

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof. The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. See “TAX MATTERS” herein.

\$2,600,000
CORNING UNION HIGH SCHOOL DISTRICT
(County of Tehama, California)
GENERAL OBLIGATION BONDS, 2016 ELECTION, 2020 SERIES C
(Bank Qualified)

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

The Corning Union High School District (County of Tehama, California) General Obligation Bonds, 2016 Election, 2020 Series C (the “Bonds”) are being issued by the Corning Union High School District (the “District”) to (i) finance the acquisition, construction, furnishing and equipping of District facilities and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption “THE PROJECTS.” The Bonds were authorized at an election within the District held on November 8, 2016 (the “2016 Election”) at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of \$8,300,000 aggregate principal amount of general obligation bonds of the District (the “Authorization”). The Bonds are intended to be the third and final series of general obligation bonds to be issued under the Authorization and are issued on a parity basis with all other outstanding general obligation bonds of the District.

The Bonds are general obligations of the District only and are not obligations of the County of Tehama (the “County”), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2021. See “THE BONDS” herein.

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

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption” herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See “BOND INSURANCE” herein and “APPENDIX G - SPECIMEN MUNICIPAL BOND INSURANCE POLICY” hereto.



MATURITY SCHEDULE

On Inside Cover

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

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the District. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about July 9, 2020.



D|A|DAVIDSON

MATURITY SCHEDULE

\$2,600,000
Corning Union High School District
(County of Tehama, California)
General Obligation Bonds, 2016 Election, 2020 Series C
(Bank Qualified)

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP¹ (219309)</u>
2021	\$25,000	4.000%	0.550%	BK6
2022	135,000	4.000	0.720	BL4
2023	110,000	4.000	0.830	BM2

\$180,000 4.000% Term Bonds due August 1, 2035; Yield 1.910%, CUSIP¹ 219309 BN0
\$330,000 5.000% Term Bonds due August 1, 2040; Yield 1.920%, CUSIP¹ 219309 BP5
\$430,000 5.000% Term Bonds due August 1, 2044; Yield 2.030%, CUSIP¹ 219309 BQ3
\$1,390,000 4.000% Term Bonds due August 1, 2049; Yield 2.260%, CUSIP¹ 219309 BR1

¹ Copyright 2020, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such CUSIP number.

CORNING UNION HIGH SCHOOL DISTRICT
Tehama County, State of California

Board of Trustees

William Mache, *President*
James Bingham, *Clerk*
Todd Henderson, *Member*
James Scott Patton, *Member*
Ken Vaughn, *Member*

District Administrators

Jared Caylor, *Superintendent*
Christine Fears, *Chief Business Official*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
Long Beach, California

Financial Advisor

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

Paying Agent, Transfer Agent and Bond Registrar

U.S. Bank National Association
San Francisco, California

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

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

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

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

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

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

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

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.

\$2,600,000
CORNING UNION HIGH SCHOOL DISTRICT
(COUNTY OF TEHAMA, CALIFORNIA)
GENERAL OBLIGATION BONDS, 2016 ELECTION, 2020 SERIES C
(BANK QUALIFIED)

INTRODUCTION

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

Changes Since the Preliminary Official Statement

On June 29, 2020, Governor Gavin Newsom signed the fiscal year 2020-21 budget for the State of California (the “2020-21 State Budget”). A summary of relevant provisions of the 2020-21 State Budget has been included herein. See “DISTRICT FINANCIAL INFORMATION – State Budget Measures” herein. Additionally, certain changes in employer contributions to retirement programs in which the District participates were included in the 2020-21 State Budget and a discussion of those changes is also included herein. See “CORNING UNION HIGH SCHOOL DISTRICT –District Retirement Systems” herein.

General

The Corning Union High School District (the “District”) proposes to issue its \$2,600,000 aggregate principal amount of General Obligation Bonds, 2016 Election, 2020 Series C (the “Bonds”) under and pursuant to a bond authorization (the “Authorization”) for the issuance and sale of \$8,300,000 of general obligation bonds approved by 55% or more of the qualified voters of the District voting on the proposition at a general election held on November 8, 2016 (the “Election”). The District previously issued its \$3,000,000 General Obligation Bonds, 2016 Election, 2017 Series A on April 4, 2017 and \$2,700,000 General Obligation Bonds, 2016 Election, 2018 Series B on November 20, 2018 under the Authorization. Subsequent to the issuance of the Bonds, no additional general obligation bonds will remain for issuance pursuant to the Authorization.

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

Registration

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

The District

The District, a school district of the State of California (the “State”), was established over 100 years ago and is located in the northern portion of the State in Tehama County (the “County”) approximately 115 miles north of Sacramento. The District is comprised of territory in the City of Corning and unincorporated areas of the County. The District operates one high school providing ninth through twelfth grade education services, one continuation high school, one independent study high school and one adult school. The District’s average daily attendance (“ADA”) for fiscal year 2019-20 was 1,020 students and the District has a 2019-20 total assessed valuation of \$1,437,493,405. The audited financial statements for the District for the fiscal year ended June 30, 2019 are attached hereto as APPENDIX B. For further information concerning the District, see the caption “CORNING UNION HIGH SCHOOL DISTRICT” herein.

Additionally, for information regarding the impact of the novel Coronavirus (“COVID-19) pandemic on i) the security and sources of repayment of the Bonds, see “SECURITY FOR THE BONDS – Assessed Valuations” and ii) the District’s finances and revenues, see “DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact” and “-Effect of COVID-19 Response on California School Districts” herein.

Sources of Payment for the Bonds

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

Bank Qualified

The District has designated the Bonds as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

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

Continuing Disclosure

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

Professionals Involved in the Offering

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. U.S. Bank National Association, San Francisco, California is acting as paying agent, transfer agent and bond registrar for the Bonds. Isom Advisors, a Division of Urban Futures, Inc., Walnut Creek, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds. Jones Hall, A Professional Law Corporation, San Francisco, California is acting as counsel to the Underwriter with respect to the Bonds. Dannis Woliver Kelley, Isom Advisors, a Division of Urban Futures, Inc., and U.S. Bank National Association will receive compensation from the District contingent upon the sale and delivery of the Bonds. Jones Hall, A Professional Law Corporation will receive compensation from the Underwriter, contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

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

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about July 9, 2020.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District. The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the Government Code of the State of California (the “Government Code”) (commencing with Section 53506) and pursuant to a resolution of the Board of Trustees of the District adopted on June 18, 2020 (the “Resolution”).

Purpose of Issue

The net proceeds of the Bonds will be used to finance certain capital improvements for the District as specified in the bond proposition submitted at the Election, which includes repairing/replacing leaky roofs; making health, safety and security improvements; updating inadequate electrical and

technology infrastructure; modernizing/renovating outdated classrooms, restrooms, and school facilities; and replacing temporary portables with permanent classrooms. See “THE PROJECTS” herein.

Description of the Bonds

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

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

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in denominations of \$5,000 Principal Amount or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book entry system, see APPENDIX F – BOOK-ENTRY ONLY SYSTEM hereto.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or by wire transfer of same day funds by U.S Bank National Association, as Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See APPENDIX F – BOOK-ENTRY ONLY SYSTEM herein.

Payment of the Bonds

Interest on the Bonds is payable commencing February 1, 2021, and semiannually thereafter on February 1 and August 1 of each year (each, an “Interest Payment Date”). The Bonds shall be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the “Record Date”). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered during the period from the 16th day of the month immediately preceding any Interest Payment Date to that Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is registered prior to the close of business on January 15, 2021, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. If the Bonds are no longer in book-entry-only form, payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to

any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2023 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2035 may be redeemed before maturity at the option of the District, in whole or in part, from any source of available funds, on any date on or after August 1, 2027 at a redemption price equal to the par amount to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Redemption. The Bonds maturing on August 1, 2035 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2029, at a redemption price equal to the principal amount thereof as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefore and the final payment date is as indicated in the following table:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
2029	\$10,000
2030	20,000
2031	20,000
2032	25,000
2033	30,000
2034	35,000
2035 ¹	40,000

¹ Maturity.

In the event that a portion of the Bonds maturing on August 1, 2035 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount of such Bonds optionally redeemed.

The Bonds maturing on August 1, 2040 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2036, at a redemption price equal to the principal amount thereof as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefore and the final payment date is as indicated in the following table:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
2036	\$50,000
2037	55,000
2038	65,000
2039	75,000
2040 ¹	85,000

¹ Maturity.

In the event that a portion of the Bonds maturing on August 1, 2040 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount of such Bonds optionally redeemed.

The Bonds maturing on August 1, 2044 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2041, at a redemption price equal to the principal amount thereof as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefore and the final payment date is as indicated in the following table:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
2041	\$90,000
2042	100,000
2043	115,000
2044 ¹	125,000

¹ Maturity.

In the event that a portion of the Bonds maturing on August 1, 2044 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount of such Bonds optionally redeemed.

The Bonds maturing on August 1, 2049 are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2045, at a redemption price equal to the principal amount thereof as of the date set for such redemption, without premium. The principal amount to be so redeemed and the dates therefore and the final payment date is as indicated in the following table:

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
2045	\$140,000
2046	150,000
2047	260,000
2048	285,000
2049 ¹	555,000

¹ Maturity.

In the event that a portion of the Bonds maturing on August 1, 2049 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount of such Bonds optionally redeemed.

Selection of Bonds for Redemption

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

Notice of Redemption

When redemption is authorized, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall give notice of the redemption of the Bonds at least 20 but not more than 45 days prior to the redemption date to the County and the respective Owners of Bonds designated for redemption by first class mail, postage prepaid. Such redemption notice shall specify: (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the series of Bonds and the dates of maturity or maturities of Bonds to be redeemed; (vi) if less than all of the Bonds of a series of any maturity are to be redeemed, the distinctive numbers of the Bonds of each maturity of such series to be redeemed; (vii) in the case of Bonds of a series redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity of such series to be redeemed; (viii) the CUSIP number, if any, of each maturity of Bonds of a series to be redeemed; (ix) a statement that such Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent, or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice.

Right to Rescind Notice of Redemption

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners

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

Effect of Notice of Redemption

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

Transfer and Exchange

If the Bonds are no longer in book-entry-only form, any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Defeasance

If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of any or all of the outstanding Bonds all or any part of the principal, interest and premium, if any, on the Bonds at the times and in the manner provided in the Resolution, or as provided in the following paragraph, or as otherwise provided by law consistent with the Resolution, then such Owners shall cease to be entitled to the obligation of the District, and such obligation and all agreement and covenants of the District and of the County to such Owners shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Bonds, but only out of monies on deposit in the Debt Service Fund or otherwise held in trust for such payment.

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent, selected by the District, at or before maturity, money or non-callable direct obligations of the United States of America (including zero interest bearing State and Local Government

Series) or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the Debt Service Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Continuing Disclosure Agreement

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

SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds	\$2,600,000.00
Net Original Issue Premium	<u>352,643.20</u>
Total Sources	\$2,952,643.20

Uses of Funds

Deposit to Building Fund	\$2,450,000.00
Deposit to Debt Service Fund	296,471.22
Costs of Issuance ⁽¹⁾	<u>206,171.98</u>
Total Uses	\$2,952,643.20

⁽¹⁾ Includes Underwriter’s discount, Bond and Disclosure Counsel fees, bond insurance premium, financial advisory fees, paying agent fees, rating agency fees and other costs of issuance.

Application of Proceeds

The net proceeds from the sale of the Bonds (other than premium) shall be paid to the County to the credit of the Corning Union High School District Building Fund (the “Building Fund”) established pursuant to the Resolution and shall be disbursed for the payment of the costs of acquiring and constructing the Projects (as described below). Any premium or accrued interest received by the District from the sale of the Bonds will be deposited in the Corning Union High School District Debt Service Fund (the “Debt Service Fund”). Earnings on the investment of moneys in either the Building Fund or the Debt Service Fund will be retained in the respective fund and used only for the purposes to which the respective fund may lawfully be applied. Moneys in the Debt Service Fund may only be applied to make payments of principal of and interest, and premium, if any, on bonds of the District. All funds held in the Building Fund and the Debt Service Fund will be invested by the Treasurer-Tax Collector of the County (the “County Treasurer”). See “TEHAMA COUNTY POOLED INVESTMENT FUND” herein.

DEBT SERVICE SCHEDULES

The following table summarizes the principal and interest payments on the Bonds, assuming no optional redemption.

DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Principal	Interest	Total Debt Service
2020	--	--	--
2021	\$25,000	\$118,420	\$143,420
2022	135,000	110,600	245,600
2023	110,000	105,200	215,200
2024	--	100,800	100,800
2025	--	100,800	100,800
2026	--	100,800	100,800
2027	--	100,800	100,800
2028	--	100,800	100,800
2029	10,000	100,800	110,800
2030	20,000	100,400	120,400
2031	20,000	99,600	119,600
2032	25,000	98,800	123,800
2033	30,000	97,800	127,800
2034	35,000	96,600	131,600
2035	40,000	95,200	135,200
2036	50,000	93,600	143,600
2037	55,000	91,100	146,100
2038	65,000	88,350	153,350
2039	75,000	85,100	160,100
2040	85,000	81,350	166,350
2041	90,000	77,100	167,100
2042	100,000	72,600	172,600
2043	115,000	67,600	182,600
2044	125,000	61,850	186,850
2045	140,000	55,600	195,600
2046	150,000	50,000	200,000
2047	260,000	44,000	304,000
2048	285,000	33,600	318,600
2049	555,000	22,200	577,200
Total	\$2,600,000	\$2,451,470	\$5,051,470

The following table summarizes the annual debt service payments for all of the District's outstanding bonds, comprising the Corning Union High School District General Obligation Bonds, 2016 Election, 2017 Series A (the "Series A Bonds"), the Corning Union High School District General Obligation Bonds, 2016 Election, 2018 Series B (the "Series B Bonds") and the Bonds, assuming no optional redemptions.

DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

Year Ending August 1	Series A Bonds	Series B Bonds	The Bonds	Total Annual Debt Service
2020	\$114,250.00	\$212,100.00	--	--
2021	114,100.00	218,500.00	\$143,420.00	\$476,020.00
2022	118,950.00	114,500.00	245,600.00	479,050.00
2023	123,650.00	114,500.00	215,200.00	453,350.00
2024	128,200.00	114,500.00	100,800.00	343,500.00
2025	132,600.00	119,500.00	100,800.00	352,900.00
2026	136,850.00	124,300.00	100,800.00	361,950.00
2027	140,950.00	128,900.00	100,800.00	370,650.00
2028	149,900.00	133,300.00	100,800.00	384,000.00
2029	153,550.00	137,500.00	110,800.00	401,850.00
2030	157,050.00	141,500.00	120,400.00	418,950.00
2031	165,400.00	145,562.50	119,600.00	430,562.50
2032	168,287.50	154,425.00	123,800.00	446,512.50
2033	175,925.00	157,906.26	127,800.00	461,631.26
2034	183,125.00	166,156.26	131,600.00	480,881.26
2035	189,862.50	168,981.26	135,200.00	494,043.76
2036	196,237.50	176,625.00	143,600.00	516,462.50
2037	202,250.00	183,812.50	146,100.00	532,162.50
2038	207,750.00	190,412.50	153,350.00	551,512.50
2039	217,875.00	191,612.50	160,100.00	569,587.50
2040	222,437.50	202,612.50	166,350.00	591,400.00
2041	231,625.00	208,012.50	167,100.00	606,737.50
2042	240,250.00	218,012.50	172,600.00	630,862.50
2043	246,000.00	222,412.50	182,600.00	651,012.50
2044	256,000.00	231,412.50	186,850.00	674,262.50
2045	265,000.00	237,750.00	195,600.00	698,350.00
2046	273,000.00	248,300.00	200,000.00	721,300.00
2047	--	382,800.00	304,000.00	--
2048	--	394,687.50	318,600.00	--
2049	--	--	577,200.00	--
Totals	\$4,911,075.00	\$5,440,593.78	\$5,051,470.00	\$15,403,138.78

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds.

The District received authorization to issue \$8,300,000 principal amount of general obligation bonds pursuant to an election of the qualified electors within the District on November 8, 2016. The Bonds are intended to be the third and final series of bonds issued under the Authorization. Subsequent to the issuance of the Bonds, no general obligation bonds will remain for issuance under the Authorization.

Property Taxation System

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

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

Restrictions on use of *Ad Valorem* Taxes and Statutory Lien on Debt Service

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

Pursuant to Section 53515 of the State Government Code, effective for any bonds issued on or after January 1, 2016, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective

of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

Under the Resolution, the District has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax which the County levies and receives and all interest earnings thereon (the "Pledged Moneys"). The Pledged Moneys shall be used to pay the principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable.

The Bonds are the general obligations of the District, payable solely from Pledged Moneys and do not constitute an obligation of the County except as provided in the Resolution. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District are pledged to payment of the Bonds.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the

market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

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

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

Miscellaneous Matters

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

THE PROJECTS

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

The “Smaller Classes, Safer Schools, and Financial Accountability Act,” a Constitutional amendment known as Proposition 39, controls the method by which the District will expend Bond proceeds on its capital improvements. Prior to the Election, the District prepared and submitted to the Board for approval a master list of capital improvement projects to be built, acquired, constructed or installed with the proceeds of the Bonds, which was then submitted to the voters at the Election (the “Project List”). The District will prioritize and may not undertake to complete all components of the Project List.

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

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

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

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

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

The assessed valuation of property in the District is established by 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. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES” herein.

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

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

The following table presents the historical assessed valuation in the District since fiscal year 2005-06. The District’s total assessed valuation is \$1,437,493,405 for fiscal year 2019-20.

CORNING UNION HIGH SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2005-06 through Fiscal Year 2019-20

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2005-06	\$847,201,819	\$577,995	\$30,934,746	\$878,714,560	--%
2006-07	994,420,530	559,299	42,157,736	1,037,137,565	18.0
2007-08	1,090,485,331	152,230	42,274,214	1,132,911,775	9.2
2008-09	1,153,867,508	152,230	46,024,584	1,200,044,322	5.9
2009-10	1,076,333,262	152,230	48,284,060	1,124,769,552	(6.3)
2010-11	1,037,418,670	116,120	44,265,624	1,081,800,414	(3.8)
2011-12	1,042,343,223	116,120	46,387,800	1,088,847,143	0.7
2012-13	1,014,519,162	116,120	43,647,114	1,058,282,396	(2.8)
2013-14	1,044,627,924	116,120	43,963,369	1,088,707,413	2.9
2014-15	1,060,671,949	93,471	45,640,329	1,106,405,749	1.6
2015-16	1,120,432,951	93,471	46,370,814	1,166,897,236	5.5
2016-17	1,149,139,498	93,471	46,869,866	1,196,102,835	2.5
2017-18	1,212,139,054	96,061	47,841,040	1,260,076,155	5.4
2018-19	1,314,833,695	96,061	42,652,242	1,357,581,998	7.7
2019-20	1,384,255,599	96,061	53,141,745	1,437,493,405	5.9

Source: California Municipal Statistics, Inc.

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

Change in Economic Conditions. The recent outbreak of COVID-19 and the corresponding measures to prevent its spread have caused widespread unemployment and economic slow-down in the

United States, the State and the County. Such economic slow-down may lead to an economic recession or depression and a general market decline in real estate values. Such a decline may cause a reduction of assessed values in the District. See DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact” for more information regarding the impact of COVID-19.

Historic California Drought Conditions and Wildfires. Water shortfalls resulting from the driest conditions in recorded State history caused Governor Brown, on January 17, 2014, to declare a State-wide Drought State of Emergency for California and directed State officials to take all necessary actions to prepare for water shortages. Following the Governor’s declaration, the California State Water Resources Control Board (the “Water Board”) issued a statewide notice of water shortages and potential future curtailment of water right diversions. Subsequent executive orders and Water Board regulations imposed reductions on water usage in response to the drought conditions. On April 7, 2017, the Governor announced the end of the State-wide drought in all but Fresno, Kings, Tulare and Tuolumne Counties in California but extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions. According to the U.S. Drought Monitor, as of March, 2020, parts of California are experiencing abnormally dry conditions and moderate drought conditions.

Additionally, in 2017 and 2018, certain portions of the State were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. The District was not impacted by the wildfires.

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

Reassessments and Appeals of Assessed Valuations

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

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

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

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

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

Assessed Valuation by Jurisdiction

The table below sets forth the assessed valuation within the District by political jurisdiction for fiscal year 2019-20.

**CORNING UNION HIGH SCHOOL DISTRICT
2019-20 Assessed Valuation by Jurisdiction**

<u>Jurisdiction:</u>	Assessed Valuation <u>in District</u>	% of <u>District</u>	Assessed Valuation <u>of Jurisdiction</u>	% of Jurisdiction <u>in District</u>
City of Corning	\$ 447,036,713	31.10%	\$447,036,713	100.00%
Unincorporated Tehama County	<u>990,456,692</u>	<u>68.90</u>	4,520,155,913	21.91%
Total District	\$1,437,493,405	100.00%		
Tehama County	\$1,437,493,405	100.00%	\$5,961,249,052	24.11%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use for fiscal year 2019-20.

CORNING UNION HIGH SCHOOL DISTRICT 2019-20 Assessed Valuation and Parcels by Land Use

	2019-20 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$524,813,507	37.91%	5,444	47.11%
Commercial/Office	110,536,754	7.99	202	1.75
Vacant Commercial	10,481,799	0.76	78	0.67
Industrial	148,965,317	10.76	96	0.83
Vacant Industrial	1,054,763	0.08	32	0.28
Recreational	3,357,252	0.24	72	0.62
Government/Social/Institutional	2,137,651	0.15	450	3.89
Miscellaneous	<u>5,214,937</u>	<u>0.38</u>	<u>229</u>	<u>1.98</u>
Subtotal Non-Residential	\$806,561,980	58.27%	6,603	57.14%
Residential:				
Single Family Residence	\$420,983,045	30.41%	2,804	24.26%
Mobile Home	101,531,297	7.33	1,819	15.74
Mobile Home Park	10,440,277	0.75	8	0.07
2-4 Residential Units	13,320,981	0.96	83	0.72
5+ Residential Units/Apartments	21,013,986	1.52	14	0.12
Miscellaneous Residential	1,894,388	0.14	20	0.17
Vacant Residential	<u>8,509,645</u>	<u>0.61</u>	<u>205</u>	<u>1.77</u>
Subtotal Residential	\$577,693,619	41.73%	4,953	42.86%
Total	\$1,384,255,599	100.00%	11,556	100.00%

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

Source: California Municipal Statistics, Inc.

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Assessed Valuation of Single Family Homes

The following table sets forth ranges of assessed valuations of single family homes in the District for fiscal year 2019-20, including the median and average assessed value per single family parcel.

CORNING UNION HIGH SCHOOL DISTRICT Per Parcel 2019-20 Assessed Valuation of Single Family Homes

	No. of <u>Parcels</u>	2019-20 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>			
Single Family Residential	2,804	\$420,983,045	\$150,137	\$130,892			
	<u>2019-20 Assessed Valuation</u>	<u>No. of Parcels ⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
	\$0 - \$24,999	32	1.141%	1.141%	\$ 538,201	0.128%	0.128%
	\$25,000 - \$49,999	177	6.312	7.454	7,107,474	1.688	1.816
	\$50,000 - \$74,999	332	11.840	19.294	21,072,389	5.006	6.822
	\$75,000 - \$99,999	446	15.906	35.200	39,085,595	9.284	16.106
	\$100,000 - \$124,999	343	12.233	47.432	38,458,697	9.135	25.241
	\$125,000 - \$149,999	301	10.735	58.167	41,187,987	9.784	35.025
	\$150,000 - \$174,999	288	10.271	68.438	46,876,015	11.135	46.160
	\$175,000 - \$199,999	254	9.058	77.496	47,284,835	11.232	57.392
	\$200,000 - \$224,999	147	5.243	82.739	31,273,531	7.429	64.821
	\$225,000 - \$249,999	121	4.315	87.054	28,739,863	6.827	71.648
	\$250,000 - \$274,999	106	3.780	90.835	27,647,223	6.567	78.215
	\$275,000 - \$299,999	72	2.568	93.402	20,703,878	4.918	83.133
	\$300,000 - \$324,999	53	1.890	95.292	16,604,819	3.944	87.077
	\$325,000 - \$349,999	31	1.106	96.398	10,438,568	2.480	89.557
	\$350,000 - \$374,999	26	0.927	97.325	9,445,715	2.244	91.801
	\$375,000 - \$399,999	16	0.571	97.896	6,182,664	1.469	93.269
	\$400,000 - \$424,999	18	0.642	98.538	7,392,542	1.756	95.025
	\$425,000 - \$449,999	10	0.357	98.894	4,395,985	1.044	96.069
	\$450,000 - \$474,999	9	0.321	99.215	4,142,985	0.984	97.054
	\$475,000 - \$499,999	4	0.143	99.358	1,969,438	0.468	97.521
	\$500,000 and greater	<u>18</u>	<u>0.642</u>	100.000	<u>10,434,641</u>	<u>2.479</u>	100.000
		2,804	100.000%		\$420,983,045	100.000%	

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

Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2019-20.

CORNING UNION HIGH SCHOOL DISTRICT 2019-20 Largest Total Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2019-20 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	Bell-Carter Foods Inc.	Food Processing	\$ 45,235,000	3.27%
2.	Calliopsis LLC	Agricultural	18,358,257	1.33
3.	Crane Mills	Light Industrial	17,018,032	1.23
4.	Sierra Pacific Industries	Industrial/Timber	13,633,379	0.98
5.	Sunshine Agriculture Inc.	Agricultural	12,790,384	0.92
6.	Loves Country Stores of CA	Commercial	12,410,387	0.90
7.	PI Properties No. 88 LLC	Apartments	11,321,266	0.82
8.	Farmers International Inc.	Agricultural	10,662,115	0.77
9.	CA Almond Packers & Exporters Inc.	Food Processing	9,972,416	0.72
10.	J. Garcia Olive Company LLC	Agricultural	9,823,434	0.71
11.	Farmland Reserve Inc.	Agricultural	9,304,624	0.67
12.	HPT TA Properties Trust	Truck Terminal	8,103,737	0.59
13.	Charles R. Crain Jr.	Light Industrial	7,898,869	0.57
14.	HPT PSC Properties Trust	Truck Terminal	7,705,219	0.56
15.	AP Esteve Farms LP	Agricultural	7,667,900	0.55
16.	Cynthia Sue Ward Trust	Agricultural	7,318,223	0.53
17.	Lakeshore Farms 2 LLC	Agricultural	7,035,690	0.51
18.	Crocker Acana LLC	Agricultural	5,926,122	0.43
19.	BH Farming Inc.	Agricultural	5,741,509	0.41
20.	Giving Trees Partnership	Agricultural	<u>5,592,355</u>	<u>0.40</u>
			\$233,518,918	16.87%

⁽¹⁾ 2019-20 local secured assessed valuation: \$1,384,255,599

Source: California Municipal Statistics, Inc.

