,008,715	385,330	9,394,045
<b>Total</b>	<b>\$ 74,522,949</b>	<b>\$ 371,269</b>	<b>\$ 74,894,218</b>	<b>\$ 75,107,320</b>	<b>\$ 385,330</b>	<b>\$ 75,492,650</b>

#### Long-Term Obligations

At the end of this year, the District had \$60.1 million in long-term obligations outstanding versus \$60.9 million last year, representing a decrease of 1.3 percent. Those long-term obligations consisted of the following:

**Table 6**

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Certificates of participation	\$ 58,778,513	\$ -	\$ 58,778,513	\$ 59,560,204	\$ -	\$ 59,560,204
Accumulated vacation	1,307,760	-	1,307,760	1,357,776	-	1,357,776
<b>Total</b>	<b>\$ 60,086,273</b>	<b>\$ -</b>	<b>\$ 60,086,273</b>	<b>\$ 60,917,980</b>	<b>\$ -</b>	<b>\$ 60,917,980</b>

Detailed information regarding our long-term obligations is reflected in Note 8 of the financial statements.

# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014**

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### **SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2013-2014 ARE NOTED BELOW:**

- \* Highest performing district by Academic Performance Index (API) in the High Desert.
- \* Fifth highest API score among unified districts in San Bernardino County.
- \* Among the lowest dropout and highest graduation rates of all school districts in San Bernardino County.
- \* Expanded the Snowline Virtual School to provide a blended (online and direct instruction) learning program to students in grades K-12.
- \* Expanded the online credit recovery program to high school and middle school students with more targeted support through an increase in content specific expertise.
- \* Continued to expand the implementation of Professional Learning Communities (PLC) to include advanced training for all schools in the District from PLC experts such as Austin Buffum and others within the San Bernardino County Superintendent of Schools.
- \* Expanded implementation of the RTI2 initiative to include initial high school designs.
- \* Continued to operate a successful region-wide K-16 BRIDGE program that addresses continuous education for students from pre-school to college.
- \* Provided all teachers, school leadership teams, and site and District administrators with extensive Common Core State Standards (CCSS) professional development. The effort included two primary areas of focus: good first instruction based on John Hattie's research-based model and CCSS unit design work based on Grant Wiggins and Jay McTighe's Understanding by Design (UbD) framework.
- \* In partnership with Jay McTighe, developed and conducted a four-day UbD workshop for all teachers, administrators, and other certificated staff members in the District to support the implementation of the CCSS.
- \* Continued to develop and revise formative assessments to create a more rigorous course of study to ensure students meet or exceed grade level standards of performance.
- \* Chartered the Snowline Community Cabinet for support in the development of the District's Local Control and Accountability Plan and other efforts designed to support community success.
- \* Restructured the District English Language Advisory Committee for greater involvement by parents, doubling the amount of participants from previous years.
- \* Expanded the reach and work of the Snowline Healthy Communities effort with the chartering of a new committee comprised of diverse community, High Desert, and San Bernardino County health leaders, as well as a Randall Lewis Health Policy Fellow from the California State University, San Bernardino Public Health Department.
- \* Continued to act as a model of District-wide Positive Behavioral Interventions and Supports (PBIS) implementation within the Desert/Mountain SELPA region.

# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2014**

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2014-2015 year, the District Board of Trustees and administration used the following criteria:

The key assumptions in our revenue forecast are as follows:

- Projected enrollment at 7,428.
- Budgeted the GAP funding for the LCFF funding model to be 28.05 percent.
- Certificated positions increased due to study progression to be at 24:1 for K-3 by 2020-2021. Also the 4-12 class size was reduced. Overall, 22 teachers were hired to reduce class size K-12. Classified positions increased by 3.0 overall due to hiring a Risk Manager, Assistant Secretary, and a clerk for student services.
- No furlough days have been budgeted for any bargaining groups.
- Health/Welfare benefit cap of \$7,000 per full-time employee (same as prior fiscal year).
- Step/Column increase for all applicable employees.
- Federal/State entitlements and grants based on 2013-2014 levels.
- Utility costs budgeted based on prior year expenses/usage with 5.0 percent increase, with the exception of electricity due to the PBI incentive and solar credits.
- Parent Pay fee collections for Transportation projected at \$189,000.
- Lottery funds based on \$126 per ADA and \$30.00 per ADA for Proposition 20 funding.
- Zero District Match for Deferred Maintenance.
- School Site/Department discretionary budgets funded at full funding.
- PERS rate increased from 11.44 percent to 11.7 percent.

Certificated staffing based on the following formula:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through three	30:1	27:1
Grades four through eight	32:1	30:1
Grades nine through twelve	33:1	31:1

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Karen Winkler, Assistant Superintendent Business Services, at 4075 Nielson Road; P.O. Box 296000; Phelan, California 92329-6000.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2014

	Governmental	Business-Type	
ASSETS	Activities	Activities	Total
Deposits and investments	\$ 33,563,419	\$ 1,960,000	\$ 35,523,419
Receivables	11,289,070	236,842	11,525,912
Internal balances	76,129	(76,129)	-
Prepaid expenses	9,843	-	9,843
Stores inventories	38,427	10,451	48,878
Capital assets			
Land and construction in process	20,348,926	-	20,348,926
Other capital assets	100,004,757	627,615	100,632,372
Less: Accumulated depreciation	(45,830,734)	(256,346)	(46,087,080)
Total Capital Assets	74,522,949	371,269	74,894,218
<b>TOTAL ASSETS</b>	<b>119,499,837</b>	<b>2,502,433</b>	<b>122,002,270</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	3,213,141	-	3,213,141
<b>LIABILITIES</b>			
Accounts payable	6,349,259	43,014	6,392,273
Accrued interest	1,001,337	-	1,001,337
Unearned revenue	66,168	14,950	81,118
Long-term obligations			
Current portion of long-term obligations	1,235,000	-	1,235,000
Noncurrent portion of long-term obligations	58,851,273	-	58,851,273
Total Long-Term Obligations	60,086,273	-	60,086,273
<b>TOTAL LIABILITIES</b>	<b>67,503,037</b>	<b>57,964</b>	<b>67,561,001</b>
<b>NET POSITION</b>			
Net investment for capital assets	42,854,351	371,269	43,225,620
Restricted for:			
Debt service	2,015,503	-	2,015,503
Capital projects	1,543,100	-	1,543,100
Educational programs	1,724,505	-	1,724,505
Other activities	-	2,073,200	2,073,200
Unrestricted	7,072,482	-	7,072,482
<b>TOTAL NET POSITION</b>	<b>\$ 55,209,941</b>	<b>\$ 2,444,469</b>	<b>\$ 57,654,410</b>

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

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Instruction	\$ 39,980,116	\$ 512,515	\$ 5,695,179	\$ 4,093
Instruction-related activities:				
Supervision of instruction	791,000	-	319,849	-
Instructional library, media, and technology	399,257	-	-	-
School site administration	4,536,490	-	220,613	-
Pupil services:				
Home-to-school transportation	2,460,861	-	-	-
All other pupil services	3,581,297	-	582,997	-
General administration:				
Data processing	924,965	-	-	-
All other general administration	2,834,467	61,160	464,677	-
Plant services	6,836,389	1,359	17,453	-
Ancillary services	178,320	-	5,079	-
Interest on long-term obligations	3,146,791	-	-	-
Other outgo	583,110	61,559	75	-
<b>Total Governmental-Type Activities</b>	<b>66,253,063</b>	<b>636,593</b>	<b>7,305,922</b>	<b>4,093</b>
<b>Business-Type Activities</b>				
Food services	2,957,347	606,641	2,577,720	-
<b>Total School District</b>	<b>\$ 69,210,410</b>	<b>\$ 1,243,234</b>	<b>\$ 9,883,642</b>	<b>\$ 4,093</b>

### 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  
 Transfers between agencies  
 Miscellaneous

### Subtotal, General Revenues

### Change in Net Position

Net Position - Beginning, as Restated  
 Net Position - Ending

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

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Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (33,768,329)	\$ -	\$ (33,768,329)
(471,151)	-	(471,151)
(399,257)	-	(399,257)
(4,315,877)	-	(4,315,877)
(2,460,861)	-	(2,460,861)
(2,998,300)	-	(2,998,300)
(924,965)	-	(924,965)
(2,308,630)	-	(2,308,630)
(6,817,577)	-	(6,817,577)
(173,241)	-	(173,241)
(3,146,791)	-	(3,146,791)
(521,476)	-	(521,476)
(58,306,455)	-	(58,306,455)
-	227,014	227,014
(58,306,455)	227,014	(58,079,441)
4,477,989	-	4,477,989
1,121,554	-	1,121,554
8,658	-	8,658
45,864,817	-	45,864,817
77,011	5,766	82,777
3,699,484	-	3,699,484
685,965	4,390	690,355
55,935,478	10,156	55,945,634
(2,370,977)	237,170	(2,133,807)
57,580,918	2,207,299	59,788,217
\$ 55,209,941	\$ 2,444,469	\$ 57,654,410

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2014

	General Fund	Component Unit Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 16,923,831	\$ 15,058,729	\$ 1,580,859	\$ 33,563,419
Receivables	11,278,920	742	9,408	11,289,070
Due from other funds	76,394	-	-	76,394
Prepaid expenditures	9,843	-	-	9,843
Stores inventories	38,427	-	-	38,427
<b>Total Assets</b>	<u>\$ 28,327,415</u>	<u>\$ 15,059,471</u>	<u>\$ 1,590,267</u>	<u>\$ 44,977,153</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 6,235,155	\$ 94,480	\$ 19,624	\$ 6,349,259
Due to other funds	265	-	-	265
Unearned revenue	66,168	-	-	66,168
<b>Total Liabilities</b>	<u>6,301,588</u>	<u>94,480</u>	<u>19,624</u>	<u>6,415,692</u>
<b>Fund Balances:</b>				
Nonspendable	68,270	-	-	68,270
Restricted	1,724,505	14,964,991	1,543,336	18,232,832
Assigned	10,311,121	-	27,307	10,338,428
Unassigned	9,921,931	-	-	9,921,931
<b>Total Fund Balances</b>	<u>22,025,827</u>	<u>14,964,991</u>	<u>1,570,643</u>	<u>38,561,461</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 28,327,415</u>	<u>\$ 15,059,471</u>	<u>\$ 1,590,267</u>	<u>\$ 44,977,153</u>

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



# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2014

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### Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 38,561,461</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is the following:	\$ 120,353,683	
Accumulated depreciation is the following:	<u>(45,830,734)</u>	
<b>Total Capital Assets</b>		<b>74,522,949</b>
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,001,337)
The District has refunded various debt obligations. The difference between the amounts that were sent to escrow agents for the payment of the old debts and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. This balance represents unamortized deferred charges on refunding remaining as of June 30, 2014.		3,213,141
Long-term obligations at year-end consist of the following:		
Certificates of participation	(59,770,000)	
Unamortized discount on issuance	991,487	
Compensated absences	<u>(1,307,760)</u>	
<b>Total Long-Term Obligations</b>		<b>(60,086,273)</b>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 55,209,941</u></b>

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

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Component Unit Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local control funding formula	\$ 49,259,263	\$ -	\$ -	\$ 49,259,263
Federal sources	2,398,544	-	-	2,398,544
Other State sources	5,231,635	-	-	5,231,635
Other local sources	3,037,513	2,844,454	1,110,677	6,992,644
<b>Total Revenues</b>	<b>59,926,955</b>	<b>2,844,454</b>	<b>1,110,677</b>	<b>63,882,086</b>
<b>EXPENDITURES</b>				
Current				
Instruction	37,108,507	-	-	37,108,507
Instruction-related activities:				
Supervision of instruction	791,600	-	-	791,600
Instructional library, media, and technology	400,622	-	-	400,622
School site administration	4,542,985	-	-	4,542,985
Pupil Services:				
Home-to-school transportation	2,370,545	-	-	2,370,545
All other pupil services	3,455,565	-	-	3,455,565
General administration:				
Data processing	925,901	-	-	925,901
All other general administration	2,839,591	-	-	2,839,591
Plant services	6,699,760	-	683	6,700,443
Facility acquisition and construction	101,292	2,488,658	84,558	2,674,508
Ancillary services	178,540	-	-	178,540
Other outgo	583,110	-	-	583,110
Debt service				
Principal	-	835,000	-	835,000
Interest and other	-	2,958,648	-	2,958,648
<b>Total Expenditures</b>	<b>59,998,018</b>	<b>6,282,306</b>	<b>85,241</b>	<b>66,365,565</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(71,063)</b>	<b>(3,437,852)</b>	<b>1,025,436</b>	<b>(2,483,479)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	975,763	57,604	1,033,367
Transfers out	-	-	(1,033,367)	(1,033,367)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>975,763</b>	<b>(975,763)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(71,063)</b>	<b>(2,462,089)</b>	<b>49,673</b>	<b>(2,483,479)</b>
<b>Fund Balances - Beginning</b>	<b>22,096,890</b>	<b>17,427,080</b>	<b>1,520,970</b>	<b>41,044,940</b>
<b>Fund Balances - Ending</b>	<b>\$ 22,025,827</b>	<b>\$ 14,964,991</b>	<b>\$ 1,570,643</b>	<b>\$ 38,561,461</b>

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

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES JUNE 30, 2014

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**Total Net Change in Fund Balances - Governmental Funds** **\$ (2,483,479)**

**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 depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (3,204,048)	
Capital outlays	<u>2,619,677</u>	(584,371)

In the Statement of Activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by \$50,016.