The top 20 taxpayers on the secured roll for 2019-20 account for 16.87% of the local secured assessed value in the District which is \$1,384,255,599. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for fiscal year 2019-20 was Bell-Carter Foods Inc. accounting for 3.27% of the total secured assessed value in the District. No other secured taxpayer accounted for more than 1.33% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

Tax Rates

The following table sets forth tax rates levied in Tax Rate Area 1-100 located in the unincorporated portion of the County within the District for fiscal years 2015-16 through 2019-20:

CORNING UNION HIGH SCHOOL DISTRICT
Typical Tax Rate per \$100 Assessed Valuation
TRA 1-100 (unincorporated Tehama County)⁽¹⁾

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
General	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Corning Union School District	.0226	.0122	.0200	.0171	.0058
Corning Union High School District	.0000	.0000	.0242	.0302	.0051
Shasta-Tehama-Trinity Community College	<u>.0051</u>	<u>.0057</u>	<u>.0267</u>	<u>.0097</u>	<u>.0237</u>
Total	\$1.0277	\$1.0179	\$1.0709	\$1.0570	\$1.0346

⁽¹⁾ 2019-20 assessed valuation of TRA 1-001 is \$347,369,363, which is 24.16% of the district's assessed valuation.
Source: California Municipal Statistics, Inc.

The Teeter Plan

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. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

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

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

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

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

Direct and Overlapping Debt

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

The following table is a statement of the District’s direct and estimated overlapping bonded debt as of June 1, 2020:

**CORNING UNION HIGH SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness**

2019-20 Assessed Valuation: \$1,437,493,405

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/20</u>
Shasta-Tehama-Trinity Community College District	5.479%	\$ 5,687,750
Corning Union High School District	100.000	5,335,000
Corning Union School District	100.000	<u>854,310</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$11,877,060
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Tehama County Certificates of Participation	24.114%	\$2,433,103
Shasta-Tehama-Trinity Community College District Certificates of Participation	5.479	331,753
Corning Union High School District Qualified Zone Academy Bonds	100.000	2,310,037
Corning Union School District Certificates of Participation	100.000	<u>600,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$5,674,893
 COMBINED TOTAL DEBT		 \$17,551,953

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

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$5,335,000)	0.37%
Combined Direct Debt (\$7,645,037)	0.53%
Total Direct and Overlapping Tax and Assessment Debt	0.83%
Combined Total Debt	1.22%

Source: California Municipal Statistics, Inc.

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

For fiscal year 2019-20, the base rates per unit of A.D.A. for each grade span are as follows: (i) \$8,563 for grades K-3; (ii) \$7,818 for grades 4-6; (iii) \$8,050 for grades 7-8; and (iv) \$9,572 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of cost-of-living-adjustments is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels

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

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or

reduced priced meals (“FRPM”) and are not discussed separately herein). A supplemental grant add-on (each, a “Supplemental Grant”) is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 50% of the applicable Base Grant multiplied by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table sets forth the historical ADA and enrollment for fiscal years 2015-16 through 2019-20.

**CORNING UNION HIGH SCHOOL DISTRICT
Historical ADA and Enrollment
Fiscal Years 2015-16 through 2019-20**

Fiscal Year	ADA	Enrollment
2015-16	875	924
2016-17	885	942
2017-18	912	973
2018-19	965	1,010
2019-20	1,020	1,076

Source: The District.

The following table sets forth the ADA, enrollment and the percentage of EL/LI enrollment for fiscal years 2018-19 and 2019-20 and projections for fiscal years 2020-21 and 2021-22.

**CORNING UNION HIGH SCHOOL DISTRICT
ADA, English Language/Low Income Enrollment
Fiscal Years 2018-19 through 2021-22**

Fiscal Year	Total ADA	Total Enrollment	% of EL/LI Enrollment
2018-19	932	1,010	74.12%
2019-20	1,020	1,076	75.33
2020-21 ⁽¹⁾	1,020	1,050	76.11
2021-22 ⁽¹⁾	993	1,050	76.27

⁽¹⁾ Projected.

Source: The District.

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

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

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

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

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

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

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and

weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

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

Revenue Sources

The District categorizes its general fund revenues into four sources. Each of these revenue sources is briefly described below.

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

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

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid, School Improvement Program, instructional materials, and various block grants.

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

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

The following table presents the District’s percentage of general fund revenue by source.

CORNING UNION HIGH SCHOOL DISTRICT
Percentage of Revenue by Source
Fiscal Years 2016-17 through 2019-20

Revenue Source	2016-17	2017-18	2018-19	2019-20 ⁽¹⁾
LCFF sources	76.41%	75.95%	75.61%	78.27%
Federal revenues	5.80	6.58	6.67	6.06
Other State revenues	10.01	8.50	10.78	9.67
Other local revenues	7.78	8.98	6.94	6.01

⁽¹⁾ Based on fiscal year 2019-20 Second Interim Report.
Source: *The District*.

Developer Fees

The District maintains a fund, separate and apart from the general fund, to account for developer fees collected by the District. For fiscal years 2015-16, 2016-17, 2017-18 and 2018-19 the District received \$41,759.35, \$16,882.70, \$65,073.09 and \$61,759 in developer fees respectively. In 2019-20, residential development is assessed a fee of \$0.54 per square foot, and commercial development is assessed a fee of \$3.36 per square foot. As of June 17, 2020, the District received \$135,093 in developer fees for fiscal year 2019-20.

COVID-19 Outbreak and its Economic Impact

In late 2019, an outbreak of COVID-19, a respiratory virus, occurred in China, and since that time has been spreading globally. The global outbreak, together with measures underway to attempt to limit the spread of COVID-19 imposed by local and federal governments, has caused volatility in financial markets as well as restrictions and closures of many businesses.

On March 13, 2020, responding to the evolving COVID-19 situation, President Trump declared a national emergency, making available more than \$50 billion in federal resources to combat the spread of the virus. On March 23, 2020 the Federal Reserve Bank lowered the federal funds rate to between zero and one quarter percent, announced a Treasury security and agency backed-mortgage security buying program and emergency credit and liquidity facilities for financial institutions. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted in order to provide relief and stimulus to American businesses and individuals impacted by COVID-19. The CARES Act, in relevant part, (i) creates a \$349 billion loan program for small businesses, (ii) provides a payment of \$1,200 to each American earning \$75,000 a year or less (\$150,000 for couples filing jointly) and \$500 for each child, (iii) expands eligibility for unemployment and increases benefits by \$600 per week for up to four months, (iv) designates \$339.8 billion for state and local governments with \$274 billion for COVID-19 response efforts as well as an additional \$13 billion for K-12 schools, (v) allocates \$500 billion in loans and investments to businesses, including \$58 billion to the airline industry, (vi) allocates \$100 billion to hospitals and health providers and increases Medicare reimbursements for treating coronavirus and (vii) delays federal student loan payments until September 2020.

Effect of Covid-19 Response on California School Districts

In response to the outbreak of COVID-19 in the State, on March 4, 2020, Governor Gavin Newsom declared a State of Emergency (the “March 4 Emergency Declaration”). The March 4

Emergency Declaration was intended to make additional resources available, formalize emergency actions underway across multiple State agencies and departments, and assist the State in preparing for the spread of COVID-19.

On March 13, Governor Newsom issued Executive Order N-26-20, providing that school districts that initiate a school closure to address COVID-19 shall continue to receive state funding to support all of the following during the period of closure: (1) continued delivery of high-quality educational opportunities to students through, among other options, distance learning and/or independent study; (2) the provision of school meals in noncongregate settings; (3) arrangement for supervision for students during ordinary school hours; and (4) continued payment of school district employees. Executive Order N-26-20 also provides that statutory mandated maintenance of schools for a minimum of 175 days is waived for school districts that initiate a school closure to address COVID-19. On March 16, 2020, the Governor remarked that residents of the State should prepare for most schools to be closed for the remainder of the 2019-20 school year.

On March 19, 2020, Governor Newsom issued Executive Order N-33-20, a mandatory statewide shelter-in-place order (the “Order”) applicable to all non-essential services. The Order also set forth a roadmap in four phases for the State for shelter-in-place restrictions. On May 7, 2020, Governor Newsom ordered a gradual movement into “Phase 2” of the roadmap in which lower-risk workplaces may re-open to the public for business in accordance with industry specific safety guidelines.

The District, upon consultation with the County Department of Public Health and County Superintendent of Schools, determined to close its school campuses effective March 16, 2020 through the end of the 2019-20 school year.

To address the impacts of school closures and the COVID-19 response, the California legislature adopted and the Governor has signed Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”), which bills took immediate effect. SB 89 amends the Budget Act of 2019 by appropriating \$500,000,000 from the State General Fund for any purpose related to the March 4 Emergency Declaration. The second bill, SB 117, addresses economic impacts to school districts directly. Among other things, SB 117 provides that, for all school districts that comply with Executive Order N-26-20, attendance during only full school months from July 1, 2019, to February 29, 2020, inclusive, will be reported for apportionment purposes. SB 117 will also hold harmless school districts not meeting minimum instructional day and minute requirements, in order to prevent a loss of funding related to school closures due to the outbreak. SB 117 will also hold harmless grantees operating after-school education and safety programs that are prevented from operating such programs due to COVID-19, and credit such program grantees with the ADA that the grantee would have received had it been able to operate but for COVID-19.

Under the 2019-20 State Budget (defined below), about 70% of the State's general fund revenue is projected to be derived from personal income tax receipts. Additionally, capital gains tax receipts are budgeted to account for about 10% of such receipts in fiscal year 2019-20. Given stock market declines and business closures in response to the COVID-19 outbreak and related shelter in place requirements, it is unlikely that personal income tax or capital gains tax receipts will be sufficient to fund the State budget for fiscal years 2019-20 and 2020-21 at the levels originally budgeted and or projected. See “ – State Budget Measures” below for additional information regarding the impact of COVID-19 on the State budget.

As noted in the table above under the caption “DISTRICT FINANCIAL INFORMATION – Revenue Sources,” the District receives the large majority of its revenues from LCFF Sources which are comprised of local property taxes and State moneys. Should the State experience a decline in revenue resulting from the impacts of COVID-19, there may be a resulting decline in revenue available for

funding school districts. See “State Budget Measures – May Revisions to 2020-21 State Budget” below for a discussion of the impacts of COVID-19 on fiscal years 2019-20 and 2020-21 State budgets.

The District cannot predict the extent or duration of the outbreak of COVID-19 or what impact it may have on District general fund revenues. However, the Bonds are general obligations of the District payable solely from *ad valorem* property taxes and are not payable from the general fund of the District. See “SECURITY FOR THE BONDS” herein.

Budget Procedures

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing schools districts to use a dual budget adoption cycle. Instead, all school districts must be on a single budget cycle. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

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

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

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a

positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

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

General Fund Budget. The District's general fund adopted budgets for fiscal years 2016-17 through 2020-21, audited actuals for the fiscal years 2016-17 through 2018-19 and projected financial results for fiscal year 2019-20 based upon the second interim report are set forth on the following page.

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CORNING UNION HIGH SCHOOL DISTRICT
General Fund Budgeting

	Adopted Budget 2016-17 ¹	Audited Actuals 2016-17 ¹	Adopted Budget 2017-18 ¹	Audited Actuals 2017-18 ¹	Adopted Budget 2018-19 ¹	Audited Actuals 2018-19 ¹	Adopted Budget 2019-20 ³	Second Interim Report 2019-20 ⁴	Adopted Budget 2020-21 ⁵
REVENUES									
LCFF Sources	\$9,274,316	\$9,288,691	\$9,523,137	\$9,731,168	\$10,559,771	\$11,160,516	\$11,865,510	\$12,093,692	\$11,352,861
Federal	725,668	705,108	715,728	843,302	797,049	984,399	918,101	1,008,762	1,284,192
Other State	474,404	1,216,253	909,709	1,088,496	932,870	1,591,278	1,465,381	1,458,621	923,326
Other Local	<u>784,450</u>	<u>946,324</u>	<u>748,130</u>	<u>1,150,083</u>	<u>803,912</u>	<u>1,023,802</u>	<u>911,399</u>	<u>984,786</u>	<u>940,460</u>
Total Revenues	11,258,838	12,156,376	11,896,740	12,813,049	13,093,602	14,759,995	15,160,391	15,545,861	14,500,839
EXPENDITURES									
Certificated Salaries	4,586,226	4,271,534	4,732,524	4,780,900	4,413,979	4,787,620	5,217,286	5,266,123	5,430,258
Classified Salaries	2,013,625	2,088,549	2,070,542	2,229,219	2,282,588	2,468,245	2,533,675	2,612,358	2,530,218
Employee Benefits	2,421,310	2,792,215	2,981,661	2,961,047	3,066,284	3,740,975	3,651,557	3,696,192	3,878,776
Books and Supplies	670,914	774,483	865,535	666,311	712,798	602,752	661,534	827,048	537,709
Services, Other Operating Expenses	1,092,815	1,079,373	1,173,989	990,675	1,050,267	1,065,756	1,176,223	1,664,212	1,172,516
Other Outgo	307,112	31,245	65,531	10,753	296,748	345,308	507,010	506,262	553,161
Capital Outlay	73,287	86,260	73,287	116,790	113,787	129,465	1,613,275	1,397,604	20,000
Direct support/indirect costs	--	(29,534)	--	--	--	--	--	--	(2,150)
Debt Service - Principal	--	212,829	137,992	295,903	--	--	--	--	--
Debt Service - Interest	--	<u>56,011</u>	<u>44,521</u>	<u>60,622</u>	--	--	--	--	--
Total Expenditures	<u>11,165,289</u>	<u>11,812,965</u>	<u>12,145,582</u>	<u>12,112,220</u>	<u>11,936,451</u>	<u>13,140,121</u>	<u>15,360,560</u>	<u>15,969,799</u>	<u>14,120,488</u>
EXCESS (DEFICIENCY) OR REVENUES OVER (UNDER) EXPENDITURES	93,549	343,411	(248,842)	700,829	1,157,151	1,619,874	(200,169)	(423,938)	380,351
OTHER FINANCING SOURCES (USES)									
Interfund Transfers in	--	--	--	--	--	--	--	--	--
Interfund transfers out	--	(15,513)	--	--	--	(17,039)	--	--	--
Other Sources	--	<u>36,782</u>	--	<u>30,805</u>	--	--	--	--	--
Total Other Financing Sources and Uses	--	21,269	--	30,805	--	(17,039)	(200,169)	--	--
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	93,549	364,680	(248,842)	731,634	1,157,151	1,602,835	(200,169)	(423,938)	380,351
Fund Balance, July 1	868,000	1,223,623	1,588,303	1,588,303	2,393,224 ²	2,393,224 ²	3,525,478	3,996,061	3,962,899
Fund Balance, June 30	\$961,549	\$1,558,303	\$1,339,461	\$2,319,937	\$3,550,375	\$3,996,059	\$3,525,309	\$3,572,123	\$4,343,250

¹ From the audited financial statements of the District for the stated fiscal year.

² Beginning fund balance of \$2,319,937 plus restatement to fund balance of \$73,287 resulted in beginning fund balance as restated of \$2,393,224.

³ From the Adopted Budget of the District for fiscal year 2019-20.

⁴ From the Second Interim Report for fiscal year 2019-20.

⁵ From the Adopted Budget of the District for fiscal year 2020-21.

Source: *The District*.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2019, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 643 Blackburn Avenue Corning, California 96021. See APPENDIX B hereto for the 2018-19 Audited Financial Statements of the District.

The following table reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2016-17 to fiscal year 2018-19:

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CORNING UNION HIGH SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2016-17 through 2018-19

	2016-17 Audit	2017-18 Audit	2018-19 Audit
REVENUES			
LCFF Sources	\$9,288,691	\$9,731,168	\$11,160,516
Federal Revenues	705,108	843,302	984,399
Other State Revenues	1,216,253	1,088,496	1,591,278
Other Local Revenues	<u>946,324</u>	<u>1,150,083</u>	<u>1,023,802</u>
TOTAL REVENUES	12,156,376	12,813,049	14,759,995
EXPENDITURES			
Current:			
Instruction	6,176,768	6,312,359	7,147,807
Instruction-related services	912,849	889,419	938,733
Pupil services	1,468,369	1,638,935	1,597,079
Ancillary services	389,483	385,503	430,429
Community services	46,428	--	--
General administration	1,069,058	1,122,683	1,159,630
Plant Services	1,363,665	1,348,160	1,443,409
Other Outgo	31,245	48,683	--
Capital Outlay	86,260	--	--
Debt Service - Principal	212,828	295,903	258,559
Debt Service – Interest	<u>56,012</u>	<u>60,622</u>	<u>11,827</u>
TOTAL EXPENDITURES	11,812,965	12,112,220	13,140,121
Excess (Deficiency) of Revenues Over Expenditures	343,411	700,829	1,619,874
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	--	--	--
Other sources	36,782	30,805	--
Operating Transfers Out	<u>(15,513)</u>	<u>--</u>	<u>(17,039)</u>
TOTAL OTHER FINANCING SOURCES (USES)	21,269	30,805	(17,039)
Net Change in Fund Balances	364,680	731,634	1,602,835
Fund Balance at Beginning of Year	1,223,623	1,588,303	2,393,224 ¹
Fund Balance at End of Year	\$1,588,303	\$2,319,937	\$3,996,069

¹ Beginning fund balance of \$2,319,937 plus restatement to fund balance of \$73,287 resulted in beginning fund balance as restated of \$2,393,224.
Source: The District.

Accounting Practices

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

State Budget Measures

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

2019-20 State Budget. On June 27, 2019, Governor Gavin Newsom signed the budget for the State for fiscal year 2019-20 (the "2019-20 State Budget").

In March 2020, following the outbreak of the COVID-19 pandemic, the Governor declared a state of emergency, and the legislature subsequently authorized an amendment to the 2019-20 State Budget providing for an appropriation of up to \$1 billion from the State's general fund to be used for any purpose related to such emergency declaration. Since the 2019-20 State Budget preceded the COVID-19 pandemic, it did not take into account the significant adverse impacts the COVID-19 outbreak will have on the State's financial condition beginning in fiscal year 2019-20. The State has indicated that the projections of revenues and expenditures in the 2019-20 State Budget are no longer operative and have been significantly revised in the budget for the State for fiscal year 2020-21 described below. See "-2020-21 State Budget" below. Certain limited information from the 2019-20 State Budget is provided herein as a historical baseline solely for context and reference.

Under the 2019-20 State Budget, general fund resources (includes prior year balance as well as revenues and transfers) were forecasted to total \$150.6 billion with expenditures reaching \$147.8 billion in fiscal year 2019-20. For fiscal year 2018-19, the 2019-20 State Budget included revenues and transfers of \$149.5 billion, an increase of \$7.7 billion over the 2018-19 State Budget, and expenditures of \$143 billion, approximately \$5 billion greater than under the 2018-19 State Budget. The 2019-20 State Budget included \$14.3 billion for reserves and paying down debts which will bring the Rainy Day Fund to \$16.5 billion at the end of fiscal year 2019-20. The 2019-20 State Budget also included a \$4.3 billion supplemental contribution to pay down the State's share of unfunded PERS liabilities and STRS liabilities. Assumptions in the 2019-20 State Budget provided that the school district contribution rate to STRS would decrease from 18.13% to 16.7% in fiscal year 2019-20 and from 19.1% to 18.1% in fiscal year 2020-21 as a result of such one-time payment. See "DISTRICT FINANCIAL INFORMATION - Retirement Systems" herein.

The 2019-20 State Budget allocated total K-12 funding of \$103.4 billion (\$58.8 billion in Proposition 98 funds and \$44.6 billion other funds). Total per-pupil funding would reach \$17,423 in 2019-20 from all sources. LCFF funding included an additional \$1.9 billion in the form of a 3.26% COLA.

Significant features of the 2019-20 State Budget pertaining to K-12 education were as follows:

- Charter School Regulation — accountability requirements for charter schools to align governance, transparency and accountability requirements of school districts and charter schools.

- Special Education— \$645.3 million Proposition 98 funds for special education allocated among school districts based on children ages 3 to 5 years old with exception needs served by a school district.
- Proposition 51 Bond Funds — \$1.5 billion in bond funds to support school construction projects including new construction, modernization, retrofitting, career technical education, and charter school facility projects.
- Proposition 98 Settle-Up — \$686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funds owed through 2017-18.
- Kindergarten Facilities — \$300 million one-time non-Proposition 98 funds to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.
- New Teacher Grants — \$89.8 million one-time non-Proposition 98 funds to provide grants of \$20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years.
- After School Education and Safety Program (“ASES”) — \$50 million ongoing Proposition 98 funds to provide an increase of approximately 8.3% to the per-pupil daily rate for ASES.
- Educator Workforce Grants — \$37.1 million for the Educator Workforce Investment Grants for professional development in the following areas i) \$22.1 million for social emotional learning, computer science, restorative practices, and ethnic studies; ii) \$10 million implementation of the English-Learner Roadmap; iii) \$5 million for special education and inclusive practices.
- 21st Century California Leadership Academy — \$13.8 million federal funds to establish the 21st Century California Leadership Academy, to provide professional learning opportunities for public K-12 administrators and school leaders to acquire the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.
- Classified Employees Summer Assistance Program — \$36 million one-time Proposition 98 funds to provide a state match for classified employee savings used to provide income during summer months.
- Broadband Infrastructure — \$7.5 million one-time non-Proposition 98 funds for broadband infrastructure.
- Longitudinal Data System — \$10 million one-time non-Proposition 98 funds to plan for and develop a longitudinal data system to track impacts of investments in educational goals.

2020-21 State Budget. Governor Newsom signed the budget for the State for fiscal year 2020-21 (the “2020-21 State Budget”) on June 29, 2020. The 2020-21 State Budget reflects the impact of the global economic crisis caused by the Covid-19 pandemic on the State. The 2020-21 State Budget restates resources for fiscal year 2019-20 to \$148.9 billion and expenditures for fiscal year 2019-20 to \$146.9 billion. For fiscal year 2020-21, the 2020-21 State Budget projects total resources of \$139.7 billion with expenditures of \$133.9 billion. The 2020-21 State Budget closes a \$54.3 billion budget deficit and sets aside \$2.6 billion in the Special Fund for Economic Uncertainties, including \$716 million for the State to respond quickly to the changing conditions of the COVID-19 pandemic. Despite significantly reducing

the structural deficit over the next several years, an \$8.7 billion operating deficit is still forecasted in 2021-22, after accounting for reserves. The 2020-21 State Budget is balanced as follows:

- Draw Down of Reserves—\$8.8 billion draw down in reserves from the Rainy Day Fund (\$7.8 billion), the Safety Net Reserve (\$450 million), and all of the funds in the Public School System Stabilization Account (the “PSSSA”).
- Triggers—\$11.1 billion in reductions and deferrals that will be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount between \$2 billion and \$14 billion, the reductions and deferrals will be partially restored.
- Federal Funds—\$10.1 billion in federal funds that provide general fund relief, including \$8.1 billion already received, including the enhanced Federal Medical Assistance Percentage, a portion of the state's Coronavirus Relief Fund allocation and funds provided for childcare programs.
- Revenues—suspension of net operating losses for medium and large businesses and temporarily limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year which will generate \$4.4 billion in new revenues in the 2020-21 fiscal year.
- Borrowing/Transfers/Deferrals—\$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools.
- Cancelled Expansions, Updated Assumptions and Other Solutions—\$10.6 billion of solutions includes: i) cancelling multiple program expansions and anticipating increased government efficiencies; ii) higher ongoing revenues and iii) lower health and human services caseload costs.

Included in the 2020-21 State Budget are approximately \$5.7 billion of expenditures related to the Covid-19 pandemic, of which the State expects to be reimbursed for approximately 75%. The Budget also makes new investments in wildfire prevention and mitigation, including \$85.6 million to CAL FIRE for firefighting resources and surge capacity and \$50 million for community power resiliency. The Budget also supports the new State Earthquake Early Warning Program, integrates the Seismic Safety Commission into the California Office of Emergency Services, and expands efforts to address cybersecurity threats. In an effort to reduce the cost of government functions, nearly all State operations are intended under the 2020-21 State Budget to be reduced by approximately 5% over the next two years. Nonessential contracts, purchases, and travel are suspended and departments have been directed to fill only the most essential vacant positions.

With respect to K-12 education, the 2020-21 State Budget includes total funding of \$98.8 billion (\$48.1 billion general fund and \$50.7 billion other funds) for all K-12 education programs. The 2020-21 State Budget estimates Proposition 98 funds of \$78.5 billion in fiscal year 2018-19, \$77.7 billion in fiscal year 2019-20 and \$70.9 billion in fiscal year 2020-21. For K-12 schools, this results in Proposition 98 per pupil spending of \$10,654 in 2020-21, a \$1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all state, federal, and local sources decreased by approximately \$542 per pupil to \$16,881. To help mitigate the negative impacts of the decline in funding for K-12 schools and California community colleges, the Budget includes deferrals, learning loss mitigation, supplemental appropriations and supplemental retirement program contributions.

The 2020-21 State Budget includes \$1.9 billion of LCFE apportionment deferrals in 2019-20, growing to \$11 billion LCFE apportionment deferrals in 2020-21. Additionally, the statutory LCFE COLA is suspended in fiscal year 2020-21. Of the total deferrals, \$5.8 billion will be triggered off in 2020-21 if the federal government provides sufficient funding that can be used for this purpose.

The 2020-21 State Budget includes a one-time investment of \$5.3 billion (\$4.4 billion federal Coronavirus Relief Fund, \$539.9 million Proposition 98 funds, and \$355.2 million federal Governor’s Emergency Education Relief Fund) to local educational agencies to address learning loss related to school closures as a result of COVID-19. \$2.9 billion of such funds will be allocated based on the LCFF supplemental and concentration grant allocation; \$1.5 billion will be based on number of students with exceptional needs and \$979.8 million will be based on total LCFF allocation.

Supplemental appropriations in the 2020-21 State Budget equal to 1.5% of general fund revenues, beginning in fiscal year 2021-22, up to a cumulative \$12.4 billion, are intended to offset decreases in Proposition 98 funding also included in the 2020-21 State Budget. The 2020-21 State Budget also re-directs \$2.3 billion to STRS and PERS originally intended to reduce long-term unfunded liabilities to reduce employer contribution rates in fiscal years 2020-21 and 2021-22. See “CORNING UNION HIGH SCHOOL DISTRICT –District Retirement Systems” for details on reductions to the STRS and PERS employer contribution rates in fiscal years 2020-21 and 2021-22.

Other significant features of the 2020-21 State Budget relating to K-12 education include the following:

- \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds with 90% (\$1.5 billion) allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs and the remaining 10% (\$164.7 million) for COVID-19 related state-level activities.
- An increase in the special education base rates to \$625 per pupil, apportioned using the existing hold harmless methodology, and \$100 million to increase funding for students with low-incidence disabilities
- \$15 million federal Individuals with Disabilities Education Act (“IDEA”) funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline, \$8.6 million IDEA funds to assist local educational agencies with developing regional alternative dispute resolution services and statewide mediation services, and \$1.1 million IDEA funds for a study of the current special education governance and accountability structure.
- ADA hold-harmless for the purpose of calculating apportionment in the 2020-21 fiscal year with ADA based on fiscal year 2019-20, except for new charter schools commencing instruction in 2020-21.
- An exemption for local educational agencies from the annual minimum instructional minutes requirement such that minimum daily instructional minutes and minimum instructional day requirements may be met through a combination of in-person and distance learning instruction.
- New requirements for distance learning services, including the provision of devices and connectivity and supports for students with exceptional needs, English language learner students, youth in foster care, and youth experiencing homelessness, as well as students in need of mental health supports. Daily interaction with students in distance learning is required and local educational agencies are required to provide access to nutrition programs.
- Distance learning attendance requirements, including documentation of daily student participation, weekly engagement records, and attendance reporting for purposes of chronic absenteeism tracking, re-engagement strategies for students who do not participate and regular engagement with parents or guardians regarding academic progress.