50,016

Repayment of bond principal and the retirement of other debt 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:

Certificates of participation	835,000
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Under the modified basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and obligations are reported regardless of when financial resources are available. This adjustment reflects the net changes to the following balance:

Amortization of debt discount	(53,309)	
Amortization of deferred amount on refunding	<u>(147,359)</u>	
Combined Adjustment		(200,668)

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

12,525

<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (2,370,977)</u></u></b>
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The accompanying notes are an integral part of these financial statements.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2014

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	<b>Business-Type Activities</b>
	<b>Enterprise Funds</b>
	<b>Food Service</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 1,960,000
Receivables	236,842
Due from other funds	265
Stores inventories	10,451
<b>Total Current Assets</b>	<b>2,207,558</b>
<b>Noncurrent Assets</b>	
Capital assets	627,615
Less: accumulated depreciation	(256,346)
<b>Total Noncurrent Assets</b>	<b>371,269</b>
<b>Total Assets</b>	<b>2,578,827</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	43,014
Due to other funds	76,394
Unearned revenue	14,950
<b>Total Current Liabilities</b>	<b>134,358</b>
<b>NET POSITION</b>	
Net investment in capital assets	371,269
Restricted	2,073,200
<b>Total Net Position</b>	<b>\$ 2,444,469</b>

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

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2014

	<b>Business-Type Activities</b>
	<b>Enterprise Funds</b>
	<b>Food Service</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 606,641
Miscellaneous revenues	4,390
<b>Total Operating Revenues</b>	<b>611,031</b>
<b>OPERATING EXPENSES</b>	
Payroll costs	1,213,016
Professional and contract services	66,619
Supplies and materials	1,477,413
Facility rental	5,763
Other operating cost	144,985
Depreciation	49,551
<b>Total Operating Expenses</b>	<b>2,957,347</b>
<b>Operating Loss</b>	<b>(2,346,316)</b>
<b>NONOPERATING REVENUES</b>	
Interest income	5,766
Federal grants	2,401,059
Other grants	176,661
<b>Total Nonoperating Revenues</b>	<b>2,583,486</b>
<b>Change in Net Position</b>	<b>237,170</b>
<b>Total Net Position - Beginning</b>	<b>2,207,299</b>
<b>Total Net Position - Ending</b>	<b>\$ 2,444,469</b>

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

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds Food Services
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 642,677
Cash payments to employees for services	(1,218,651)
Cash payments to other suppliers of goods or services	(1,439,355)
Other operating cash payments	(217,367)
Net Cash Used by Operating Activities	(2,232,696)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Nonoperating grants received	2,577,720
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Sale of capital assets	1,875
Acquisition of capital assets	(37,365)
Net Cash Used by Capital and Related Financing Activities	(35,490)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	5,766
<b>Net Increase in Cash and Cash Equivalents</b>	315,300
<b>Cash and Cash Equivalents - Beginning</b>	1,644,700
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 1,960,000</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (2,346,316)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	49,551
Changes in assets and liabilities:	
Receivables	31,831
Due from other fund	(185)
Inventories	745
Accrued liabilities	37,313
Due to other fund	(5,635)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (2,232,696)</u>
<b>NONCASH, NONCAPITAL FINANCING ACTIVITIES</b>	
During the year, the District received \$163,926 of food commodities from the U.S. Department of Agriculture.	

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

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUNDS

### STATEMENT OF NET POSITION

JUNE 30, 2014

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Deposits and investments	\$ 4,444,086
Stores inventories	8,850
<b>Total Assets</b>	<b>\$ 4,452,936</b>
<b>LIABILITIES</b>	
Due to student groups	\$ 377,713
Due to bondholders	4,075,223
<b>Total Liabilities</b>	<b>\$ 4,452,936</b>

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

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Snowline Joint Unified School District (the District) was organized in 1982 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 pre-kindergarten - 12 as mandated by the State and Federal agencies. The District operates six elementary schools, two middle schools, one comprehensive high school, one continuation high school, an independent study school, and a community day school.

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

#### Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The Snowline Joint Unified School District and the Snowline School Facilities Corporation (the Corporation), as represented by the 2010 Refunding Certificates of Participation, the 2009 Refunding Certificates of Participation, the Snowline Joint Unified School Community Facilities District (the CFD), as represented by the 2004 Series A Special Tax Bonds of Community Facilities District 2002-1, and the 2007 Series A Special Tax Bonds of Community Facilities District 2005-3, have a financial and operational relationship which meets the reporting entity definition criteria of (GASB) Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Corporation and the CFD as component units of the District. Accordingly, the financial statements of the Corporation and the CFD have been included in the financial statements of the District. The financial statements present the Corporation's, and the CFD's financial activity within the Debt Service fund, Component Unit Capital Project Fund, and the Agency Funds. Debt instruments issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Debt instruments issued by the CFD do not represent liabilities of the District or component units and are not included in the District-wide financial statements.

In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.



# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### 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 three broad fund categories: governmental, proprietary, 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.

**Component Unit Capital Project Fund** The Component Unit Capital Project Fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

### 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.

**Pupil Transportation Fund** The Pupil Transportation Fund is used to account for resources committed to the acquisition, rehabilitation, or replacement of equipment used to transport students.

**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).

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), 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 Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects 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 debt.

**Debt Service Fund** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the food service operations of the District.

**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 four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB), and receipt of special taxes and assessments used to pay principal and interest on non-obligatory bonds of the CFD. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

### Basis of Accounting - Measurement Focus

**Government-Wide Financial Statements** The government-wide 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.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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

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

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund 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 a 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 statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on general long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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### **Investments**

Investments held at June 30, 2014, 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 and State investment pools are determined by the program sponsor.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. 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. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

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 general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

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 20 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 and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. 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.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net Position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

### **Fund Balances - Governmental Funds**

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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**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.

**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/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

### Minimum Fund Balance Policy

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

### Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are 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 reports \$7,356,308 of restricted net position which is restricted by enabling legislation.

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food sales. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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### **Interfund Activity**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary 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 and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type 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.

### **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 Bernardino bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### **Change in Accounting Principles**

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.



# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

As the result of implementing GASB Statement No. 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by \$2,010,590. The decrease results from no longer deferring and amortizing bond issuance costs.

### New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions 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 Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental activities, including restricted investments	\$ 33,563,419
Business-type activities	1,960,000
Fiduciary funds	4,444,086
Total Deposits and Investments	<u>\$ 39,967,505</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 368,863
Cash in revolving	23,500
Investments	39,575,142
Total Deposits and Investments	<u>\$ 39,967,505</u>

#### Policies and Practices

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

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

**Investment in the State Investment Pool** - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by *California Government Code* Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### General Authorizations

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

### Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	N/A	None	None
Registered State Bonds, Notes, Warrants	N/A	None	None
Federal Housing Administration Debentures	N/A	None	None
Federal Credit Banks Bonds & Notes	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
Student Loan Marketing Association Obligations	N/A	None	None
Financing Corporation Obligations	N/A	None	None
U.S. Agency Securities	N/A	None	None
Federal National Mortgage Association Obligations	N/A	None	None
Federal Home Loan Mortgage Corporation Obligations	N/A	None	None
Money Market Funds	N/A	None	None
Federal Home Loan Bank System Obligations	N/A	None	None
Unsecured Deposit, Time Deposits and Bankers' Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Repurchase Agreement	N/A	None	None
Investment Agreement	N/A	None	None
Riverside County Investment Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	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 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 to provide the cash flow and liquidity needed for operations, and by purchasing a combination of shorter term and longer term investments and by timing 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 necessary for debt service requirements.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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

Investment Type	Amortized Cost	Fair Value	Average Maturity in Days
Local Agency Investment Fund (LAIF)	\$ 189,353	\$ 191,303	232
First American Treasury Obligations, Class D	4,920,529	4,920,529	24
Fidelity Institutional Money Market Funds - Governmental Funds	13,351,703	13,351,703	56
San Bernardino County Investment Pool	21,113,557	21,129,662	428
Total	<u>\$ 39,575,142</u>	<u>\$ 39,593,197</u>	

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments with the First American Treasury Obligations Funds are rated AAA by Fitch Ratings. The San Bernardino County Investment Pool and Fidelity Institutional Money Mark Funds are rated AAA by Fitch Ratings. The investment with Local Agency Investment Fund is not rated, nor is it required to be rated.

### 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, 2014, the District had \$617,315 in deposits held in banks. Of this amount, \$275,031 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### NOTE 3 - RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Component Unit Capital Project Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund
Federal Government					
Categorical aid	\$ 1,445,487	\$ -	\$ -	\$ 1,445,487	\$ 220,687
State Government					
State principal apportionment	7,778,931	-	-	7,778,931	-
Categorical aid	65,325	-	-	65,325	13,442
Lottery	586,240	-	-	586,240	-
Local Government					
Due from ROP	333,431	-	-	333,431	-
Due from SBCSS	694,619	-	-	694,619	-
Interest	20,178	742	1,602	22,522	1,524
Other Local Sources	354,709	-	7,806	362,515	1,189
Total	<u>\$ 11,278,920</u>	<u>\$ 742</u>	<u>\$ 9,408</u>	<u>\$ 11,289,070</u>	<u>\$ 236,842</u>

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 14,827,532	\$ -	\$ -	\$ 14,827,532
Construction in process	5,221,289	305,105	5,000	5,521,394
Total Capital Assets Not Being Depreciated	<u>20,048,821</u>	<u>305,105</u>	<u>5,000</u>	<u>20,348,926</u>
Capital Assets Being Depreciated				
Land improvements	12,354,053	-	-	12,354,053
Buildings and improvements	68,999,501	-	-	68,999,501
Furniture and equipment	16,343,631	2,319,572	12,000	18,651,203
Total Capital Assets Being Depreciated	<u>97,697,185</u>	<u>2,319,572</u>	<u>12,000</u>	<u>100,004,757</u>
Less Accumulated Depreciation				
Land improvements	6,157,914	487,595	-	6,645,509
Buildings and improvements	29,145,856	1,817,055	-	30,962,911
Furniture and equipment	7,334,916	899,398	12,000	8,222,314
Total Accumulated Depreciation	<u>42,638,686</u>	<u>3,204,048</u>	<u>12,000</u>	<u>45,830,734</u>
Governmental Activities Capital Assets, Net	<u>\$ 75,107,320</u>	<u>\$ (579,371)</u>	<u>\$ 5,000</u>	<u>\$ 74,522,949</u>
<b>Business-Type Activities</b>				
Capital Assets Being Depreciated				
Furniture and equipment	\$ 649,150	\$ 37,365	\$ 58,900	\$ 627,615
Total Capital Assets Being Depreciated	<u>649,150</u>	<u>37,365</u>	<u>58,900</u>	<u>627,615</u>
Less Accumulated Depreciation				
Furniture and equipment	263,820	49,551	57,025	256,346
Total Accumulated Depreciation	<u>263,820</u>	<u>49,551</u>	<u>57,025</u>	<u>256,346</u>
Business-Type Activities Capital Assets, Net	<u>\$ 385,330</u>	<u>\$ (12,186)</u>	<u>\$ 1,875</u>	<u>\$ 371,269</u>

Depreciation expense was charged to governmental and business-type functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 2,883,644
Home-to-school transportation	96,121
All other pupil services	128,162
Plant services	96,121
Total Depreciation Expenses Governmental Activities	<u>3,204,048</u>
<b>Business-Type Activities</b>	
Food services	49,551
Total Depreciation Expenses All Activities	<u>\$ 3,253,599</u>



# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### NOTE 5 - 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, 2014, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

	Due To	Due From	
		General Fund	Cafeteria Enterprise Fund
General Fund		\$ -	\$ 76,394
Cafeteria Enterprise Fund		265	-
Total		<u>\$ 265</u>	<u>\$ 76,394</u>

A balance of \$76,394 due to the General Fund from the Cafeteria Enterprise Fund resulted from reimbursement of payroll and other operating costs.

A balance of \$265 due to the Cafeteria Enterprise Fund from the General Fund resulted from reimbursement of overpaid fringe benefits.