- Fiscal penalties for local educational agencies offering distance learning that do not meet instructional day requirements or the attendance-related requirements.
- Replacement of the LCAP with a Learning Continuity and Attendance Plan, to be completed by September 30, 2020 including:
 - A description of how the local educational agency will provide continuity of learning during the COVID-19 pandemic and address distance learning, learning loss, mental health and social-emotional well-being, professional development, pupil engagement and outreach and school nutrition;
 - Local educational agency expenditures related to addressing the impacts of the COVID-19 pandemic; and
 - How local educational agencies are increasing or improving services in proportion to funds generated on the basis of the number and concentration of English learners, youth in foster care, and low-income students pursuant to the LCFF.
- Suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff and suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021.

Future Actions. The State is currently and also has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions. See also “- COVID-19 Outbreak and its Economic Impact” for a discussion of COVID-19 and its impact on the State economy.

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIII A of the California Constitution

Article XIII A of the State Constitution (“Article XIII A”) limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the County assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under ‘full cash value,’ or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The “full cash value” is subject to annual adjustment to

reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

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

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

Split Roll Property Tax Ballot Measure. On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 statewide ballot (the “2020 Ballot Measure”). If approved by a majority of voters casting a ballot at the November 2020 statewide election, the 2020 Ballot Measure would amend Article XIII A such that the “full cash value” of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, the 2020 Ballot Measure would not affect the “full cash value” of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding that school districts and community college districts receive under the State’s constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure will have on District revenues or the assessed valuation of real property in the District.

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.

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.

Unitary Property

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

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

Article XIII B of the California Constitution

Article XIII B of the State Constitution (“Article XIII B”), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living

and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

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

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

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article 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. However, if a school district’s revenues exceed its spending limit, such school district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

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

Article XIII C and Article XIII D of the California Constitution

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

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific

purposes), prohibits special purpose government agencies such as school districts and community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC 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 XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of the State general fund

revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

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

Proposition 111

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

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

a. 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 is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. 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 1990 levels (then nine cents per gallon), sales and use

taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. 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 39

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

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district),

when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

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

Proposition 1A and Proposition 22

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

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

fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

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

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

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the temporary tax increases were included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See

“CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98” and “—Proposition 111” herein. From an accounting perspective, the revenues generated from the temporary tax increases were 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 were and will be 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.

Proposition 55

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

Proposition 51

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

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

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

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

Proposition 2

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

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

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

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the newly established under Proposition 2 PSSSA which serves as a reserve account for school funding in years when the State budget is smaller. See “State Budget Measures –2020-21 State Budget” above for information regarding the budgeted withdrawal of funds from the PSSSA in fiscal year 2020-21.

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

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

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures and other financing uses. On June 30, 2019, the District had available reserves of \$200,623. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District’s current policies on reserves.

Future Initiatives

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

CORNING UNION HIGH SCHOOL DISTRICT

Introduction

The District, a school district of the State, was established over 100 years ago and is located in the northern portion of the State in Tehama County (the “County”) approximately 115 miles north of Sacramento. The District is comprised of the City of Corning and unincorporated areas of the County. The District operates one high school providing ninth through twelfth grade education services, one continuation high school, one independent study high school and one adult school. The District’s average daily attendance (“ADA”) for fiscal year 2019-20 was 1,020 students and the District has a 2019-20 total assessed valuation of \$1,437,493,405. The District’s audited financial statements for the fiscal year ended June 30, 2019 are attached hereto as APPENDIX B.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Corning Union High School District, 643 Blackburn Avenue, Corning, California 96021, Attention: Superintendent.

Administration

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

**BOARD OF TRUSTEES
Corning Union High School District**

<u>Board Member</u>	<u>Office</u>	<u>Term Expires (December)</u>
William Mache	President	2022
James Bingham	Clerk	2020
Todd Henderson	Member	2022
James Scott Patton	Member	2022
Ken Vaughn	Member	2020

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

Jared Caylor, Superintendent. Jared Caylor has served as the Superintendent of the District since December, 2017 after serving as Interim Superintendent since August, 2017. Superintendent Caylor began working for the District in 2007 as a social science teacher at Corning High School and was advanced to the position of vice principal of Corning High School in 2011. Superintendent Caylor earned his Master's Degree and Administration Credential from Simpson University and his Social Science Degree and teaching credential from California State University, Chico.

Student Teacher Ratios

On average, throughout the District, the pupil to teacher ratio is approximately 28:1 in grades 9-12.

Labor Relations

The District employs approximately 61 full-time equivalent ("FTE") certificated employees, approximately 63 FTE classified employees and approximately 13 management, supervisory and confidential FTE employees.

The certificated employees have assigned the Corning Independent Teachers' Association ("CITA") as their exclusive bargaining agent and the contract between the District and CITA expires on June 30, 2021.

The classified employees of the District have assigned the Corning High School Employees Association ("CHSEA") as their exclusive bargaining agent. The contract between the District and CHSEA expires on June 30, 2021.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 17.10% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.328% of teacher payroll for fiscal year 2019-20. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually until the employer contribution rate is 19.10% of covered

payroll as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay, phased in over the three year period from 2014-15 through 2017-18. The State’s total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to A.B. 1469, school districts’ employer contribution rates will increase over a seven-year phase-in period in accordance with the following schedule:

**SCHOOL DISTRICT EMPLOYER CONTRIBUTION RATES
State Teachers’ Retirement Fund**

Effective Date (July 1)	School District Contribution Rate to STRS
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10*
2020	16.15* +

* The 2019-20 State Budget provided supplemental payments to STRS by the State which reduces the school district contribution rate under A.B. 1469.

+ Additional supplemental payments to STRS in the 2020-21 State Budget further reduced the school district contribution rate in fiscal year 2020-21.

Subsequent to the increases to the school district’s contribution rates to STRS in the table above, A.B. 1469 requires that for 2021-22 and each fiscal year thereafter, STRS adjust the school districts’ contribution rate to reflect the rate required to eliminate the unfunded liability by July 1, 2046. The 2020-21 State Budget applies certain funds in fiscal year 2020-21 intended under the 2019-20 State Budget to reduce future obligations to STRS to the school districts’ current obligations to STRS to reduce the school district’s contribution rates to STRS in fiscal year 2020-21 from 18.41% to approximately 16.15% and in fiscal year 2021-211 from 17.9% to 16.02%.

The District contributed \$465,557 to STRS for fiscal year 2015-16, \$571,116 for fiscal year 2016-17, \$650,464 for fiscal year 2017-18, and \$762,122 for fiscal year 2018-19. Such contributions were equal to 100% of the required contributions for the respective years. The District has budgeted a contribution of \$1,312,019 for fiscal year 2019-20. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are

established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 19.721% of eligible salary expenditures for fiscal year 2019-20, while participants enrolled in PERS (whether enrolled prior to or subsequent to January 1, 2013) contribute 7% of their respective salaries.

On April 19, 2017, the Board of Administration of PERS adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the Board of Administration in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years. As a result of payments to be made by the State as part of the 2019-20 State Budget, the estimated future employer contribution rates to PERS were again revised downward for fiscal years 2019-20 through 2025-26 but remain subject to annual adoption by the PERS Board of Administration. See "DISTRICT FINANCIAL INFORMATION- State Budget Measures" herein.

On April 21, 2020, the Board of Administration of PERS set the fiscal year 2020-21 employer contribution rate at 22.68%. The contribution rate reflected an initial actuarially determined rate of 23.35% that had been reduced by 0.67% after reflecting part of the State contribution. The Board of Administration of PERS also approved a continuation of the current 7% employee contribution rate for fiscal year 2020-21 for school employees subject to the Public Employees' Pension Reform Act of 2013 described below. Subsequent to the Board of Administration of PERS' action, the 2020-21 State Budget provided supplemental payments to PERS which further reduces the employer contribution rate in fiscal year 2020-21 from 22.68% to 20.7% and in fiscal year 2021-22 from 24.6% to 22.84% in 2021-22. See "State Budget Measures –2020-21 State Budget."

The District contributed \$244,153 to PERS for fiscal year 2015-16, \$305,470 for fiscal year 2016-17, \$361,758 for fiscal year 2017-18 and \$449,092 for fiscal year 2018-19 which amounts equaled 100% of required contributions to PERS. The District has budgeted a contribution of \$516,794 for fiscal year 2019-20.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2018.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation as of July 1, 2018
(Dollar Amounts in Millions)⁽¹⁾

<u>Plan</u>	<u>Accrued Liability</u>	<u>Market Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS)	\$92,071	\$64,846	(\$27,225)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	297,603	211,367	(86,236)

⁽¹⁾ Amounts may not add due to rounding.

Source: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

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

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

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are

typically included as notes to the government’s financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employees, including the District, took effect for the fiscal year beginning July 1, 2014.

The District’s proportionate shares of the net pension liability of PERS and STRS, as of June 30, 2019, are as shown in the following table.

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>
PERS	\$4,679,383
STRS	<u>7,352,560</u>
Total	\$12,031,943

Source: The District.

For further information about the District’s contributions to PERS and STRS, see Note 9 in the District’s audited financial statements for fiscal year ended June 30, 2019 attached hereto as APPENDIX B.

School districts’ retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot determine whether current financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District’s contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments in response to the outbreak of COVID-19. See also “DISTRICT FINANCIAL INFORMATION – COVID 19 Outbreak and its Economic Impact” herein for information regarding the outbreak of COVID-19.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board (“GASB”) pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Employees who are eligible to receive retiree employment benefits other than pensions (“Health & Welfare Benefits”) while in retirement must meet specific criteria, *i.e.*, age and years with the District.

The District currently provides retiree medical, dental and vision benefits through a single-employer defined benefit plan administered by the District and offered as a package through California's Valued Trust. The District provides Health & Welfare Benefits to qualified eligible employees who retire from the District on or after age 55 with at least 10 years of service to the District, until age 65. As of June 30, 2017, eight (8) retirees were receiving Health and Welfare Benefits.

The following table shows the components of the District's annual Health and Welfare Benefits cost for the year, the amount actually contributed to fund Health and Welfare Benefits, and changes in the District's net Health and Welfare Benefits as of June 30, 2019.

<u>Total OPEB Liability</u>	
Service Cost	\$147,152
Interest	61,734
Changes of benefit terms	--
Differences between expected and actual experience	--
Changes of assumptions	57,030
Benefit payments	(88,646)
Implicit subsidy fulfilled	<u>(22,867)</u>
Net change in Total OPEB Liability	154,403
Total OPEB Liability - beginning	<u>1,759,145</u>
Total OPEB liability - ending	<u>\$1,913,548</u>

Source: The District.

Expenditures for post-employment healthcare benefits are recognized on a pay-as-you-go basis. As of June 30, 2019, the District had not set aside any amounts in an irrevocable trust in order to fund its Health & Welfare Benefits.

Risk Management

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters.

The District participates in several joint powers agreements with the (i) the North Valley Schools Insurance Group ("NVSIG"), (ii) Northern California Schools Insurance Group ("NCSIG"), (iii) Tri-County Schools Insurance Group ("TCSIG"), (iv) Schools Excess Liability Fund ("SELF"), (v) Northern California Regional Liability Excess Fund Relief ("Relief") and (vi) California's Valued Trust ("CV"). Each JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the District beyond the District's representation on the governing boards. The relationships between the District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes. See also APPENDIX B –CORNING UNION HIGH SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2019 – Note 10 hereto.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for self-insured claims are adequate.

FCMAT AB 139 Extraordinary Audit

In 2017, the District’s Chief Business Official identified irregularities in vacation recording and travel expenses by the District’s then-Superintendent. A private investigator presented a report to the Board and subsequently the then-Superintendent of the District, John Burch (the “Former Superintendent”), resigned his position as Superintendent. In September, 2017 the Fiscal Crisis and Management Assistance Team (“FCMAT”) conducted an AB 139 Extraordinary Audit (the “Audit”) to determine if fraud, misappropriation of funds or other illegal fiscal activities had occurred at the District. The Audit found that the Former Superintendent and “former CBO violated their fiduciary duty to the governing board, staff, students and parents of the district by ignoring established internal controls.” The Audit also found that “[b]ased on the evidence in the [Audit], there is sufficient documentation to demonstrate that fraud, mismanagement and misappropriation of the district’s funds and assets may have occurred” and recommended that the County Superintendent notify the Board, and certain State and local authorities that such activity may have occurred.

The District appointed a new superintendent in 2017, who, in response to the Audit findings, initiated new credit-card procedures and internal policies after consultation with the County Office of Education. The District continues to examine and evaluate business practices and procedures to ensure that public funds are spent in accordance with District policy and applicable laws.

Certain Existing Obligations

A schedule of the District’s changes in long-term debt for the year ended June 30, 2019 is shown below:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
General obligation bonds	\$3,000,000	\$2,700,000	\$180,000	\$5,520,000	\$185,000
Bond premiums	119,143	147,048	4,108	262,083	4,108
Capital leases	210,560	--	100,337	110,223	19,816
Direct borrowing – note payable	2,518,189	--	114,841	2,403,348	124,649
Direct borrowing – line of credit	359,902	--	43,381	316,521	--
Early retirement incentives	90,000	--	90,000	--	--
Net pension liabilities	11,518,818	4,332,308	3,819,183	12,031,943	--
Total OPEB liability	1,759,145	265,916	111,513	1,913,548	--
Compensated absences	49,198	--	11,025	38,173	--
Total	\$19,624,955	\$7,445,272	\$4,474,388	\$22,595,839	\$333,573

Source: The District.

General Obligation Bonds. Pursuant to the Authorization, the District received authorization to issue \$8,300,000 principal amount of general obligation bonds. The first series of bonds were issued under the Authorization in April 2017 in the principal amount of \$3,000,000. The second series of bonds were issued under the Authorization in November 2018 in the principal amount of \$2,700,000. After the issuance of the Bonds, no additional bonds will remain for issuance under the Authorization.

Qualified Zone Academy Bonds. In November 2013, the District issued Qualified Zone Academy Bonds (the “QZABs”) totaling \$2,864,000 to finance the construction of solar panels. The QZABs bear interest at 1.5% and mature in 2031. As of June 30, 2019, the QZABs were outstanding in the principal amount of \$2,403,348.

Capital Leases. The District leases certain vehicles and a phone system under agreements that provide for title to pass upon expiration of the lease period. The District’s minimum lease payments under all of its capital leases are as follows:

Fiscal year ending June 30	Principal	Interest	Total
2020	\$19,816	\$5,959	\$25,775
2021	83,848	2,801	86,649
2022	<u>6,559</u>	<u>456</u>	<u>7,015</u>
Total	\$110,223	\$9,216	\$119,439

Source: The District.

Long-Term Line of Credit. The District maintains a line of credit with Stifel Bank & Trust in the amount of \$2,680,000 which is used to finance certain expenditures related to Rodgers Trust Ranch, a ranch established in 2001 with approximately \$3.2 million left to the District from the estate of Daniel and Wealthy Rodgers. Draws on the line of credit bear interest at a rate of LIBOR plus 2.5% and the principal balance as of June 30, 2019 was \$226,595. The line of credit does not have a due date.

In addition to the Rodgers Trust Ranch, an endowment was created from which the District withdraws \$198,000 annually in interest to pay for the maintenance and development of the Rodgers' Ranch property and to provide scholarships for the students of the District. No funds from the Trust are ever used to provide for non-ranch District expenses.

TEHAMA COUNTY POOLED INVESTMENT FUND

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

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

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

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than 9 months following the end of the District’s fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2019-20 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District has entered into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

During the past five years, the District has not failed to comply, in all material respects, with any previous undertakings it has entered into with respect to the Rule. The District has engaged Isom Advisors, a Division of Urban Futures, Inc. to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with its current and future continuing disclosure obligations.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, San Diego, California, Bond Counsel to the District (“Bond Counsel”), attesting to the validity of the Bonds, will be supplied to the Underwriter of the Bonds without charge, a form of which is attached hereto as Appendix A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Jones Hall, A Professional Law Corporation is acting as counsel to the Underwriter. Bond Counsel and Disclosure Counsel and Underwriter’s Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, 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, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily

seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolution and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County, on behalf of the District, is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in APPENDIX E – TEHAMA COUNTY INVESTMENT POLICY STATEMENT attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the District's Debt Service Fund where such amounts are invested in the County Investment Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

California Senate Bill 222

Government Code Section 53515, added by SB 222, applicable to general obligations bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

TAX MATTERS

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

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the "Tax Certificate") of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to

be invested, if required, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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

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

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

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

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

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

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

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

Bank Qualification. The District has designated the Bonds as “qualified tax-exempt obligations.” See “BANK QUALIFICATION” herein.

LEGALITY FOR INVESTMENT

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

BANK QUALIFICATION

The District has designated the Bonds as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) is expected to assign its municipal bond rating of “AA” to the Bonds based upon the issuance of the Policy by the Insurer at Closing. S&P has also assigned its municipal bond rating of “A+” to the Bonds, without regards to the Policy. Such ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

UNDERWRITING

D.A. Davidson & Co. (the “Underwriter”), has agreed to purchase the Bonds at the purchase price of \$2,908,443.20 (reflecting the principal amount of the Bonds plus an original issue premium in the amount of \$352,643.20 less an Underwriter’s discount of \$44,200.00), at the rates and yields shown on the inside cover hereof.

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

NO LITIGATION

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

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APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing date]

Board of Trustees
Corning Union High School District
643 Blackburn Avenue
Corning, California 96021

Re: \$2,600,000 Corning Union High School District (County of Tehama, California) General
Obligation Bonds, 2016 Election, 2020 Series C

Ladies and Gentlemen:

We have acted as bond counsel for the Corning Union High School District (County of Tehama, California) (the "District"), in connection with the issuance by the District of \$2,600,000 aggregate principal amount of the District's General Obligation Bonds, 2016 Election, 2020 Series C (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of Trustees of the District on June 18, 2020 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds

and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion herein with respect thereto.

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

1. The Bonds constitute valid and binding general obligations of the District.
2. The Bonds are payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount, except for certain personal property that is taxable at limited rates.
3. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
4. Interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.
5. Interest on the Bonds is exempt from personal income taxes of the State of California.

Ownership of tax-exempt obligations such as the Bonds may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Bonds or such owner's other items of income or deduction. We express no opinion with respect to any federal, state, or local tax consequences, under present law or any proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

Dannis Woliver Kelley

APPENDIX B

**CORNING UNION HIGH SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

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**CORNING UNION HIGH
SCHOOL DISTRICT
COUNTY OF TEHAMA
CORNING, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2019



Chavan & Associates, LLP
Certified Public Accountants
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

**CORNING UNION HIGH SCHOOL DISTRICT
TEHAMA COUNTY**

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**CORNING UNION HIGH SCHOOL DISTRICT
TEHAMA COUNTY**

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FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Corning Union High School District
Corning, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Corning Union High School District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and District Placements*. See Note 6 for a summary of direct borrowings. Our opinion has not been modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the Governmental Accounting Standards Board; organization schedule, schedule of average daily attendance, schedule of instructional time, schedule of charter schools, schedule of financial trends and analysis, and reconciliation of the Annual Financial and Budget Report to the audited financial statement, as required by the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*; and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time, and reconciliation of the Annual Financial and Budget Report to the audited financial statements are the responsibility of management and were 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 combining and individual nonmajor fund financial statements, schedule of



expenditures of federal awards, schedule of average daily attendance, schedule of instructional time, and the reconciliation of the Annual Financial and Budget Report to the audited financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

December 15, 2019
San Jose, California

Management's Discussion and Analysis

Corning Union High School District
Management's Discussion and Analysis
June 30, 2019

This discussion and analysis of Corning Union High School District's (the District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2019 are as follows:

- Total net position increased by \$1,291,829 (25%) from June 30, 2018 to June 30, 2019, mainly due to an increase in cash and investments from unspent bond proceeds.
- The District recorded deferred outflows of resources of \$3,617,366 and deferred inflows of resources of \$1,426,182 as required by GASB 68 and GASB 75 for pension and other postemployment benefit accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- The District had \$15,190,291 in government-wide expenses which is 93% of total government-wide revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$3,562,427 (22%) of the total revenues of \$16,408,833.
- General revenue of \$12,846,406, which includes property taxes, unrestricted federal and state grants and LCFF sources, was 78% of total revenues in 2019 versus 80% in 2018.
- The fund balances in all funds increased by \$3,396,044, which is an 49% increase from 2018, mostly due to unspent bond proceeds in the Building Fund.
- Total governmental fund revenues and expenditures totaled \$16,463,102 and \$15,987,393, respectively.

Using the Annual Report

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand Corning Union High School District as a financial whole, an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the government-wide financial statements and provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Corning Union High School District, the General Fund is by far the most significant fund.

Corning Union High School District
Management's Discussion and Analysis
June 30, 2019

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Overview of the Financial Statements

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management Discussion and Analysis. These three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, Government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

Government-wide Financial Statements - Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, and required educational programs.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Corning Union High School District
Management's Discussion and Analysis
June 30, 2019

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins with the Balance Sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, the Building Fund and the Foundation Special Revenue Fund.

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 available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. The District did not have any proprietary funds.

Fiduciary Funds

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of 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.

Corning Union High School District
Management's Discussion and Analysis
June 30, 2019

The District as a Whole

Recall that the Statement of Net Position provides a perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2019 compared to June 30, 2018:

Table 1 - Summary of Net Position				
	Governmental Activities		\$ Change	% Change
	2019	2018		
Assets				
Current and Other Assets	\$ 12,216,966	\$ 7,742,966	\$ 4,474,000	58%
Capital Assets	15,349,035	14,636,725	712,310	5%
Total Assets	\$ 27,566,001	\$ 22,379,691	\$ 5,186,310	19%
Deferred Outflows	\$ 3,617,366	\$ 3,644,565	\$ (27,199)	-1%
Liabilities				
Current Liabilities	\$ 1,927,869	\$ 757,362	\$ 1,170,507	155%
Long-Term Liabilities	22,595,839	19,624,955	2,970,884	15%
Total Liabilities	\$ 24,523,708	\$ 20,382,317	\$ 4,141,391	17%
Deferred Inflows	\$ 1,426,182	\$ 1,700,291	\$ (274,109)	-19%
Net Position				
Net Investment in Capital Assets	\$ 8,856,476	\$ 8,553,351	\$ 303,125	4%
Restricted	900,974	890,554	10,420	1%
Unrestricted	(4,523,973)	(5,502,257)	978,284	18%
Total Net Position	\$ 5,233,477	\$ 3,941,648	\$ 1,291,829	25%

Current and other assets increased by 58% mostly because of cash from unspent bond proceeds issued during the year. Capital assets increased by 5% from capital outlay related to bond spending or expenditures incurred on facility improvement programs. Current liabilities increased by 155% mostly from liabilities incurred in the Building Fund related to facilities improvements related to the bond program.

Corning Union High School District
Management's Discussion and Analysis
June 30, 2019

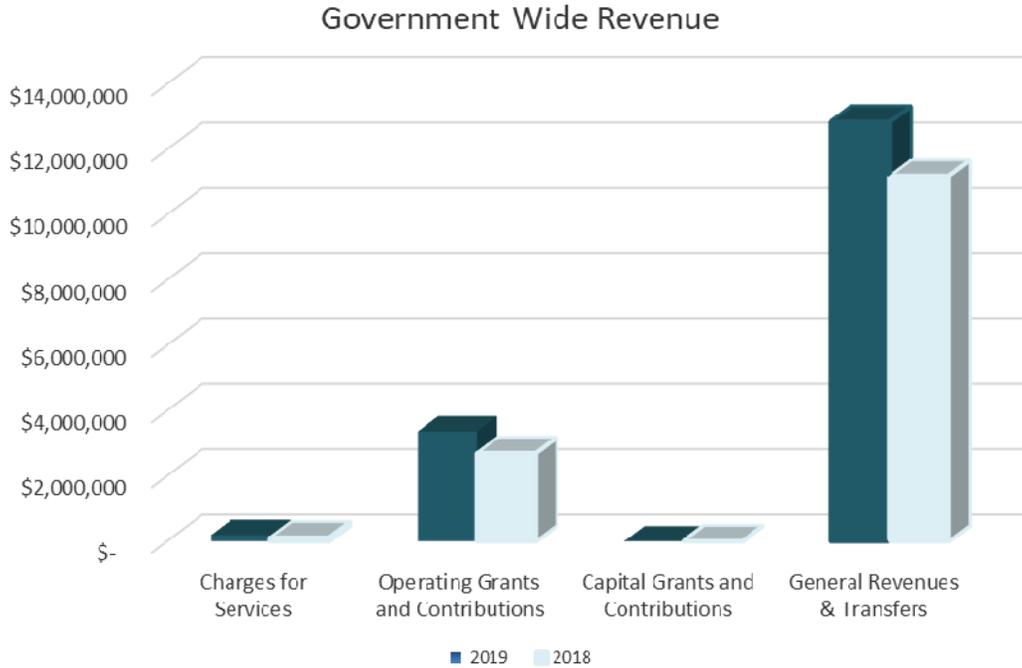
Table 2 compares the components of changes in net position for the fiscal year 2019 versus 2018:

Table 2 - Change in Net Position				
	Governmental Activities		\$ Change	% Change
	2019	2018		
Revenues				
Program Revenues:				
Charges for Services	\$ 195,904	\$ 114,327	\$ 81,577	71%
Operating Grants and Contributions	3,366,523	2,699,077	667,446	25%
General Revenues & Transfers	12,846,406	11,196,835	1,649,571	15%
Total Revenues	16,408,833	14,010,239	2,398,594	17%
Program Expenses				
Instruction	7,725,553	6,945,707	779,846	11%
Instruction-Related Services	1,069,879	989,289	80,590	8%
Pupil Services	2,461,992	2,490,344	(28,352)	-1%
General Administration	1,209,416	1,240,071	(30,655)	-2%
Plant Services	1,739,258	1,709,230	30,028	2%
Ancillary services	448,443	397,536	50,907	13%
Community services	62,864	70,781	(7,917)	-11%
Other outgo	92,139	48,636	43,503	89%
Interest on Long-term Debt	380,747	222,985	157,762	71%
Total Expenses	15,190,291	14,114,579	1,075,712	8%
Change in Net Position	1,218,542	(104,340)	1,322,882	109%
Beginning Net Position	3,941,648	5,222,786	(1,281,138)	-25%
Prior Period Adjustments	73,287	(1,176,798)	1,250,085	1706%
Ending Net Position	\$ 5,233,477	\$ 3,941,648	\$ 1,291,829	33%

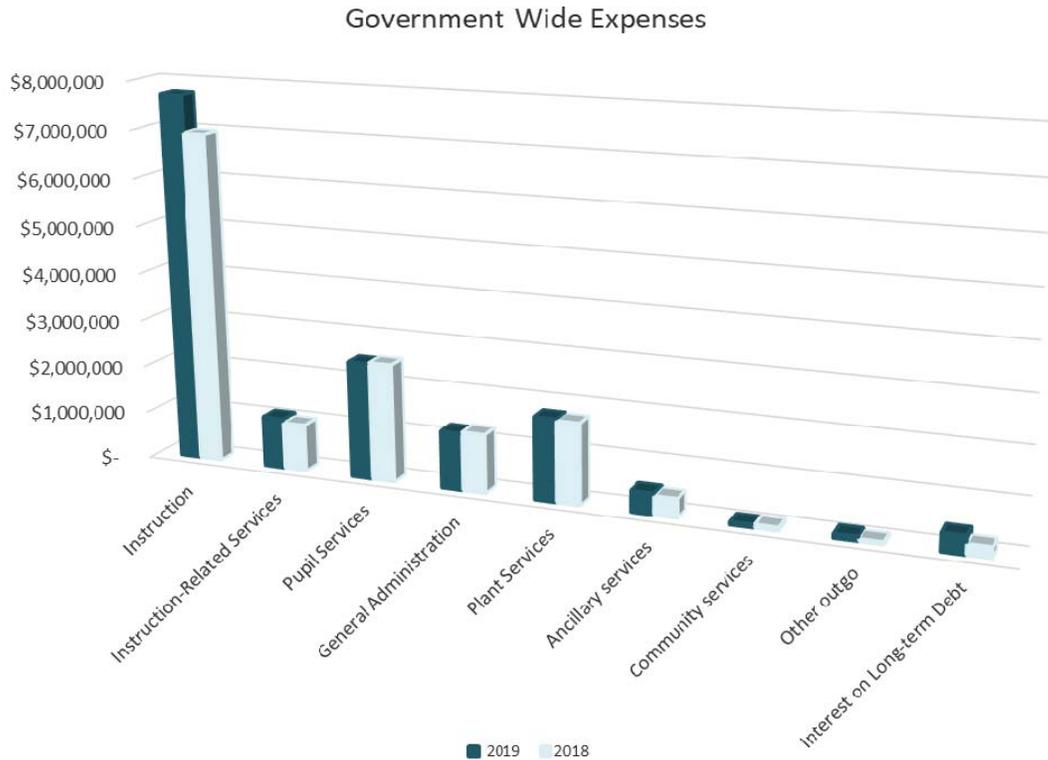
Interest expense increased by 71% because of debt service payments on the new Bonds. General Revenues increased by 15% because of new property tax assessments related to bond measures.