#### Operating Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfer To		Transfer From
		Non-Major Governmental Funds
Component Unit Capital Project Fund		\$ 975,763
Non-Major Governmental Funds		57,604
Total		<u>\$ 1,033,367</u>

The Capital Facilities Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for current COP debt service payment. \$ 57,604

The Debt Service Non-Major Governmental Fund transferred to the Component Unit Capital Projects Fund for current COP debt service payment. 975,763  
Total \$ 1,033,367

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

### NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2014, consisted of the following:

	General Fund	Component Unit Capital Project Fund	Non-Major Governmental Funds	Total Governmental Activities	Non-Major Enterprise Fund
Salaries and benefits	\$ 4,557,433	\$ -	\$ -	\$ 4,557,433	\$ 560
State principal apportionment	211,350	-	-	211,350	-
Supplies	100,246	-	683	100,929	12,174
Services	584,009	-	18,941	602,950	1,923
Construction	86,292	94,480	-	180,772	6,841
Due to SBCSS	576,163	-	-	576,163	-
Other vendor payables	119,662	-	-	119,662	21,516
Total	<u>\$ 6,235,155</u>	<u>\$ 94,480</u>	<u>\$ 19,624</u>	<u>\$ 6,349,259</u>	<u>\$ 43,014</u>

### NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund	Enterprise Fund
Federal financial assistance	\$ 57,790	\$ -
State categorical aid	7,651	-
Other local	727	14,950
Total	<u>\$ 66,168</u>	<u>\$ 14,950</u>

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

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

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year	Due in One Year
2009 Refunding Certificates of Participation	\$ 56,035,000	\$ -	\$ -	\$ 56,035,000	\$ 375,000
Discount on issuance	(956,955)	35,443	-	(921,512)	-
2010 Refunding Certificates of Participation	4,570,000	-	835,000	3,735,000	860,000
Discount on issuance	(87,841)	17,866	-	(69,975)	-
Accumulated vacation - net	1,357,776	-	50,016	1,307,760	-
	<u>\$ 60,917,980</u>	<u>\$ 53,309</u>	<u>\$ 885,016</u>	<u>\$ 60,086,273</u>	<u>\$ 1,235,000</u>

Payments on the Certificates of Participation are made by the Component Unit Capital Project Fund with local revenues. The accrued vacation will be paid by the fund for which the employee worked.

#### 2009 Refunding Certificates of Participation

In June 2009, the Snowline School Facilities Corporation of the Snowline Joint Unified School District issued the 2009 Refunding Certificates of Participation in the amount of \$56,035,000. The certificates mature on September 1, 2040, with interest rates ranging from 3.20 to 5.45 percent. Proceeds from the sale of the certificates were used to provide for the current refunding of the District's \$14,000,000 Certificates of Participation (2005 School Bridge Funding Program) and the District's \$35,000,000 Certificates of Participation (2007 School Bridge Funding Program). At June 30, 2014, the principal balance outstanding was \$56,035,000. Unamortized discount on issuance and deferred amounts on refunding were \$921,512 and \$3,127,616, respectively.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

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The bonds mature through 2041 as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 375,000	\$ 2,824,723	\$ 3,199,723
2016	385,000	2,812,841	3,197,841
2017	400,000	2,799,585	3,199,585
2018	415,000	2,784,804	3,199,804
2019	1,420,000	2,748,623	4,168,623
2020-2024	7,940,000	12,777,441	20,717,441
2025-2029	10,005,000	10,649,919	20,654,919
2030-2034	12,755,000	7,820,688	20,575,688
2035-2039	16,430,000	4,005,356	20,435,356
2040-2041	5,910,000	262,238	6,172,238
Total	<u>\$ 56,035,000</u>	<u>\$ 49,486,218</u>	<u>\$ 105,521,218</u>

### 2010 Refunding Certificates of Participation

In May 2010, the Snowline School Facilities Corporation of the Snowline Joint Unified School District issued 2010 Refunding Certificates of Participation in the amount of \$6,590,000. The certificates mature on July 1, 2018, with interest rates ranging from 2.00 to 3.75 percent. Proceeds from the sale of the certificates were used to provide for the current refunding of the District's \$7,680,000 Certificates of Participation (1998 School Bridge Funding Program). The refunding resulted in a cumulative cash flow saving of \$371,024 over the life of the new debt and an economic gain of \$163,348 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 3.29 percent. As of June 30, 2014, the principal balance of \$3,735,000 remained outstanding. Unamortized discount on issuance and deferred amount on refunding were \$69,975 and \$85,525, respectively.

The bonds mature through 2019 as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 860,000	\$ 105,025	\$ 965,025
2016	885,000	81,000	966,000
2017	910,000	52,938	962,938
2018	940,000	21,700	961,700
2019	140,000	2,625	142,625
Total	<u>\$ 3,735,000</u>	<u>\$ 263,288</u>	<u>\$ 3,998,288</u>

### Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$1,307,760.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

### NOTE 9 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts and the Snowline Joint Unified School District Community Facilities, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$11,440,000 as of June 30, 2014, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

### NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Component Unit Capital Project Fund	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 20,000	\$ -	\$ -	\$ 20,000
Stores inventories	38,427	-	-	38,427
Prepaid expenditures	9,843	-	-	9,843
Total Nonspendable	68,270	-	-	68,270
<b>Restricted</b>				
Legally restricted programs	1,724,505	-	-	1,724,505
Capital projects	-	11,948,387	1,543,100	13,491,487
Debt services	-	3,016,604	236	3,016,840
Total Restricted	1,724,505	14,964,991	1,543,336	18,232,832
<b>Assigned</b>				
COPS reserve	4,175,636	-	-	4,175,636
Future projects	167,170	-	19,657	186,827
Lottery reserve	2,704,523	-	-	2,704,523
Program carryovers	3,263,792	-	-	3,263,792
Transportation	-	-	7,650	7,650
Total Assigned	10,311,121	-	27,307	10,338,428
<b>Unassigned</b>				
Reserve for economic uncertainties	1,756,473	-	-	1,756,473
Remaining unassigned	8,165,458	-	-	8,165,458
Total Unassigned	9,921,931	-	-	9,921,931
<b>Total</b>	<b>\$ 22,025,827</b>	<b>\$ 14,964,991</b>	<b>\$ 1,570,643</b>	<b>\$ 38,561,461</b>

# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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### **NOTE 11 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2014, the District participated in the Southern California Regional Liability Excess Fund (SoCal ReLiEF) public risk entity pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. Excess coverage is provided by the Schools Excess Liability Fund (SELF) public risk entity pool.

#### **Workers' Compensation**

For fiscal year 2014, the District participated in the Southern California Schools Risk Management (SCSRM) risk entity pool for workers' compensation coverage. The intent of SCSRM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SCSRM. Each participant pays its workers' compensation premium based on its individual rate.

#### **Employee Medical Benefits**

The District has contracted with Riverside County Employer/Employee Partnership for Benefits (REEP) and Coalition for Controlling Insurance Costs in California Schools (CICCS) to provide employee health benefits. Additionally, the District purchases commercial insurance for basic life insurance and vision programs.

### **NOTE 12 - 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).

#### **CalSTRS**

##### **Plan Description**

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605.

# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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### **Funding Policy**

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$2,384,216, \$2,359,730, and \$2,296,985, respectively, and equal 100 percent of the required contributions for each year.

### **CalPERS**

#### **Plan Description**

The District contributes to the School Employer Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

### **Funding Policy**

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$1,118,033, \$1,065,976, and \$996,664, respectively, and equal 100 percent of the required contributions for each year.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### Alternative Retirement Program

The District also contributes to an Accumulation Program for Part-time and Limited Service Employees (APPLE), which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

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 APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 3.75 percent of an employee's gross earnings. An employee is required to contribute 3.75 percent of his or her gross earnings to the pension plan.

During the year, the District's required and actual contributions amounted to \$113,247, which was 3.75 percent of its current-year covered payroll. Employees' required and actual contribution matched that of the employer's.

### 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 \$1,448,910 (5.541 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 amounts reported in the *General Fund - Budgetary Comparison Schedule*.

## NOTE 13 - COMMITMENTS AND CONTINGENCIES

### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.



# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014**

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### **Litigation**

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

### **NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES**

The District is a member of Riverside County Employer/Employee Partnership for Benefits (REEP), Southern California Schools Risk Management (SCSRM), and Schools Excess Liability Fund (SELF) public entity risk pools. The District pays an annual premium/contribution to each entity for its property and liability, workers' compensation, and excess liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2014, the District made payments of \$4,872,152, \$1,530,761, and \$25,434 to REEP, SCSRM, and SELF, respectively, for property and liability, workers' compensation coverage, and excess liability coverage.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

### NOTE 15 - EARLY RETIREMENT INCENTIVE PROGRAM

The District has adopted an early retirement incentive program pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

#### Retiree Information

A total of 25 employees have retired in exchange for the additional two years of service credit.

Position Vacated	Employee	Service	Retired Employee		Replacement Employee	
	Age	Credit	Salary	Benefits	Salary	Benefits
Superintendent	58+2	35	\$ 196,481	\$ 25,719	\$ 192,055	\$ 30,104
Principal	60+5	30	117,661	22,443	111,698	21,665
Principal	64+8	29	127,083	23,677	117,449	22,418
Teacher	65+2	23	85,180	18,194	85,180	18,194
Director	65+4	15	112,311	21,743	109,816	21,419
Teacher	58+3	22	81,867	17,716	47,023	13,200
Teacher	60+10	34	83,565	17,938	47,023	13,200
Teacher	61	15	69,970	16,159	47,023	13,200
Teacher	63+8	26	83,565	17,938	47,023	13,200
Teacher	68+10	16	69,970	11,199	47,023	13,200
Teacher	63+8	23	83,565	17,938	47,023	13,200
Teacher	60+6	23	79,513	17,408	47,023	13,200
Teacher	60+5	31	83,565	17,938	47,023	13,200
Teacher	55+8	18	77,566	12,192	47,023	13,200
Teacher	59+8	26	83,565	17,938	*	*
Teacher	63+8	21	81,867	17,716	*	*
Teacher	62+3	29	83,565	17,938	*	*
Teacher	58+7	23	83,565	17,938	*	*
Teacher	65+2	17	75,755	16,916	*	*
Teacher	61+7	18	76,658	17,034	*	*
Teacher	58+6	27	83,565	10,978	*	*
Psychologist	65+2	11	92,892	12,223	87,036	11,424
Counselor	61+7	24	83,565	17,938	*	*
Teacher	66+7	30	83,565	17,938	*	*
Teacher	65+8	26	83,565	17,938	47,023	13,200
Total			<u>\$ 2,263,989</u>	<u>\$ 440,697</u>	<u>\$ 1,173,464</u>	<u>\$ 257,224</u>

\* There were no replacement employees

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2014**

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### **Additional Costs**

As a result of this early retirement incentive program, the District expects to incur \$1,505,239 in additional costs. The breakdown in additional costs is presented below:

Retirement costs	\$ 1,417,759
Interest costs	80,230
Administrative costs	<u>7,250</u>
Total	<u><u>\$ 1,505,239</u></u>

### **NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on the current fiscal year is as follows:

#### **Statement of Net Position**

Net Position - Beginning	\$ 61,798,807
Elimination of cost of issuance from adoption of GASB Statement No. 65	<u>(2,010,590)</u>
Net Position - Beginning as Restated	<u><u>\$ 59,788,217</u></u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Positive (Negative) Final to Actual
<b>REVENUES</b>				
Local control funding formula	\$ 40,722,157	\$ 49,401,786	\$ 49,259,263	\$ (142,523)
Federal sources	2,581,401	3,191,340	2,398,544	(792,796)
Other State sources	6,604,429	3,774,249	5,231,635	1,457,386
Other local sources	2,691,224	2,884,405	3,037,513	153,108
<b>Total Revenues<sup>1</sup></b>	<b>52,599,211</b>	<b>59,251,780</b>	<b>59,926,955</b>	<b>675,175</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	28,160,094	30,286,677	29,335,699	950,978
Classified salaries	11,603,101	11,328,220	11,258,849	69,371
Employee benefits	9,206,950	9,488,547	10,683,036	(1,194,489)
Books and supplies	2,732,729	4,515,566	3,102,496	1,413,070
Services and operating expenditures	5,228,463	6,782,358	5,041,220	1,741,138
Other outgo	(129,892)	431,045	438,125	(7,080)
Capital outlay	323,436	430,952	138,593	292,359
<b>Total Expenditures<sup>1</sup></b>	<b>57,124,881</b>	<b>63,263,365</b>	<b>59,998,018</b>	<b>3,265,347</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(4,525,670)</b>	<b>(4,011,585)</b>	<b>(71,063)</b>	<b>3,940,522</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(4,525,670)</b>	<b>(4,011,585)</b>	<b>(71,063)</b>	<b>3,940,522</b>
<b>Fund Balance - Beginning</b>	<b>22,096,890</b>	<b>22,096,890</b>	<b>22,096,890</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 17,571,220</b>	<b>\$ 18,085,305</b>	<b>\$ 22,025,827</b>	<b>\$ 3,940,522</b>

<sup>1</sup> On behalf payments of \$1,448,910 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

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***SUPPLEMENTARY INFORMATION***

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# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education			
No Child Left Behind Act (NCLB)			
Title I Grants to Local Educational Agencies:			
Title I, Part A - Low Income & Neglected	84.010	14329	\$ 852,963
Title I, Part A - Program Improvement LEA Correction Action			
Minor Performance Problems	84.010	14957	32,292
Total Title I Grants Local Education Agencies			885,255
Improving Teacher Quality State Grants:			
Title II, Part A - Improving Teacher Quality	84.367	14341	197,978
Title II, Part A - Administrator Training	84.367	14344	2,601
Total Improving Teacher Quality State Grants			200,579
Title III, Part A - Limited English Proficient Student Program	84.365	14346	92,642
Carl D. Perkins Vocational and Technical Education Act of 1998			
Vocational & Applied Tech Secondary IIC, Section 131	84.048	14894	47,579
Passed through Desert/Mountain SELPA			
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	1,278,515
Local Assistance Private School ISPs	84.027	10115	1,381
Preschool Grant, Part B	84.173	13430	18,624
Preschool Local Entitlement	84.027A	13682	28,932
Subtotal Special Education (IDEA) Cluster			1,327,452
Total U.S. Department of Education			2,553,507

See accompanying note to supplementary information.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2014 (Continued)

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	\$ 108,624
Total U.S. Department of Health and Human Services			<u>108,624</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	1,765,638
Meal Supplements	10.555	13396	29,053
Especially Needy Breakfast Program	10.553	13390	442,442
Commodities	10.555	N/A	<u>163,926</u>
Subtotal Child Nutrition Cluster			<u>2,401,059</u>
Forest Reserve	10.665	10044	<u>269</u>
Total U.S. Department of Agriculture			<u>2,401,328</u>
Total Federal Programs			<u>\$ 5,063,459</u>

See accompanying note to supplementary information.



# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014**

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### **ORGANIZATION**

The Snowline Joint Unified School District was established in 1982. The District operates six elementary schools, two middle schools, one comprehensive high school, one continuation high school, an independent study school, and a community day school. There were no boundary changes during the year.

### **GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mr. David Nilsen	President	2016
Mr. Steve Coulombe	Clerk	2014
Ms. Christina Behringer	Member	2016
Ms. Karie LaFever	Member	2014
Ms. Ann Bashaw	Member	2014

### **ADMINISTRATION**

<u>NAME</u>	<u>TITLE</u>
Mr. Luke Ontiveros	Superintendent
Dr. Ryan Holman	Deputy Superintendent, Student Learning and Support Services
Ms. Karen Winkler	Assistant Superintendent, Business Services

See accompanying note to supplementary information.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,014.44	2,020.94
Fourth through sixth	1,736.89	1,735.52
Seventh and eighth	1,237.34	1,232.54
Ninth through twelfth	2,377.11	2,344.92
Total Regular ADA	7,365.78	7,333.92
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.72	0.75
Fourth through sixth	5.33	5.28
Ninth through twelfth	5.84	5.35
Total Special Education, Nonpublic, Nonsectarian Schools	11.89	11.38
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.13	0.28
Ninth through twelfth	0.65	0.65
Total Special Education, Nonpublic, Nonsectarian Schools	0.78	0.93
Community Day School		
Seventh and eighth	10.65	10.68
Ninth through twelfth	23.53	19.73
Total Community Day School	34.18	30.41
Total ADA	7,412.63	7,376.64

See accompanying note to supplementary information.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	1986-87	Reduced	2013-14	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirement		Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	35,000	35,000	175	-	In Compliance
Grades 1 - 3	50,400	49,000				
Grade 1			53,510	175	-	In Compliance
Grade 2			53,510	175	-	In Compliance
Grade 3			53,510	175	-	In Compliance
Grades 4 - 6	54,000	52,500				
Grade 4			54,215	175	-	In Compliance
Grade 5			54,215	175	-	In Compliance
Grade 6			58,590	175	-	In Compliance
Grades 7 - 8	54,000	52,500				
Grade 7			58,590	175	-	In Compliance
Grade 8			58,590	175	-	In Compliance
Grades 9 - 12	64,800	63,000				
Grade 9			63,448	175	-	In Compliance
Grade 10			63,448	175	-	In Compliance
Grade 11			63,448	175	-	In Compliance
Grade 12			63,448	175	-	In Compliance

See accompanying note to supplementary information.

## **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

### **RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2014.

See accompanying note to supplementary information.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

	(Original Adopted Budget) 2015 <sup>1</sup>	2014	2013	2012
GENERAL FUND				
Revenues and other sources	\$ 61,516,377	\$ 59,926,955	\$ 58,030,941	\$ 57,209,441
Other sources and transfers in	-	-	-	117,794
Total Revenues and Other Sources	<u>61,516,377</u>	<u>59,926,955</u>	<u>58,030,941</u>	<u>57,327,235</u>
Expenditures	<u>65,354,216</u>	<u>59,998,018</u>	<u>59,918,467</u>	<u>56,712,386</u>
INCREASE (DECREASE)				
IN FUND BALANCE	<u>\$ (3,837,839)</u>	<u>\$ (71,063)</u>	<u>\$ (1,887,526)</u>	<u>\$ 614,849</u>
ENDING FUND BALANCE	<u>\$ 18,187,988</u>	<u>\$ 22,025,827</u>	<u>\$ 22,096,890</u>	<u>\$ 23,984,416</u>
AVAILABLE RESERVES <sup>2</sup>	<u>\$ 6,145,206</u>	<u>\$ 9,921,931</u>	<u>\$ 11,228,450</u>	<u>\$ 12,911,762</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	<u>9.4%</u>	<u>16.9%</u>	<u>19.2%</u>	<u>23.4%</u>
LONG-TERM OBLIGATIONS	<u>N/A</u>	<u>\$ 60,086,273</u>	<u>\$ 60,917,980</u>	<u>\$ 61,749,714</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>7,428</u>	<u>7,413</u>	<u>7,637</u>	<u>7,819</u>

The General Fund balance has decreased by \$1,958,589 over the past two years. The fiscal year 2014-2015 budget projects a further decrease of \$3,837,839 (17.4 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2014-2015 fiscal year. Total long-term obligations have decreased by \$1,663,441 over the past two years.

Average daily attendance has decreased by 388 over the past two years. Additional decline of 3 ADA is anticipated during fiscal year 2014-2015.

<sup>1</sup> Budget 2015 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

<sup>3</sup> On behalf payments of \$1,448,910, \$1,475,190, and \$1,442,543 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013, and 2012.

See accompanying note to supplementary information.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2014

	<b>Pupil Transportation Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 7,644	\$ 283,179	\$ 1,270,413
Receivables	6	8,026	1,106
<b>Total Assets</b>	<u>\$ 7,650</u>	<u>\$ 291,205</u>	<u>\$ 1,271,519</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 19,624	\$ -
<b>Total Liabilities</b>	<u>-</u>	<u>19,624</u>	<u>-</u>
<b>Fund Balances:</b>			
Restricted	-	271,581	1,271,519
Assigned	7,650	-	-
<b>Total Fund Balances</b>	<u>7,650</u>	<u>271,581</u>	<u>1,271,519</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,650</u>	<u>\$ 291,205</u>	<u>\$ 1,271,519</u>

See accompanying note to supplementary information.

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<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 19,613	\$ 10	\$ 1,580,859
44	226	9,408
<u>\$ 19,657</u>	<u>\$ 236</u>	<u>\$ 1,590,267</u>
<u>          </u>	<u>          </u>	<u>          </u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,624</u>
<u>-</u>	<u>-</u>	<u>19,624</u>
<u>-</u>	<u>236</u>	<u>1,543,336</u>
<u>19,657</u>	<u>-</u>	<u>27,307</u>
<u>19,657</u>	<u>236</u>	<u>1,570,643</u>
<u>\$ 19,657</u>	<u>\$ 236</u>	<u>\$ 1,590,267</u>

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	<b>Pupil Transportation Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>
<b>REVENUES</b>			
Other local sources	\$ 24	\$ 188,253	\$ 4,200
<b>EXPENDITURES</b>			
Current			
Plant services	-	683	-
Facility acquisition and construction	-	84,558	-
<b>Total Expenditures</b>	-	85,241	-
<b>Excess of</b>			
<b>Revenues Over Expenditures</b>	24	103,012	4,200
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	-	(57,604)	-
<b>Net Financing Uses</b>	-	(57,604)	-
<b>NET CHANGE IN FUND BALANCES</b>	24	45,408	4,200
<b>Fund Balances - Beginning</b>	7,626	226,173	1,267,319
<b>Fund Balances - Ending</b>	<u>\$ 7,650</u>	<u>\$ 271,581</u>	<u>\$ 1,271,519</u>

See accompanying note to supplementary information.



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<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
<u>\$ 77</u>	<u>\$ 918,123</u>	<u>\$ 1,110,677</u>
-	-	683
-	-	84,558
-	-	85,241
<u>77</u>	<u>918,123</u>	<u>1,025,436</u>
-	57,604	57,604
-	(975,763)	(1,033,367)
-	(918,159)	(975,763)
77	(36)	49,673
19,580	272	1,520,970
<u>\$ 19,657</u>	<u>\$ 236</u>	<u>\$ 1,570,643</u>

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## GENERAL FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES OF FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2014

(Amounts in thousands)

	Actual Results for the Years					
	2013-2014		2012-2013		2011-2012	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal revenue	\$ 2,399	4.0	\$ 3,806	6.6	\$ 3,341	5.8
State and local revenue included in local control funding formula	49,259	82.2	41,466	71.5	41,170	72.0
Other State sources	5,232	8.7	9,296	16.0	9,015	15.8
Other local revenue	3,037	5.1	3,463	5.9	3,683	6.4
Total Revenues	<u>59,927</u>	<u>100.0</u>	<u>58,031</u>	<u>100.0</u>	<u>57,209</u>	<u>100.0</u>
<b>EXPENDITURES</b>						
Salaries and Benefits						
Teachers' salaries	29,336	49.0	28,924	49.8	28,156	48.5
Classified salaries	11,259	18.8	11,014	19.0	10,694	18.4
Employee benefits	10,683	17.8	12,106	20.9	10,373	17.9
Total Salaries and Benefits	<u>51,278</u>	<u>85.6</u>	<u>52,044</u>	<u>89.7</u>	<u>49,223</u>	<u>84.8</u>
Books and supplies	3,102	5.2	2,403	4.1	2,552	4.4
Contracts and operating expenses	5,041	8.4	5,252	9.1	4,625	8.0
Capital outlay	139	0.2	318	0.5	420	0.7
Other outgo	438	0.7	(99)	(0.2)	(108)	(0.2)
Total Expenditures	<u>59,998</u>	<u>100.1</u>	<u>59,918</u>	<u>103.2</u>	<u>56,712</u>	<u>97.7</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(71)	(0.1)	(1,887)	(3.2)	497	2.3
<b>OTHER FINANCING SOURCES</b>						
Operating transfers in	<u>-</u>	<u>0.0</u>	<u>-</u>	<u>0.0</u>	<u>118</u>	<u>0</u>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	(71)	(0.1)	(1,887)	(3.2)	615	2.3
<b>FUND BALANCE, BEGINNING</b>	<u>22,097</u>		<u>23,984</u>		<u>23,369</u>	
<b>FUND BALANCE, END</b>	<u>\$ 22,026</u>		<u>\$ 22,097</u>		<u>\$ 23,984</u>	

See accompanying note to supplementary information.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## CAFETERIA FUND SELECTED FINANCIAL INFORMATION THREE-YEAR SUMMARY OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2014

(Dollar amounts in thousands)

	Actual Results for the Years					
	2013-2014		2012-2013		2011-2012	
	Amount	Percent of Revenue	Amount	Percent of Revenue	Amount	Percent of Revenue
<b>REVENUES</b>						
Federal - NSLP	\$ 2,401	75.2	\$ 2,296	74.9	\$ 2,169	72.2
State meal program	177	5.5	179	5.8	180	6.0
Other local	618	19.3	591	19.3	655	21.8
Total Revenues	3,196	100.0	3,066	100.0	3,004	100.0
<b>EXPENDITURES</b>						
Salaries and employee benefits	1,213	38.0	1,121	36.6	1,066	35.5
Food and supplies	1,477	46.2	1,455	47.5	1,183	39.4
Other	255	8.0	281	9.2	460	15.3
Total Expenditures	2,945	92.2	2,857	93.3	2,709	90.2
<b>INCREASE IN FUND BALANCE</b>	251	7.8	209	6.7	295	9.8
<b>FUND BALANCE, BEGINNING OF YEAR</b>	1,822		1,613		1,318	
<b>FUND BALANCE, END OF YEAR</b>	\$ 2,073		\$ 1,822		\$ 1,613	

\* \* \* \* \*

### LUNCH/BREAKFAST PARTICIPATION

	2013-2014		2012-2013		2011-2012	
	Amount	Percent	Amount	Percent	Amount	Percent
<b>LUNCHES</b>						
Paid	143,636	19.9	145,842	19.7	161,183	21.0
Reduced price	78,050	10.8	82,968	11.2	92,528	12.0
Free	500,436	69.3	511,558	69.1	515,112	67.0
Total Lunches	722,122	100.0	740,368	100.0	768,823	100.0
<b>BREAKFASTS</b>						
Paid	18,819	7.4	15,317	6.5	13,959	6.2
Reduced price	21,640	8.5	19,168	8.1	18,635	8.3
Free	213,103	84.1	202,512	85.4	193,020	85.5
Total Breakfasts	253,562	100.0	236,997	100.0	225,614	100.0

See accompanying note to supplementary information.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists primarily of Medi-Cal Administrative Activities funds that have been recorded in the prior period as revenues but were expended in the current year.