Corning Union High School District
Management's Discussion and Analysis
 June 30, 2019

The following chart compares government-wide revenue by category for 2019 and 2018:



The next chart compares government-wide expenses by category for 2019 and 2018:



Corning Union High School District
Management's Discussion and Analysis
 June 30, 2019

Governmental Activities

Direct Instruction, Instruction-Related Services, and Pupil Services represent 74% of total expenses in 2019 versus 74% in 2018. The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 2 shows the total cost of services while Table 3 shows the net cost of services and identifies the cost of these services supported by revenues.

Table 3 - Net Cost of Services					
Function	2019	2018	Increase (Decrease)	Percent	
Instruction	\$ 5,949,127	\$ 5,737,408	\$ 211,719	3.7%	
Instruction-Related Services	704,034	601,775	102,259	17.0%	
Pupil Services	1,334,207	1,434,000	(99,793)	-7.0%	
General Administration	1,037,735	1,116,322	(78,587)	-7.0%	
Plant Services	1,687,349	1,702,523	(15,174)	-0.9%	
Ancillary services	427,316	393,867	33,449	8.5%	
Community services	62,864	70,781	(7,917)	-11.2%	
Other outgo	44,485	21,514	22,971	106.8%	
Interest on Long-term Debt	380,747	222,985	157,762	70.8%	
Total Net Cost of Services	\$ 11,627,864	\$ 11,301,175	\$ 326,689	2.9%	

The District's Funds

Table 4 provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Table 4 - Change in Fund Balances					
Funds	2019	2018	Increase (Decrease)	Percent	
General Fund	\$ 3,996,059	\$ 2,319,937	\$ 1,676,122	72.2%	
Foundation Fund	3,907,100	3,822,401	84,699	2.2%	
Building Fund	1,541,012	124,420	1,416,592	1138.6%	
Nonmajor Governmental Funds	935,689	717,058	218,631	30.5%	
Total Fund Balances	\$ 10,379,860	\$ 6,983,816	\$ 3,396,044	48.6%	

Corning Union High School District
Management's Discussion and Analysis
June 30, 2019

Capital Assets

Table 5 shows June 30, 2019 capital asset balances compared to June 30, 2018:

Table 5 - Summary of Capital Assets Net of Depreciation						
Capital Asset	2019		2018		Increase (Decrease)	Percent
	Net Capital Assets		Net Capital Assets			
Land	\$ 357,500		\$ 357,500		\$ -	0.0%
Work-in-Progress	1,921,157		766,102		1,155,055	150.8%
Buildings	8,085,654		8,224,007		(138,353)	-1.7%
Site Improvements	4,035,463		4,269,272		(233,809)	-5.5%
Vehicles and Equipment	949,261		1,019,844		(70,583)	-6.9%
Totals	\$ 15,349,035		\$ 14,636,725		\$ 712,310	4.9%

See Note 5 for additional information related to the changes in capital assets.

Long Term Debt

Table 6 reports the balance and changes of long-term liabilities during the fiscal year 2019.

Table 6 - Long-term Liabilities					
Type	2019	2018	Increase (Decrease)	Percent	
General obligation bonds	\$ 5,520,000	\$ 3,000,000	\$ 2,520,000	84.0%	
Bond premiums	262,083	119,143	142,940	120.0%	
Capital leases	110,223	210,560	(100,337)	-47.7%	
Direct borrowing - note payable	2,403,348	2,518,189	(114,841)	-4.6%	
Direct borrowing - line of credit	316,521	359,902	(43,381)	-12.1%	
Early retirement incentives	-	90,000	(90,000)	-100.0%	
Net pension liabilities	12,031,943	11,518,818	513,125	4.5%	
Total OPEB liability	1,913,548	1,759,145	154,403	8.8%	
Compensated absences	38,173	49,198	(11,025)	-22.4%	
Total	\$ 22,595,839	\$ 19,624,955	\$ 2,970,884	15.1%	

See Notes 6, 7, 8, 9, 12 and 13 to the financial statements for additional information.

General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revised its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revised figures and updated 45 days after the State approves its final budget. In addition, the District revised its budget at First and Second Interim. The original budget presented in the required supplementary information section includes only new revenues for 2019. During the budget revision process the District accounts for

Corning Union High School District
Management's Discussion and Analysis
June 30, 2019

prior year ending balances by budgeting to use the carryover. Budgeted revenue increased by \$1,312,970 from adopted to final and budgeted expenditures increased by \$1,383,932 from adopted to final during the year.

Factors Bearing on the District's Future

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

- District enrollment is no longer declining.
- Special education costs continue to increase.
- There may be unpredictable increases in fuel and electric costs.
- Increase in legal costs due to personnel, negotiations, and special education matters.
- Continued increases to CalSTRS and CalPERS retirement costs.
- Annual minimum wage increases.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, 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 regarding this report or need additional financial information, contact:

Christine Fears, Chief Business Official
Corning Union High School District
643 Blackburn Avenue
Corning, CA 96021
Phone: 530.824.8000

Basic Financial Statements

CORNING UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets	
Current Assets:	
Cash and investments	\$ 11,305,911
Accounts receivable	900,637
Other assets	10,418
Total Current Assets	12,216,966
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	2,278,657
Capital assets, net of depreciation	13,070,378
Total Noncurrent Assets	15,349,035
Total Assets	\$ 27,566,001
 Deferred Outflows of Resources	
Pension adjustments	\$ 3,606,845
OPEB adjustments	10,521
Total Deferred Outflows of Resources	\$ 3,617,366
 Liabilities	
Current Liabilities:	
Accounts payable	\$ 1,718,206
Accrued salaries and benefits	113,122
Unearned revenue	5,778
Accrued interest	90,763
Total Current Liabilities	1,927,869
Long-term Liabilities:	
Due within one year	333,573
Due beyond one year	22,262,266
Total long-term Liabilities	22,595,839
Total Liabilities	\$ 24,523,708
 Deferred Inflows of Resources	
Pension adjustments and changes	\$ 1,426,182
 Net Position	
Net investment in capital assets	\$ 8,856,476
Restricted for:	
Capital projects	330,239
Cafeteria program	19,082
Debt service	473,737
Educational programs	77,916
Total restricted net position	900,974
Unrestricted	(4,523,973)
Total Net Position	\$ 5,233,477

The notes to financial statements are an integral part of this statement.

**CORNING UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 7,725,553	\$ 39,936	\$ 1,736,490	\$ (5,949,127)
Instruction-related services:				
Supervision of instruction	344,747	7,968	296,090	(40,689)
Instruction library, media and technology	112,636	-	3,513	(109,123)
School site administration	612,496	-	58,274	(554,222)
Pupil services:				
Home-to-school transportation	649,838	-	19,849	(629,989)
Food services	753,075	121,921	617,218	(13,936)
All other pupil services	1,059,079	9,301	359,496	(690,282)
General administration:				
All other general administration	1,209,416	7,088	164,593	(1,037,735)
Plant services	1,739,258	856	51,053	(1,687,349)
Ancillary services	448,443	-	21,127	(427,316)
Community services	62,864	-	-	(62,864)
Transfers to other agencies	92,139	8,834	38,820	(44,485)
Interest on long-term debt	380,747	-	-	(380,747)
Total governmental activities	<u>\$ 15,190,291</u>	<u>\$ 195,904</u>	<u>\$ 3,366,523</u>	<u>(11,627,864)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				2,619,689
Taxes levied for debt service				423,490
Federal and state aid not restricted to specific purposes				8,992,840
Interest and investment earnings				294,662
Interagency revenues				149,812
Miscellaneous				365,913
Total general revenues				<u>12,846,406</u>
Change in net position				1,218,542
Net position beginning				3,941,648
Prior period adjustment				<u>73,287</u>
Net position ending				<u>\$ 5,233,477</u>

The notes to financial statements are an integral part of this statement.

**CORNING UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Foundation Special Revenue Fund	Building Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,839,750	\$ 3,921,032	\$ 2,644,136	\$ 900,993	\$ 11,305,911
Accounts receivable	737,627	-	-	163,010	900,637
Due from other funds	143,775	-	-	16,379	160,154
Prepaid	-	-	-	6,729	6,729
Other assets	3,689	-	-	-	3,689
Total Assets	\$ 4,724,841	\$ 3,921,032	\$ 2,644,136	\$ 1,087,111	\$ 12,377,120
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 592,842	\$ 1,245	1,103,124	\$ 20,995	\$ 1,718,206
Accrued salaries and benefits	113,122	-	-	-	113,122
Due to other funds	17,040	12,687	-	130,427	160,154
Unearned revenue	5,778	-	-	-	5,778
Total Liabilities	728,782	13,932	1,103,124	151,422	1,997,260
Fund balances:					
Nonspendable:					
Revolving fund	1,000	-	-	500	1,500
Stores inventories	3,689	-	-	-	3,689
Prepaid expenditures	-	-	-	6,729	6,729
Restricted for:					
Educational programs	77,916	-	-	-	77,916
Debt service	-	-	-	473,737	473,737
Cafeteria programs	-	-	-	19,082	19,082
Capital projects	-	-	1,541,012	330,239	1,871,251
Assigned for:					
Site repairs	-	-	-	105,402	105,402
Maintenance projects	68,000	-	-	-	68,000
Cafeteria refrigeration	40,000	-	-	-	40,000
Retiree benefit	116,000	-	-	-	116,000
OPEB trust account	100,000	-	-	-	100,000
Safety - fence	90,000	-	-	-	90,000
Safety - updated bell system	100,000	-	-	-	100,000
Safety - intercom and security	93,683	-	-	-	93,683
Bus purchase	500,000	-	-	-	500,000
Vehicle fleet	130,000	-	-	-	130,000
Future textbook adoption	65,000	-	-	-	65,000
STRS/PERS increases	145,000	-	-	-	145,000
Technology	85,000	-	-	-	85,000
Agricultural education	-	3,907,100	-	-	3,907,100
Educational programs	767,410	-	-	-	767,410
Unassigned:					
Economic uncertainties	1,613,361	-	-	-	1,613,361
Total Fund Balances	3,996,059	3,907,100	1,541,012	935,689	10,379,860
Total Liabilities and Fund Balances	\$ 4,724,841	\$ 3,921,032	\$ 2,644,136	\$ 1,087,111	\$ 12,377,120

The notes to financial statements are an integral part of this statement.

**CORNING UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total fund balances - governmental funds	\$	10,379,860
<p>Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$28,060,331 and the accumulated depreciation is \$12,711,296.</p>		
		15,349,035
<p>To recognize accrued interest at year end which is not reported in the governmental funds</p>		
		(90,763)
<p>Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements.</p>		
		3,606,845
<p>The differences from pension plan assumptions in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position.</p>		
		(1,426,182)
<p>Deferred outflows of resources include amounts that will not be included in the calculation of the District's net OPEB liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements.</p>		
		10,521
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:</p>		
General obligation bonds	\$	5,520,000
Capital leases		110,223
Note payable		2,403,348
Long-term line of credit		316,521
Unamortized bond premiums		262,083
Net pension liabilities		12,031,943
Total OPEB liability		1,913,548
Compensated absences (vacation)		38,173
		(22,595,839)
Total net position - governmental activities	\$	5,233,477

The notes to financial statements are an integral part of this statement.

**CORNING UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General Fund	Foundation Special Revenue Fund	Building Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	\$ 11,160,516	\$ -	\$ -	\$ 50,000	\$ 11,210,516
Federal	984,399	-	-	578,246	1,562,645
Other state	1,591,278	9,624	-	215,210	1,816,112
Other local	1,023,802	204,285	32,697	613,045	1,873,829
Total revenues	14,759,995	213,909	32,697	1,456,501	16,463,102
Expenditures:					
Instruction	7,147,807	11,454	-	76,395	7,235,656
Instruction-related services:					
Supervision of instruction	334,024	-	-	-	334,024
Instruction library, media and technology	110,086	-	-	-	110,086
School site administration	494,623	10,998	-	86,923	592,544
Pupil services:					
Home-to-school transportation	573,697	-	-	-	573,697
Food services	-	-	-	736,024	736,024
All other pupil services	1,023,382	-	-	11,718	1,035,100
General administration:					
All other general administration	1,159,630	-	-	17,678	1,177,308
Plant services	1,443,409	54,639	-	25,815	1,523,863
Facility acquisition and construction	60,509	5,119	1,176,732	72,031	1,314,391
Ancillary services	430,429	-	-	-	430,429
Community services	-	47,000	-	-	47,000
Transfers to other agencies	92,139	-	-	-	92,139
Debt service:					
Principal	258,559	-	-	180,000	438,559
Interest and fees	11,827	-	189,101	145,645	346,573
Total expenditures	13,140,121	129,210	1,365,833	1,352,229	15,987,393
Excess (deficiency) of revenues over (under) expenditures	1,619,874	84,699	(1,333,136)	104,272	475,709
Other financing sources (uses):					
Proceeds from bond issuance	-	-	2,700,000	-	2,700,000
Premium from bond issuance	-	-	-	147,048	147,048
Transfers in	-	-	49,728	17,039	66,767
Transfers out	(17,039)	-	-	(49,728)	(66,767)
Total other financing sources (uses)	(17,039)	-	2,749,728	114,359	2,847,048
Net change in fund balances	1,602,835	84,699	1,416,592	218,631	3,322,757
Fund balances beginning	2,319,937	3,822,401	124,420	717,058	6,983,816
Restatement of fund balance	73,287	-	-	-	73,287
Fund balance beginning as restated	2,393,224	3,822,401	124,420	717,058	7,057,103
Fund balances ending	\$ 3,996,059	\$ 3,907,100	\$ 1,541,012	\$ 935,689	\$ 10,379,860

The notes to financial statements are an integral part of this statement.