	CFDA Number	Amount
Total Federal revenues from governmental and business-type activities:		\$ 4,799,603
Medi-Cal Administrative Activities	93.778	263,856
Total Schedule of Expenditures of Federal Awards		<u>\$ 5,063,459</u>

#### 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 1986-87 requirements, as required by *Education Code* Section 46201.

# **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014**

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### **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 - Unaudited**

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

### **General Fund Selected Financial Information**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the General Fund for the past three years. Current year's General Fund amounts do not include activities related to the consolidation of the Deferred Maintenance Fund as required by GASB Statement No. 54.

### **Cafeteria Fund Selected Financial Information**

This schedule provides a comparison of revenues and expenditures as a percentage of total revenue for the cafeteria account for the past three years.

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***INDEPENDENT AUDITOR'S REPORTS***

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

Governing Board  
Snowline Joint Unified School District  
Phelan, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Snowline Joint Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Snowline Joint Unified School District's basic financial statements, and have issued our report thereon dated December 5, 2014.

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

As discussed in Note 16 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of Snowline Joint Unified School District in a separate letter dated December 5, 2014.

### **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, Irine, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2014





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board  
Snowline Joint Unified School District  
Phelan, California

**Report on Compliance for Each Major Federal Program**

We have audited Snowline Joint Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Snowline Joint Unified School District's (the District) major Federal programs for the year ended June 30, 2014. Snowline Joint Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Snowline Joint Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Snowline Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, Snowline Joint Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Snowline Joint Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Snowline Joint Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Snowline Joint Unified School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Varrinck, Irine, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2014



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
Snowline Joint Unified School District  
Phelan, California

### Report on State Compliance

We have audited Snowline Joint Unified School District's compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of the Snowline Joint Unified School District's State government programs as noted below for the year ended June 30, 2014.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Snowline Joint Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. 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 Snowline Joint Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Snowline Joint Unified School District's compliance with those requirements.

### Unmodified Opinion

In our opinion, Snowline Joint Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014.

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes, see below
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Yes
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

We did not perform testing relating to work experience because the District does not offer this program.

*Vavrinek, Irine, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2014

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2014

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### FINANCIAL STATEMENTS

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

### FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I Grants to Local Educational Agencies</u>
<u>84.027, 84.027A, and 84.173</u>	<u>Special Education (IDEA) Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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**SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

**SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.



**SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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None reported.

# SNOWLINE JOINT UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

### *State Award Findings*

#### *After School Education and Safety Program*

2013-1 400000

#### **Criteria or Specific Requirements**

According to *Education Code* Section 8483(a)(2), elementary school pupils are to participate in the full day of the program every day during which pupils participate and pupils in middle or junior high schools are to attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy. Adequate documentation that supports attendance participation must be maintained by each site that documents that students are attending the program as consistent with the early release policy.

#### **Condition**

There were multiple instances in which there were no verifiable records to support students leaving early were doing so in accordance to the program's early release policy adopted by the District. The District has a procedure to indicate the reason for early release on a designated column on the sign out roster. Parents are required to indicate the reason for early release when they sign out their child earlier than 6:00 PM. However, during review of sign out sheets, it was noted that there were 51 instances in which the rosters were not completed to reflect the students' reasons for early dismissal from a total population of 2,573 reported during the month of November 2012.

#### **Questioned Costs**

Under the provisions of the program, there were no questioned costs associated with the condition identified. However, for the sites tested, there were 51 out of 2,573 students served during the month of November 2012 for which sign out sheets did not conform to the District's early release policy.

#### **Context**

The condition identified was determined through review of attendance records from two of the three sites that operate the after school program. Manual sign out rosters were reviewed for each child's sign out time in order to determine daily participation. Specifically, Phelan Elementary and Vista Verde Elementary Schools were selected for testing for reporting period of November 2012.

#### **Effect**

As a result of our testing, the District does not appear to be in compliance with *Education Code* Section 8483(a)(2). There is not sufficient documentation to support whether or not students participated in the full day of the program except as established in the early release policy.

## **SNOWLINE JOINT UNIFIED SCHOOL DISTRICT**

### **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014**

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#### **Cause**

It appears that the condition identified has materialized as a result of the site not following up to ensure parents are accurately completing the sign out rosters.

#### **Recommendation**

The District should ensure that adequate review of attendance reports is being performed on a regular basis to identify any non-conforming records. Specifically, the review function should place a strong emphasis on completeness of records pertaining to early-release practices. Additionally, the District should communicate to all sites offering the After School Education and Safety Program the importance of following established procedures. This would allow the District to reduce and potentially eliminate future instances of non-compliance.

#### **Current Status**

Implemented.



Governing Board  
Snowline Joint Unified School District  
Phelan, California

In planning and performing our audit of the financial statements of Snowline Joint Unified School District (the District), for the year ended June 30, 2014, 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 5, 2014, on the government-wide financial statements of the District.

### ***INTERNAL CONTROLS***

#### **Observations**

The following observations were noted per inquiry and review of the District's clearing account activities:

- 1) It appears that the District is currently not fully reconciling the supporting documents to deposits remitted by sites/departments. Specifically, our inquiry has indicated that the District is only reconciling amounts noted on receipts; however, review of receipt sequences is currently not being conducted.
- 2) It appears that the District is not tracking the sequence of receipts being remitted to the District office by sites/departments. Given the current practice, the Business Services Department has no method of verifying if sites are completely remitting all revenues collected.

#### **Recommendations**

The following procedures are recommended based on observations made:

- 1) In addition to reconciling actual amounts remitted by sites/department to amounts indicated on receipts, the District should also carefully review the sequence of receipts being remitted. Gaps in sequences should be questioned immediately upon identification.
- 2) The District should implement a procedure to track sequences of receipts remitted by sites/departments in a chronological order. This would allow the District to identify unusual gaps in sequences and promptly address the matter.

## ***ASSOCIATED STUDENT BODY***

### ***Quail View Middle School***

#### Observation

The following observations were noted during our review of the ASB's practices:

- 1) Fifteen percent of the disbursements reviewed did not have explicit documentation available indicating receipt of goods prior to payment. As a result, the ASB may have potentially paid vendors without knowing if goods had been delivered.
- 2) Sixty six percent of revenue potential forms reviewed were not fully completed by the ASB. Specifically, the revenue potential forms reviewed were missing analysis and/or explanation of differences between actual and estimate revenues and expenses.

#### Recommendations

The following are recommendations in response to observations stated:

- 1) All ASB disbursements should only be made upon verification and documentation of goods received or services being rendered. Where applicable, receiving documentation should clearly indicate when the goods/services were received. For delivered goods, the ASB should accurately document if quantities ordered were received and whether or not there were damaged goods.
- 2) Revenue potential forms must be completely filled out at the end of each fundraiser. The revenue potential form is important because it shows whether or not all the monies that should have been raised and actually turned in were based on the price of the item and number sold. The form is also used to document overages/shortages. An explanation of any overages/shortages must be documented on the form.

### ***Serrano High School***

#### Observations

The following observations were noted during our review of the ASB's practices:

- 1) One out of 18 disbursements reviewed did not contain evidence of preapproval. Specifically, we noted that the date of the invoice was prior to authorization by the ASB.
- 2) Based on our review of ticketed events, it appears that the ASB is not always preparing a complete record of ticketed transactions. Specifically, we noted that the ASB did not fully document the ticketed event on the master ticket log. As a result, we were unable to perform a sales reconciliation of revenues generated from the ticket event for one out of five events tested.

Recommendations

The following are recommendations in response to observations stated:

- 1) One of the primary purposes of the ASB is to immerse student leaders in the roles of governing student activities. All ASB activities, including disbursements, should be reviewed and authorized by the student council. Additionally, in order to ensure that proposed disbursement activities are within the scope of the ASB function and also to ensure that sufficient funds are available to cover the proposed expense, the ASB should always engage in the pre-authorization of disbursements.
- 2) Ticket sales reconciliations used in conjunction with a master ticket log serves as an important internal control function for controlling ticketed transactions. A master ticket log should be perpetually maintained with logs of beginning and ending ticket sequence utilized in each of the ticketed events. Additionally, ticket sales reconciliations should be accompanied with all ticketed events to document the intactness of cash collected.

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

*Vavrinik, Irine, Day & Co., LLP*

Rancho Cucamonga, California  
December 5, 2014

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

*The following is a brief summary of certain provisions of the Indenture, the Site and Facility Lease and the Lease Agreement prepared for Bonds. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of said documents are available from the District and from the Trustee.*

#### DEFINITIONS

*“Additional Payments”* shall have the meaning given in the Lease Agreement.

*“Authority”* means the California Municipal Finance Authority, or its successors and assigns, a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of January 1, 2004 by and among certain California cities, counties and special districts, as may be amended from time to time (the “Joint Powers Agreement”) pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with section 6500) of the Government Code of the State of California (the “Act”).

*“Authorized Representative”* means: (a) with respect to the Authority, any member of the Board of Directors of the Authority (the “Board”) or the Executive Director of the Authority, or any other person designated as an Authority Representative by a certificate signed by a member of the Board or such Executive Director and filed with the Trustee; and (b) with respect to the District, its Chair, Vice Chair, Superintendent, or Assistant Superintendent of Business Services, or any other person designated as an Authorized Representative of the District by a Written Certificate of the District signed by its Assistant Superintendent of Business Services and filed with the Authority and the Trustee.

*“Bond Counsel”* means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

*“Bond Year”* means each twelve-month period extending from May 2 in one calendar year to May 1 of the succeeding calendar year, both dates inclusive; *provided* that the first Bond Year with respect to the Bonds shall commence on the Closing Date and end on May 1, 2016.

*“Bonds”* means the California Municipal Finance Authority Lease Revenue Bonds, Series 2015 (Snowline Joint Unified School District Financing Project), authorized by and at any time Outstanding pursuant to the Indenture.

*“Business Day”* means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located and on which the Federal Reserve is open.

*“Closing Date”* means the date of delivery of the Bonds to the Original Purchaser.

“*Code*” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under such Code.

“*Continuing Disclosure Certificate*” means that certain Continuing Disclosure Certificate executed by the District and the Authority and dated the date of execution and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“*Costs of Issuance*” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority or the District, initial fees and expenses of the Trustee (including but not limited to fees and expenses for legal counsel), compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, out-of-pocket expenses of the Authority or the District, Authority and District staff costs and costs of printing.

“*Costs of Issuance Fund*” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“*Debt Service*” means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Bonds coming due and payable by their terms in such period; and (b) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

“*Defeasance Obligations*” means (a) cash ; (b) obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including: (i) United States treasury obligations; (ii) all direct or fully guaranteed obligations; (iii) certificates of beneficial ownership of the Farmers Home Administration; (iv) participation certificates of the General Services Administration; (v) guaranteed Title XI Financings of the U.S. Maritime Administration; (vi) Government National Mortgage Association obligations; and (vii) State and Local Government Series.

“*Event of Default*,” with respect to the Indenture, means any of the events specified in the Indenture and, with respect to the Lease Agreement, means any of the events specified in the Lease Agreement.

“*Facility*” means the improvements more particularly described in the Lease Agreement.

“*Federal Securities*” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; (b) obligations of any agency or department of the United States of America which represent the full faith and credit of the United States of America or the timely payment of the principal of and interest on which are secured or guaranteed by



the full faith and credit of the United States of America; and (c) any obligations issued by the State of California or any political subdivision thereof the payment of and interest and premium (if any) on which are fully secured by Federal Securities described in the preceding clauses (a) or (b), as verified by an independent certified public accountant, and rated by a Nationally Recognized Statistical Rating Organization at its then stated rating for direct general obligations of the United States of America.

*“Fiscal Year”* means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the District, as applicable, as its official fiscal year period.

*“Indenture”* means the Indenture of Trust, dated as of September 1, 2015, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions thereof.

*“Independent Accountant”* means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the District, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the District; (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and (c) is not connected with the Authority or the District as an officer or employee of the Authority or the District but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

*“Information Services”* means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, (at <http://emma.msrb.org>); provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, and shall mean such other organizations providing information with respect to the redemption of bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

*“Insurance and Condemnation Fund”* means the fund by that name established and held by the Trustee pursuant to the Indenture.

*“Interest Account”* means the account by that name established in the Revenue Fund pursuant to the Indenture.

*“Interest Payment Date”* means each May 1 and November 1, commencing May 1, 2016.

*“Lease Agreement”* means that certain Lease Agreement, dated as of September 1, 2015, by and between the Authority and the District, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

*“Lease Payment Date”* means, with respect to any Interest Payment Date, commencing with the April 15, 2016, Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

*“Lease Payments”* means the aggregate amount of all the payments required to be paid by the District pursuant to the Lease Agreement.

*“Nationally Recognized Statistical Rating Organization”* means a credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission permits financial firms to use for certain regulatory purposes.

*“Net Proceeds”* means amounts derived by the District from any policy of casualty insurance with respect to any portion of the Property, or the proceeds of any taking of the Property or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

*“Office”* means, with respect to the Trustee, the corporate trust office of the Trustee located in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the corporate trust operations office or agency of the Trustee, initially in St. Paul, Minnesota.

*“Original Purchaser”* means the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

*“Outstanding,”* when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions thereof) described in the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

*“Owner,”* whenever used in the Indenture with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

*“Participating Underwriter”* shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

*“Permitted Encumbrances”* means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (e) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies in writing will not materially impair the use of the Property; and (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Authority and the District agree in writing do not reduce the value of the Property.

*“Permitted Investments”* means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value (provided the Trustee may rely upon the Request of the Authority directing investment under the Indenture as a determination that such investment is a Permitted Investment):

(a) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, fully and unconditionally guaranteed as to timely payment;

(b) debentures of the Federal Housing Administration to the extent such obligations are guaranteed by the full faith and credit of the United States of America;

(c) obligations of the following agencies which are not guaranteed by the United States of America: (i) participation certificates or debt obligations of the Federal Home Loan Mortgage Corporation; (ii) consolidated system-wide bonds and notes of the Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives); (iii) consolidated debt obligations or letter of credit-backed issues of the Federal Home Loan Banks; or (iv) mortgage-backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal) or debt obligations of the Federal National Mortgage Association; *provided, however*, that not more than ten percent (10%) of the proceeds of the Bonds may, in the aggregate, be invested in any such obligations at one time;

(d) commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a Nationally Recognized Statistical-Rating Organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):

(1) The entity meets the following criteria:

- is organized and operating in the United States as a general corporation
- has total assets in excess of five hundred million dollars (\$500,000,000)
- has debt other than commercial paper, if any, that is rated “A” or higher by a Nationally Recognized Statistical-Rating Organization

(2) The entity meets the following criteria:

- is organized within the United States as a special purpose corporation, trust, or limited liability company
- has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond
- has commercial paper that is rated “A-1” or higher, or the equivalent, by two of the Nationally Recognized Statistical-Rating Organizations,

and split ratings (i.e. A2/P1) are not allowable, and no more than 10 percent of the outstanding commercial paper of any single corporate issue may be purchased;

(e) shares of beneficial interest issued by diversified management companies which invest only in direct obligations of the US Treasury, debt instruments issued by agencies of the Federal government, and repurchase agreements with a weighted average of 60 days or less, and have the highest rating from two Nationally Recognized Statistical-Rating Organizations, and must maintain a daily principal per share value of \$1.00 per share and distribute interest monthly, and have a minimum of \$500 million in assets under management. The purchase price of the shares may not include commission;

(f) demand deposits, including interest bearing money market accounts, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits or certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Authority, including in the case of any such deposit, fund or account of the Trustee or any of its affiliates, rated in one of the top two highest categories from two Nationally Recognized Statistical-Rating Organizations without regard to gradations, or which are fully FDIC-insured;

(g) Investment agreements, guaranteed investment contracts, funding agreements, or any other form of corporate note which represents the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution which has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by a Nationally Recognized Statistical-Rating Organization;

(h) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name;

(i) Repurchase and reverse repurchase agreements collateralized with securities described in subsections (a) and (c) above, at 102% and 104% respectively, including those of the Trustee or any of its affiliates, so long as such repurchase and/or reverse repurchase agreements have a final maturity date of 365 days or less, and must be marked to market weekly with a two (2) day cure period for any deficiencies, and any failure to deliver such collateral or to cure a deficiency shall require the immediate acceleration and termination of the agreement;

(j) longer dated repurchase agreements with financial institutions, or banks insured by the FDIC, or any broker dealer with “retail customers” which falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC), provided that: (i) the over-collateralization is at 102%, computed weekly, for securities described in subsection (a) and 104% for securities described in subsection (c); (ii) a third party custodian, the Trustee or the Federal Reserve Bank shall have possession of such obligations; (iii) the Trustee shall have perfected a first priority security interest in such obligations; and (iv) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral;

(k) Forward delivery or forward purchase agreements with underlying securities of the types outlined in (a), (b), (c) and (d) above; and

(l) Tax-exempt obligations of the District, any local agency in the State or of any other 49 states, rated in either of the two highest rating categories by two of the Nationally Recognized Statistical-Rating Organizations.

“*Principal Account*” means the account by that name established in the Revenue Fund pursuant to the Indenture.

“*Project*” means the acquisition and installation of new interior and exterior lighting as well as a computer energy management system at 16 District school and support facility sites.

“*Project Fund*” means the fund by that name established and held by the Trustee pursuant to the Indenture.

*“Property”* means, collectively, the Site and the Facility.

*“Record Date”* means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

*“Redemption Fund”* means the fund by that name established pursuant to the Indenture.

*“Registration Books”* means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

*“Regulations”* means the regulations of the United States Department of Treasury issued under the Code.

*“Revenue Fund”* means the fund by that name established and held by the Trustee pursuant to the Indenture.

*“Revenues”* means (a) all Lease Payments, prepayments, insurance proceeds, condemnation proceeds, and (b) subject to the provisions of the Indenture, all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture.

*“Securities Depositories”* means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

*“Sinking Account”* means the account by that name established in the Bond Fund pursuant to the Indenture.

*“Site”* means that certain real property more particularly described in the Site and Facility Lease and in the Lease Agreement.

*“Site and Facility Lease”* means the Site and Facility Lease, dated as of September 1, 2015, by and between the District, as lessor, and the Authority, as lessee, together with any duly authorized and executed amendments thereto.

*“State”* means the State of California.

*“Supplemental Indenture”* means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

*“Tax Certificate”* means the certificate of the Authority dated the Closing Date, with respect to tax matters.

*“Term Bonds”* means the Bonds maturing on May 1, \_\_\_\_.

“*District*” means the Snowline Joint Unified School District, a unified school district organized and existing under and by virtue of the laws of the State.

“*Trustee*” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee as provided in the Indenture.

“*Written Certificate*,” “*Written Request*” and “*Written Requisition*” of the Authority or the District mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

## **INDENTURE OF TRUST**

### **Establishment and Application of Project Fund**

The moneys in the Project Fund shall be used and withdrawn by the Trustee to pay the costs of the Project upon submission of Written Requisitions of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon notification by the District to the Trustee that the Project is completed, all remaining amounts on deposit in the Project Fund shall be transferred by the Trustee to the Revenue Fund to be used for the payment of interest on the Bonds.

### **Establishment and Application of Costs of Issuance Fund**

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the date six months after the Closing Date, or upon the earlier Written Request of the Authority, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Project Fund.

### **Pledge and Assignment; Revenue Fund**

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

The Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Authority in the Lease Agreement (except for certain rights to indemnification set forth therein), and in the Site and Facility Lease, (except for certain rights to indemnification set forth therein). The Trustee shall be entitled to and shall collect and receive

all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority, all of the obligations of the District under the Lease Agreement.

The assignment of the Lease Agreement and the Site and Facility Lease to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting thereunder shall be subject to the provisions of the Indenture, including, without limitation, the provisions of the Indenture. The Trustee shall not be responsible for any representations, warranties, covenants or obligations of the Authority.

The Trustee agrees to provide written notice to the District at least five Business Days prior to each Lease Payment Date of the amount, if any, on deposit in the Revenue Fund which shall serve as a credit against, and shall relieve the District of making, the Lease Payments due from the District on such Lease Payment Date. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Lease Agreement to be deposited in the Redemption Fund or the Insurance and Condemnation Fund shall be promptly deposited in such Funds. Within the Revenue Fund there shall be established an Interest Account and a Principal Account. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

#### **Allocation of Revenues**

Not later than the Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due at maturity and payable on such Interest Payment Date.

(c) If the then applicable Interest Payment Date is February 1, all remaining moneys shall be held by the Trustee in the Revenue Fund and applied for the next succeeding August 1 Interest Payment Date deposits. If the then applicable Interest Payment Date is August 1, all remaining moneys shall be transferred to the District for deposit to the General Fund of the District.

#### **Application of Interest Account**

All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).



### **Application of Principal Account**

All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

### **Application of Redemption Fund**

The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium on the Bonds to be redeemed pursuant to the Indenture; *provided, however*, that at any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, in accordance with the Indenture.

### **Insurance and Condemnation Fund**

*Establishment of Fund.* Upon the receipt of any proceeds of insurance or eminent domain with respect to any portion of the Property, the Trustee shall establish and maintain an Insurance and Condemnation Fund, to be held and applied as set forth in the Indenture.

*Application of Insurance Proceeds.* Any Net Proceeds of insurance against accident to or destruction of the Property collected by the District in the event of any such accident or destruction shall be paid to the Trustee by the District pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund. If the District fails to determine and notify the Trustee in writing of its determination, within forty-five (45) days following the date of such deposit, to replace, repair, restore, modify or improve the Property, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds to the extent that such Net Proceeds permit. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the District, upon receipt of Written Requisitions of the District, as agent for the Authority, which: (i) states with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal; and (ii) specifies in reasonable detail the nature of the obligation. Each such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the District to the Trustee shall after payment of amounts due the Trustee be paid to the District.

*Application of Eminent Domain Proceeds.* If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the District has not given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the Bonds.

(b) If the District has given written notice to the Trustee, within forty-five (45) days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Property or such portion thereof, the Trustee shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing of Written Requisitions of the District as agent for the Authority in the form and containing the provisions set forth above. Each



such Written Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

## **Investments**

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority pursuant to a Written Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which Written Request shall certify that the investments constitute Permitted Investments) or such shorter time as the Trustee may accept in its sole discretion. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. The Authority shall take the liquidity needs of the moneys held under the Indenture into account in making investments.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the Revenue Fund. To the extent that any investment agreement requires the payment of fees, such fees shall be paid from available moneys in the Revenue Fund as directed in a Written Request of the Authority. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee or its affiliates may act as sponsor or depository with respect to any Permitted Investment. To the extent that any Permitted Investment purchased by the Trustee are registrable securities such Permitted Investment shall be registered in the name of the Trustee on behalf of the Owners. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

## **Certain Covenants**

*Punctual Payment.* The Authority shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

*Extension of Payment of Bonds.* The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

*Against Encumbrances.* The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes. Nothing in shall in any way limit the District's ability to encumber its assets in accordance with the Lease Agreement.

*Power to Issue Bonds and Make Pledge and Assignment.* The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special

obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

*Accounting Records.* The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Lease Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the District, during business hours and under reasonable circumstances.

*No Additional Obligations.* The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

*Tax Covenants.* The Authority covenants to and for the benefit of the Owners that, notwithstanding any other provisions of the Indenture, it will:

(a) neither make or use nor cause to be made or used any investment or other use of the proceeds of the Bonds or the moneys and investments held in the funds and accounts established under the Indenture which would cause the Bonds to be arbitrage bonds under section 103(b) and section 148 of the Code and the Regulations issued under section 148 of the Code or which would otherwise cause the interest payable on the Bonds to be includable in gross income for federal income tax purposes;

(b) not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Bonds to be includable in gross income for federal income tax purposes;

(c) at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Authority on the Bonds will be excluded from the gross income, for federal income tax purposes, of the Owners pursuant to section 103 of the Code; and

(d) not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Regulations.

*Collection of Amounts Due Under Lease Agreement.* The Trustee shall promptly collect all amounts due from the District pursuant to the Lease Agreement. The Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority, for the enforcement of all of the obligations of the District under the Lease Agreement.

The Authority shall not amend, modify or terminate any of the terms of the Lease Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent only if (a) in the opinion of Bond Counsel, such amendment, modification or termination will not materially adversely affect the interests of the Owners, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment, modification or termination.

*Continuing Disclosure.* The Authority covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture; *provided, however*, that any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the Authority of its continuing disclosure obligations, including seeking mandate or specific performance by court order.

## Events of Default; Remedies

*Events of Default.* The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal installments of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee; *provided, however*, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default under the Indenture if the Authority shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in the Lease Agreement.

*Remedies.* Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, and payment of its fees and expenses, including the fees and expenses of its counsel, shall in its own name and as the Trustee of an express trust:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners under, and require the Authority or the District to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Lease Agreement and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Lease Agreement or the Indenture, as the case may be;

(b) bring suit upon the Bonds;

(c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Owners of Bonds; or

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds under the Indenture.

Upon the occurrence of an Event of Default, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers for the Revenues, *ex parte*, and without notice, and the Authority consents to the appointment of such receiver upon the occurrence of an Event of Default. In the case of any receivership, insolvency, bankruptcy, or other judicial proceedings affecting the Authority or the District, the Trustee shall be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have the claims of the Trustee and the Bond Owners allowed in such proceedings, without prejudice, however, to the right of any Bond Owner to file a claim on his or her own behalf; provided, the Trustee shall be entitled to compensation and reimbursement for the reasonable fees and expenses of its counsel and indemnity for its reasonable expenses and liability from the Authority, the District or the Bond Owners, as appropriate.

*Application of Revenues and Other Funds After Default.* If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

*First:* To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

*Second:* To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

#### **Amendments Permitted**

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Indenture to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect under the Indenture, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code; or

(v) to modify, alter, amend or supplement the Indenture in any other respect, including amendments that would otherwise be described in the Indenture thereof, (A) if such amendment will take effect on a Purchase Date following the purchase of tendered Bonds, or (B) if notice of the proposed Supplemental Indenture is given to Bondholders (in the same manner as notices of redemption are given) at least thirty (30) days before the effective date thereof and, on or before such effective date, the Bondholders have the right to demand purchase of their Bonds pursuant to the Indenture.

The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by the Indenture which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Prior to the Trustee entering into any Supplemental Indenture under the Indenture, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

Written notice of any amendment or modification made pursuant to the Indenture shall be given by the Authority to any rating agency then rating the Bonds at least thirty (30) days prior to the effective date of such amendment or modification.

### **Effect of Supplemental Indenture**

Upon the execution of any Supplemental Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

### **Discharge of Indenture**

Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

(a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, Defeasance Obligations in the necessary amount (as provided in the Indenture) to pay or redeem such Bonds; or

(c) by delivering to the Trustee, for cancellation by it, such Bonds.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under the Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

### **Discharge of Liability on Bonds**

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

### **Deposit of Money or Securities with Trustee**

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Defeasance Obligations, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the District, the Authority and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Authority) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond



Counsel to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above).

## **SITE AND FACILITY LEASE**

The Site and Facility Lease is entered into between the District and the Authority. The District agrees to lease the Property to the Authority for a term continuous with the term of the Lease Agreement. The District and the Authority agree that the lease to the Authority of the District's right, title and interest in the Property pursuant to the Site and Facility Lease serves the public purposes of the District by enabling the Authority to lease the Property back to the District.

## **THE LEASE AGREEMENT**

### **Lease of Property**

The Authority leases the Property to the District, and the District leases the Property from the Authority, upon the terms and conditions set forth in the Lease Agreement.

### **Term of Lease**

The Lease Agreement shall take effect on the Closing Date, and shall end on the earlier of May 1, \_\_\_\_, or such earlier date on which the Bonds shall no longer be Outstanding under the Indenture. If, on May 1, \_\_\_\_, the Indenture shall not be discharged by its terms or if the Lease Payments payable under the Lease Agreement shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond May 1, \_\_\_\_.

### **Lease Payments**

*Obligation to Pay.* In consideration of the lease of the Property from the Authority under the Lease Agreement, the District agrees to pay to the Authority, its successors and assigns, as rental for the use and occupancy of the Property during each Fiscal Year, the Lease Payments (denominated into components of principal and interest) for the Property in the respective amounts specified in the Lease Agreement, to be due and payable on the respective Lease Payment Dates specified in the Lease Agreement. Any amount held in the Revenue Fund, the Interest Account or the Principal Account on any Lease Payment Date, derived from any source of funds of the District or the Authority, shall be credited towards the Lease Payment then due and payable. The Lease Payments coming due and payable in any Fiscal Year shall be for the use of the Property for such Fiscal Year.

The District's obligation to pay Lease Payments under the Lease Agreement shall be absolute and unconditional subject only to abatement, in the event and to the extent that there is substantial interference with the use and occupancy of the property or any portion thereof.

*Rate on Overdue Payments.* In the event the District should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment at the highest rate of interest borne by any Outstanding Bond. Such interest, if received, shall be deposited in the Revenue Fund.

*Fair Rental Value.* The Lease Payments and Additional Payments coming due and payable in each Fiscal Year shall constitute the total rental for the Property for each Fiscal Year and shall be paid by the District in each Fiscal Year for and in consideration of the right of the use and occupancy of, and the continued quiet use and

enjoyment of, the Property during each Fiscal Year. The Authority and the District agree and determine that the total Lease Payments do not exceed the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the value of the Property, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public.

*Source of Payments; Budget and Appropriation.* Lease Payments shall be payable from any source of available funds of the District, subject to the provisions of the Lease Agreement.

The District covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The covenants on the part of the District contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

*Assignment.* The District understands and agrees that all Lease Payments have previously been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the District assents to such assignment. The Authority directs the District, and the District agrees, to pay all of the Lease Payments to the Trustee at its Office.

*Security Deposit.* Notwithstanding any other provision of the Lease Agreement, the District may on any date secure the payment of the Lease Payments for the Property in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts, including but not limited to amounts on deposit in the Revenue Fund, is either (i) sufficient to pay such Lease Payments, including the principal and interest components thereof, and premium, if any, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or (ii) invested in whole or in part in Defeasance Obligations in such amount as will, in the opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due under the Lease Agreement, as the District shall instruct at the time of said deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of the Lease Agreement.

### **Prepayment Option**

The Authority grants an option to the District to prepay the principal component of the Lease Payments in full, or in part, without premium, as described in the Indenture with respect to the redemption of Bonds.

### **Quiet Enjoyment**

During the Term of the Lease Agreement, the Authority shall provide the District with quiet use and enjoyment of the Property, and the District shall, during such Term, peaceably and quietly have and hold and enjoy the Property without suit, trouble or hindrance from the Authority, except as expressly set forth in the Lease Agreement. The Authority will, at the request of the District and at the District's cost, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Authority may lawfully do so. Notwithstanding the foregoing, the Authority shall have the right to inspect the Property as provided in the Lease Agreement.

### **Title**

If the District pays all of the Lease Payments and Additional Payments during the Term of the Lease Agreement as the same become due and payable, or if the District posts a security deposit for payment of the Lease Payments pursuant to the Lease Agreement, and if the District has paid in full all of the Additional Payments coming



due and payable as of such date, and provided in any event that no Event of Default shall have occurred and be continuing, all right, title and interest of the Authority in and to the Property shall be transferred to and vested in the District. The Authority agrees to take any and all steps and execute and record any and all documents reasonably required by the District to consummate any such transfer of title.

### **Additional Payments**

In addition to the Lease Payments, the District shall pay when due the following Additional Payments:

(a) Any fees and expenses incurred by the Authority in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable;

(b) Any amounts due to the Trustee pursuant to the Indenture for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture;

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Indenture; and

(d) Any reasonable out-of-pocket expenses of the Authority in connection with the execution and delivery of the Lease Agreement or the Indenture, or in connection with the issuance of the Bonds, including any and all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Bonds, the Indenture or any of the other documents contemplated thereby, or incurred by the Authority in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

### **Maintenance, Utilities, Taxes and Assessments**

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the District and the District shall pay for or otherwise arrange for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or lessee thereof. In exchange for the Lease Payments provided in the Lease Agreement, the Authority agrees to provide only the Property, as hereinbefore more specifically set forth. The District waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the District under the terms of the Lease Agreement.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the District affecting the Property or the respective interests or estates therein; *provided, however*, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the District that, in the reasonable opinion of the Authority, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or

provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

### **Modification of Property**

The District shall, at its own expense, have the right to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the District shall file with the Trustee and the Authority a Written Certificate of the District stating that the Property, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the District pursuant to the Lease Agreement; *provided, however*, that if any such lien is established and the District shall first notify or cause to be notified the Authority of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the District.

### **Public Liability and Property Damage Insurance**

The District shall maintain or cause to be maintained throughout the Term of the Lease Agreement, a standard comprehensive general insurance policy or policies in protection of the Authority, City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and such liability insurance may be maintained in whole or in part in the form of self-insurance by the District, subject to the provisions of the Lease Agreement, or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied by the District toward extinguishment or satisfaction of the liability with respect to which paid.

### **Fire and Extended Coverage Insurance**

The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, insurance against loss or damage to the improvements constituting a part of the Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance, when required, shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the judgment of the District. Such insurance shall be in an amount at least equal to the lesser of (a) one hundred percent (100%) of the replacement cost of all of the insured improvements, or (b) the aggregate principal amount of the outstanding Bonds. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers

agency or other program providing pooled insurance; provided however, that such insurance may not be maintained by the District in the form of self-insurance. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement.

### **Rental Interruption Insurance**

The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered in the insurance required by the Lease Agreement, in an amount at least equal to the maximum Lease Payments coming due and payable during any future twenty-four (24) month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers agency or other program providing pooled insurance; *provided, however*, that such insurance may not be maintained in the form of self-insurance. The proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Revenue Fund, and shall be credited towards the payment of the Lease Payments as the same become due and payable.

### **Recordation thereof; Title Insurance**

The District shall provide, from moneys in the Costs of Issuance Fund or at its own expense, contemporaneously with the acquisition of the Property, a CLTA title insurance policy covering, and in the amount of not less than the principal amount of the Bonds, insuring the District's leasehold estate in the Property, subject only to Permitted Encumbrances.

### **Net Proceeds of Insurance; Form of Policies**

Each policy of insurance maintained pursuant to the Lease Agreement shall name the Trustee as loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee. All required insurance policies shall be provided by a commercial insurer in one of the two highest rating categories by a Nationally Recognized Statistical Rating Organization (without regard to designations of plus (+) or minus (-)). The District shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency or amount of any insurance or self-insurance required in the Lease Agreement and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The District shall cause to be delivered to the Trustee annually, no later than August 1 in each year, a certificate stating that all of the insurance policies required by the Lease Agreement are in full force and effect and identifying whether any such insurance is then maintained in the form of self-insurance.

In the event that any insurance maintained pursuant to the Lease Agreement shall be provided in the form of self-insurance, the District shall file with the Trustee annually, within ninety (90) days following the close of each Fiscal Year, a statement of the District risk manager, insurance consultant or actuary identifying the extent of such self-insurance and stating the determination that the District maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the District, the District shall not be obligated to make any payment with respect to any insured event except from such reserves. The results of such review shall be filed with the Trustee.

### **Installation of Personal Property**

The District may, at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Property. All such items shall remain the sole property of the District, in which neither the Authority nor the Trustee shall have any interest, and may be modified or removed by the District at any time provided that the District shall repair and

restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in the Lease Agreement shall prevent the District from purchasing or leasing items to be installed pursuant to the Lease Agreement under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

## **Liens**

Neither the District nor the Authority shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to any portion of the Property, other than the respective rights of the Trustee, the Authority and the District as provided in the Lease Agreement and Permitted Encumbrances. Except as expressly provided in the Lease Agreement, the District and the Authority shall promptly, at their own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The District shall reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

## **Tax Covenants**

*Private Activity Bond Limitation.* The District shall assure that proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

*Federal Guarantee Prohibition.* The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

*Rebate Requirement.* The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

*No Arbitrage.* The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

*Maintenance of Tax-Exemption.* The District shall take all actions necessary to assure the exclusion of interest with respect to the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

*Small Issuer Exemption from Bank Nondeductibility Restriction.* The District determines that the aggregate face amount of all tax-exempt obligations issued by the District (including all subordinate entities of the District and all entities which may issue obligations on behalf of the District) during the calendar year 2015 will not exceed \$10,000,000, excluding, however, private activity bonds, as defined in section 141 of the Code (other than qualified 501(c)(3) bonds as defined in section 145 of the Code) and current refunding obligations having a principal amount not in excess of the refunded obligation, and designates the Bonds for purposes of paragraph (3) of section 265(b) of the Code

## **Continuing Disclosure**

The District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Lease Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default under the

Lease Agreement; *provided, however*, that the Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under the Lease Agreement, including seeking mandate or specific performance by court order.

### **Application of Net Proceeds**

*From Insurance Award.* The Net Proceeds of any insurance award resulting from any damage to or destruction of the Property by fire or other casualty shall be paid by the District to the Trustee and shall be deposited in the Insurance and Condemnation Fund by the Trustee and applied as set forth in the Indenture.

*From Eminent Domain Award.* If the Property or any portion thereof shall be taken permanently or temporarily under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Net Proceeds resulting therefrom shall be deposited in the Insurance and Condemnation Fund and applied as set forth in the Indenture.

*From Title Insurance Award.* The Net Proceeds of any title insurance award shall be paid to the Trustee, deposited in the Insurance and Condemnation Fund and applied as set forth in the Indenture.

### **Abatement of Lease Payments**

*Abatement Due to Damage or Destruction of the Property; Non-Completion.* The Lease Payments shall be abated during any period in which by reason of damage to or destruction of the Property (other than by eminent domain) there is substantial interference with the use and occupancy by the District of the Property or any portion thereof. The amount of such abatement shall be an amount agreed upon by the District and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Property not damaged or destroyed and available for use and possession by the District. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction or the date when the remaining portion of the Property is available for use and possession by the District. In the event of any such damage, destruction or non-completion, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage, destruction or non-completion. There shall be no abatement of the Lease Payments to the extent that moneys derived from any person as a result of such damage or destruction are available to pay the amount which would otherwise be abated or if there is any money available in the Revenue Fund to pay the amount which would otherwise be abated.

*Abatement Due to Eminent Domain.* If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement shall cease with respect to the Property as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (a) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there shall be a partial abatement of Lease Payments in an amount to be agreed upon by the District and the Authority such that the resulting Lease Payments for the Property represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

### **Rights of Access**

The District agrees that the Authority and any Authorized Representative of the Authority, and the Authority's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The District further agrees that the Authority, any Authorized Representative of the Authority, and the Authority's successors or assigns, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to

perform its obligations under the Lease Agreement; provided, however, that the Authority's assigns shall not be required to cause such proper maintenance.

### **Release and Indemnification Covenants**

The District shall and agrees to indemnify and save the Authority, the Trustee and their respective officers, agents, successors and assigns, harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Property by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under the Lease Agreement, (c) any act or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (d) any act or negligence of any lessee of the District with respect to the Property, or (e) the performance by the Trustee of its duties under the Lease Agreement or under the Indenture. No indemnification is made under the Lease Agreement for willful misconduct or negligence under the Lease Agreement by the Authority, the Trustee or any of their respective officers or employees. The indemnification under the Lease Agreement shall survive removal or resignation of the Trustee, termination of the Lease Agreement or discharge of the Bonds.

### **Assignment by the Authority**

Certain rights of the Authority under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the District under the Lease Agreement, have been pledged and assigned to the Trustee for the benefit of the Owners of the Bonds pursuant to the Indenture, to which pledge and assignment the District consents. The assignment of the Lease Agreement to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting under the Lease Agreement shall be subject to the provisions of the Indenture, including, without limitation, the provisions of the Lease Agreement.

### **Assignment and Subleasing by the District**

The Lease Agreement may not be assigned by the District. The District may sublease the Property or any portion thereof, subject to, and delivery to the Authority of a certificate as to, all of the following conditions:

(a) The Lease Agreement and the obligation of the District to make Lease Payments under the Lease Agreement shall remain obligations of the District;

(b) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) No such sublease by the District shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the laws of the State; and

(d) The District shall furnish the Authority and the Trustee with a written opinion of Bond Counsel, stating that such sublease is permitted by the Lease Agreement and the Indenture, and will not cause the interest on the Bonds to become included in gross income for federal income tax purposes.

### **Amendment of Lease**

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



(a) The District shall file with the Authority and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(b) The District shall file with the Authority and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(c) The District shall certify in writing to the Authority and the Trustee that such Substitute Site serves the purposes of the District, constitutes property that is unencumbered (or the portion of such property to be substituted is unencumbered), subject to Permitted Encumbrances, and constitutes property which the District is permitted to lease under the laws of the State;

(d) The District delivers to the Trustee and the Authority evidence that the Substitute Site (or the portions to be substituted) is of equal or greater value than the Site (or the portions thereof) to be substituted;

(e) The District shall certify the Substitute Site shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement;

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

(g) The District shall certify that the Substitute Site is of the same or greater essentiality to the District as was the Former Site;

(h) The District shall certify that the Substitute Site has a useful life equal to or longer than the remaining term of the Bonds; and

(i) The District shall provide notice of such substitution to any rating agency then rating the Bonds.

So long as the requirements set forth above are satisfied, any such substitution may be accomplished administratively and shall not require separate approval by the District Council.

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

(a) The District shall file with the Authority and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility, if applicable;

(b) The District shall file with the Authority and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(c) The District shall certify in writing to the Authority and the Trustee that such Substitute Facility serve the purposes of the District, constitutes property that is unencumbered (or the portion of such property to be substituted is unencumbered), subject to Permitted Encumbrances, and constitutes property which the District is permitted to lease under the laws of the State;

(d) The District delivers to the Trustee and the Authority evidence that the Substitute Facility (or the portions to be substituted) is of equal or greater value than the property (or the portions thereof) to be substituted;

(e) The District shall certify the Substitute Facility shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement;

(f) The District shall certify that the Substitute Facility is of the same or greater essentiality to the District as was the Former Facility;

(g) The District shall certify that the Substitute Facility has a useful life equal to or longer than the remaining term of the Bonds; and

(h) The District shall provide notice of such substitution to any rating agency then rating the Bonds.

So long as the requirements set forth above are satisfied, any such substitution may be accomplished administratively and shall not require separate approval by the District Council.

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

(a) The District shall file with the Authority and the Trustee to the Site and Facility Lease which describes the Site, as revised by such release;

(b) The District shall file with the Authority and the Trustee an amendment to the Lease Agreement which describes the Site, as revised by such release;

(c) The District delivers to the Trustee and the Authority evidence that the Site, as revised by such release, together with the Facility, has a total value at least equal to 1.1 times the principal amount of the Bonds then outstanding;

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

(e) The District shall provide notice of such release to any rating agency then rating the Bonds.

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

(a) The District shall file with the Authority and the Trustee an amendment to the Site and Facility Lease which describes the Facility, as revised by such release;

(b) The District shall file with the Authority and the Trustee an amendment to the Lease Agreement which describes the Facility, as revised by such release;

(c) The District delivers to the Trustee and the Authority evidence that the Facility, as revised by such release, together with the Site, has a total value at least equal to 1.1 times the principal amount of the Bonds then outstanding; and

(d) The District shall provide notice of such release to any rating agency then rating the Bonds.

So long as the requirements set forth above are satisfied, any such release may be accomplished administratively and shall not require separate approval by the District Council.



*Generally.* The Authority and the District may at any time amend or modify any of the provisions of the Lease Agreement, but only

(a) with the prior written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds, or

(b) without the consent of any of the Bond Owners, but only if such amendment or modification is for any one or more of the following purposes:

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

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

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

#### **Events of Default Defined**

The following shall be “Events of Default” under the Lease Agreement:

(a) Failure by the District to pay any Lease Payment required to be paid under the Lease Agreement at the time specified in the Lease Agreement.

(b) Failure by the District to make any Additional Payment required under the Lease Agreement and the continuation of such failure for a period of thirty (30) days.

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Authority or the Trustee; *provided, however*, that if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if the District shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith shall cure such failure in a reasonable period of time.

(d) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of applicable federal bankruptcy law, or under any similar acts which may hereafter be enacted.

#### **Remedies on Default**

Whenever any Event of Default referred to in the Lease Agreement shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything to the contrary in the Lease Agreement or in the Indenture, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare

any Lease Payments not then in default to be immediately due and payable or to terminate the Lease Agreement or to cause the fee interest or the leasehold interest of the District in the Property to be sold, assigned or otherwise alienated. Each and every covenant thereof to be kept and performed by the District is expressly made a condition and, upon the breach thereof, the Authority may exercise any and all rights of entry and re-entry upon the Property. The District irrevocably consents to the Authority's repossession of the Property if such an Event of Default shall occur and consents to the Authority's re-letting of the Property for the account of the District. In the event of such default and notwithstanding any re-entry by the Authority, the District shall, expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions contained in the Lease Agreement and, in any event, such rent and/or damages shall be payable to the Authority at the time and in the manner as provided in the Lease Agreement, to wit:

(a) The District agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Property, or, in the event the Authority is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as provided in the Lease Agreement for the payment of Lease Payments under the Lease Agreement, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Authority.

(b) The District irrevocably appoints the Authority as the agent and attorney-in-fact of the District to enter upon and re-lease the Property in the event of default by the District in the performance of any covenants contained in the Lease Agreement to be performed by the District and to remove all personal property whatsoever situated upon the Property to place such property in storage or other suitable place in San Joaquin County, for the account of and at the expense of the District, and the District exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement.

(c) The District waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property.

(d) The District agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise.

#### **Limitation on Remedies**

Notwithstanding the foregoing provisions of the Lease Agreement, neither the Authority nor the Trustee shall exercise any remedies against the Property to the extent such remedies would generate funds which are not available to satisfy the obligations of the Lease Agreement or the Indenture.

#### **No Remedy Exclusive**

No remedy in the Lease Agreement conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall, except as expressly provided in the Lease Agreement to the contrary, be in addition to every other remedy given under the Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such

right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in the Lease Agreement it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

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## APPENDIX D

### FORM OF BOND COUNSEL OPINION

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

California Municipal Finance Authority  
2111 Palomar Airport Road, Suite 320  
Carlsbad, California 92011

**OPINION:** \$6,425,000\* California Municipal Finance Authority Lease Revenue Bonds, Series 2015 (Snowline Joint Unified School District Financing Project)

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#### Members of the Authority:

We have acted as bond counsel to the California Municipal Finance Authority (the “Authority”) in connection with the delivery by the Authority of \$6,425,000\* aggregate principal amount of the bonds of the Authority designated the “California Municipal Finance Authority Lease Revenue Bonds, Series 2015 (Snowline Joint Unified School District Financing Project)” (the “Bonds”), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Law”), and pursuant to an indenture of trust, dated as of September 1, 2015 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee, and a resolution of the Authority adopted on August 7, 2015. The Bonds are secured by Revenues (as defined in the Indenture), including certain payments made by the Snowline Joint Unified School District (the “District”) under a lease agreement, dated as of September 1, 2015 (the “Lease Agreement”), by and between the Authority and the District. We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority and the District contained in the Indenture and Lease Agreement, as applicable, and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon our examination we are of the opinion, under existing law, that:

1. The Authority is a duly constituted joint exercise of powers authority under the laws of the State of California with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly approved by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.
4. The Lease Agreement has been duly approved by the District and constitutes a legal, valid and binding obligation of the District enforceable against the District in accordance with its terms.

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\* Preliminary, subject to change.

5. The Indenture establishes a valid first and exclusive lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture.

6. Subject to the Authority's and the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

7. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Lease Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the SNOWLINE JOINT UNIFIED SCHOOL DISTRICT (the “District”) in connection with the issuance by the California Municipal Finance Authority (the “Authority”) of its \$6,425,000\* California Municipal Finance Authority Lease Revenue Bonds, Series 2015 (Snowline Joint Unified School District Financing Project) (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of September 1, 2015 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds shall be secured by a pledge, charge and lien upon Revenues (as such term is defined in the Indenture). Pursuant to Section 5.11 of that certain Lease Agreement, dated as of September 1, 2015, by and between the Authority and the District, the District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

“*Annual Report*” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” shall mean Urban Futures, Inc. or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

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

“*Listed Events*” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

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

“*Participating Underwriter*” shall mean any original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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\* Preliminary, subject to change.

### Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2014-15 Fiscal Year, which is due not later than April 1, 2016, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance.* If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, as follows:

- (i) general fund revenue sources by type (over \$1,000,000);
- (ii) combined annual contribution (District's share and employees' share) to the Public Employees Retirement System; and
- (iii) adopted general fund budget.



(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

#### Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination Agent (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.

- (5) 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.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Indenture.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent.* In addition to the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the

Indenture. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: September 3, 2015

SNOWLINE JOINT UNIFIED SCHOOL  
DISTRICT

By \_\_\_\_\_  
Authorized Officer

ACKNOWLEDGED:

URBAN FUTURES, INC., as Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Snowline Joint Unified School District

Name of Issue: California Municipal Finance Authority Lease Revenue Bonds, Series 2015 (Snowline Joint Unified School District Financing Project)

Date of Issuance: September 3, 2015

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated September 3, 2015, furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

URBAN FUTURES, INC., Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

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## **APPENDIX F**

### **BOOK-ENTRY ONLY SYSTEM**

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, redemption premium, if any, and interest with respect to the Bonds to The Depository Trust Company (“DTC”), New York, NY, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the Authority of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The District, the Authority, the Trustee and the Underwriter understand that the current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and that the current “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.

DTC 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 certificate will be issued for each maturity of the Bonds, each 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 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 is rated AA+ by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC, if less than all of the Bonds within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest 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, the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the District or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of, premium, if any, and interest on the Bonds by Cede & Co (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District, the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and neither the Authority nor the Trustee takes any responsibility for the accuracy thereof.

**NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH**



RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

Neither the Authority nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

The District, the Authority and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

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