**CORNING UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Total net change in fund balances - governmental funds \$ 3,322,757

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital assets additions	1,465,384	
Depreciation expense	<u>(753,074)</u>	712,310

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Proceeds from bond issuance	(2,700,000)	
Premium from bond issuance	(147,048)	
Payment of early retirement incentives	90,000	
Payment on line of credit	43,381	
Repayment of note payable	114,841	
Payment on capital leases	100,337	
Repayment of bond principal	<u>180,000</u>	(2,318,489)

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. (322,649)

Revenues that were reported in the government-wide statement of activities in prior years have become current financial resources in the current year and have been reported in the governmental fund statement of revenues, expenditures and changes in fund balances. (54,269)

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. The difference between premiums or discounts recognized in the current period and amortized over future periods is: 4,108

In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used by: 11,025

In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. (97,969)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized 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. (38,282)

Changes in net position of governmental activities \$ 1,218,542

The notes to financial statements are an integral part of this statement.

**CORNING UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

	Foundation Private- Purpose Trust Fund	Student Body Agency Fund	Total
Assets			
Cash on hand and in banks	\$ 40,128	\$ 190,817	\$ 230,945
Cash in county treasury	1,838	-	1,838
Investments	291,146	-	291,146
Total Assets	<u>\$ 333,112</u>	<u>\$ 190,817</u>	<u>\$ 523,929</u>
Liabilities			
Accounts payable	\$ 90	\$ -	\$ 90
Due to student groups	-	190,817	190,817
Total Liabilities	<u>\$ 90</u>	<u>\$ 190,817</u>	<u>\$ 190,907</u>
Net Position			
Restricted - held in trust for scholarships	<u>\$ 333,022</u>	<u>\$ -</u>	<u>\$ 333,022</u>
Total Net Position	<u>\$ 333,022</u>	<u>\$ -</u>	<u>\$ 333,022</u>

The notes to financial statements are an integral part of this statement.

**CORNING UNION HIGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Foundation Private-Purpose Trust Fund
Additions	
Investment earnings	\$ 18,309
Deductions	
Financial assistance to students	14,500
Changes in net position	3,809
Net position beginning	329,213
Net position ending	\$ 333,022

The notes to financial statements are an integral part of this statement.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The Corning Union High School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the district conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District’s combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit’s reporting entity for general purpose financial reports is the ability of the governmental unit’s elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit’s power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2019, the District is financially accountable for the Corning Union High School Master Endowment Trust (the Trust) and has included the Trust’s financial information in the Foundation Special Revenue Fund as a blended component unit. The Trust is a tax-exempt corporation under Internal Revenue Code, Section 501(c)(3) and was formed to manage the bequest of Rodgers Ranch to the District. The purpose of the Trust is to maintain Rodgers Ranch, promote agriculture education at the District, and to provide scholarships to District students. The scholarship portion of the Trust is reported as a private-purpose trust fund, and the remaining portion of the Trust is reported as the Foundation Special Revenue Fund in the District’s financial statements. Individually prepared financial statements are not available for the Trust. The District does not have any other component units and is not a component unit of any other reporting entity.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include the reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as 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 of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus except for agency funds, which have no measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 the resources will be collected within the current fiscal year or are

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district as collectible within one year.

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

Deferred Outflows/Deferred Inflows:

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred outflow of resources related to the recognition of the net pension liability and net OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the District's benefit plans liability reported which is in the Statement of Net Position.

Unearned Revenue:

Unearned revenue arises when assets, such as cash, are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements, such as qualified expenditures, are met are recorded as liabilities from unearned revenue.

Unavailable Revenue:

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However,

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

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

The *Building Fund* is used to account for proceeds from the sale of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Foundation Special Revenue Fund* is used to account for resources received from gifts or bequests pursuant to California Education Code, Section 41031, under which both earnings and principal may be used for purposes that support the District's own programs.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains the following non-major special revenue funds:

- The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.
- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.
- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following non-major capital projects funds:

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- The *County School Facilities Fund* was established to receive apportionments from the State Schools Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects and facility hardship grants.
- The *Special Reserve Fund for Capital Projects* exists primarily to account for resources accumulated for capital outlay.

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

- The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the funding of general obligation bonds issued by the District.

Fiduciary Funds:

Fiduciary Fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The District maintains the following fiduciary funds:

- *Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.
- *Private-Purpose Trust Funds* are used to account for assets held by the District as trustee pursuant to formal agreements with donors and under which neither principal nor income may be used for purposes that support the District's own programs. The Foundation Private-Purpose Trust Fund is used to account separately for gifts or bequests that provide scholarships to students of the District.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and major special revenue funds are presented as Required Supplementary Information.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated on June 30.

H. Benefit Plans

Pensions:

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan's actuarial reports.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

I. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All district-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Stores Inventories and Prepaid Expenditures

Inventories

Inventories consist of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventories are valued on the average cost method for purchased supplies and materials. Donated commodities inventory is valued at its fair value at the time of donation. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Prepays

The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$25,000 or more and an estimated useful life in excess of one year, except for buildings and improvements for which a higher capitalization threshold of \$50,000 or more is used. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
School buildings	10-50
Portable buildings	25
Site improvements	20
Vehicles	8-20
Equipment	5-20

5. Compensated Absences

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

6. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs if related to prepaid insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs, not related to prepaid insurance costs, are expensed in the period incurred.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources or uses.

7. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 3 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts such as this District are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- *Non-spendable* fund balance includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balance includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the District's Board of Trustees or a designee of the District's Board of Trustees.
- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

8. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition,

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. As of June 30, 2019, capital assets net of accumulated depreciation totaling \$15,349,035 was increased by unspent bond proceeds of \$1,541,012 and reduced by related debt of \$8,033,571, which excluded premiums attributed to cash reserves for debt service of \$262,083.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Charter School Programs restrictions reflect the cash balances in the charter schools fund that are restricted to the charter school programs.

Debt Service restrictions reflect the cash balances in the debt service funds of \$473,737 that are restricted for debt service payments by debt covenants.

Educational Programs restrictions reflect the amounts to be expended for federal and state funded educational programs.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

9. Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K-12 funding streams, including revenue limits general purpose block grants, and most of the 50-plus state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

10. Risk Management

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

11. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are eliminated as part of the reconciliation to the government-wide financial statements.

12. Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated and reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

13. Accounting Estimates

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

14. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

J. Implemented New Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. As of June 30, 2019, this Statement did not have an impact on the District's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. As of June 30, 2019, this Statement did not have an impact on the District's financial statements, other than the existing balance on the direct borrowings from a line of credit described in Note 6.

K. Upcoming Accounting and Reporting Changes

GASB Statement No. 84, *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District is in the process of determining the impact this Statement will have on the financial statements.

GASB issued Statement No. 87, *Leases*

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The

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District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 90, Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District doesn't believe this statement will have a significant impact on the District's financial statements.

GASB Statement No. 91, Conduit Debt Obligations

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2020. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 2 - CASH AND INVESTMENTS

Summary of Deposits

A summary of deposits as of June 30, 2019, is as follows:

Description	Carrying Amount	Fair Value
Government-Wide Statements:		
Cash on hand and in banks	\$ 154,099	\$ 154,099
Cash in revolving fund	1,500	1,500
Cash with County	7,394,569	7,442,567
Total Cash Deposits	7,550,168	7,598,166
Investments:		
Endowment Trust Fund	3,797,709	3,797,709
Total Investments	3,797,709	3,797,709
Total Cash and Investments	\$ 11,347,877	\$ 11,395,875
Fiduciary Funds:		
Cash on hand and in banks	\$ 230,945	\$ 230,945
Investments	291,146	293,146
Total Cash and Investments	\$ 522,091	\$ 524,091

Cash in banks and revolving funds

As of June 30, 2019, the bank balances of the District's accounts totaled \$539,858, which was fully insured by FDIC. FDIC covers up to \$250,000 per issuer, per bank.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2019:

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

**CORNING UNION HIGH SCHOOL DISTRICT
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Cash 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.

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.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

1. 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 manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Tehama County Investment Pool with a fair value of approximately \$160.69 million and an amortized book value of \$159.66 million.

2. Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Tehama County Investment Pool is governed by the County's general investment policy. The investment with the Tehama County Investment Pool is rated at least BBB+ by Standards & Poor's Investor Service.

3. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a 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 agencies. 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.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

4. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2019:

Receivables	General Fund	Nonmajor Funds	Total
Federal Government	\$ 197,895	\$ 119,003	\$ 316,898
State Government	250,439	27,731	278,170
Other resources	289,293	16,276	305,569
Totals	\$ 737,627	\$ 163,010	\$ 900,637

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

As of June 30, 2019, interfund receivables and payables were as follows:

Fund	Due From	Due To
General Fund	143,775	17,040
Adult Education Fund	16,379	59,109
Cafeteria Fund	-	71,318
Foundation Fund	-	12,687
Totals	\$ 160,154	\$ 160,154

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. Interfund transfers for fiscal year 2018-2019 were as follows:

Fund	Transfers In	Transfers Out
Adult Education Fund	17,039	-
Building Fund	49,728	-
General Fund	-	17,039
Bond Interest and Redemption Fund	-	49,728
Totals	\$ 66,767	\$ 66,767

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, is shown below:

Capital Assets	Balance	Additions	Adjustments &	Balance
	July 01, 2018		Deletions	June 30, 2019
Land - not depreciable	\$ 357,500	\$ -	\$ -	\$ 357,500
Construction in progress - not depreciable	766,102	1,155,055	-	1,921,157
Buildings	18,035,282	257,131	-	18,292,413
Site improvements	5,433,108	20,997	-	5,454,105
Vehicles and equipment	2,002,955	32,201	-	2,035,156
Total capital assets	26,594,947	1,465,384	-	28,060,331
Less accumulated depreciation for:				
Buildings	9,811,275	395,484	-	10,206,759
Site improvements	1,163,836	254,806	-	1,418,642
Vehicles and equipment	983,111	102,784	-	1,085,895
Total accumulated depreciation	11,958,222	753,074	-	12,711,296
Total capital assets - net depreciation	\$ 14,636,725	\$ 712,310	\$ -	\$ 15,349,035

NOTE 6 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2019, is shown below:

Description	Balance	Additions	Deletions	Balance	Due Within
	July 01, 2018			June 30, 2019	One Year
General obligation bonds	\$ 3,000,000	\$ 2,700,000	\$ 180,000	\$ 5,520,000	\$ 185,000
Bond premiums	119,143	147,048	4,108	262,083	4,108
Capital leases	210,560	-	100,337	110,223	19,816
Direct borrowing - note payable	2,518,189	-	114,841	2,403,348	124,649
Direct borrowing - line of credit	359,902	-	43,381	316,521	-
Early retirement incentives	90,000	-	90,000	-	-
Net pension liabilities	11,518,818	4,332,308	3,819,183	12,031,943	-
Total OPEB liability	1,759,145	265,916	111,513	1,913,548	-
Compensated absences	49,198	-	11,025	38,173	-
Total Long-term Liabilities	\$ 19,624,955	\$ 7,445,272	\$ 4,474,388	\$ 22,595,839	\$ 333,573

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local revenues. Capital leases, note payable, and the line of credit are paid out of the General Fund. The retirement incentives, compensated absences, net pension liabilities and other postemployment benefits will be paid by the fund for which the employee worked.

NOTE 7 - GENERAL OBLIGATION BONDS

In November 2016, the District received authorization through Measure K to issue \$8,300,000 of bonds. The bonds are general obligation bonds of the District, and the County is obligated to annually levy ad valorem taxes for the payment of interest on, and the principal of, the bonds. Bond proceeds are to be used to improve the quality of education by repairing and replacing leaky roofs; making health, safety,

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and security improvements; updating inadequate electrical and technology infrastructure; modernizing and renovating outdated classrooms, restrooms, and school facilities; and replacing temporary portables with permanent classrooms.

On November of 2018, the District issued \$2,700,000 of 2018 Series B General Obligation Bonds, under the Measure K authorization, to finance the acquisition, construction, furnishing and equipping of District facilities. The bonds were issued with \$142,085 in premiums, and issuance costs of \$199,728. The bonds bear fixed interest rates ranging between 3.1% and 4.0% with annual maturities from August 1, 2019 through August 1, 2048.

The outstanding General Obligation Bond debt of the District as of June 30, 2019, is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 01, 2018	Issued	Redeemed	Outstanding June 30, 2019
2017	2046	2-5%	\$ 3,000,000	\$ 3,000,000	\$ -	\$ 180,000	\$ 2,820,000
2018	2048	3.1-4%	2,700,000	-	2,700,000	-	2,700,000
Subtotal			5,700,000	3,000,000	2,700,000	180,000	5,520,000
Bond Premiums			-	119,143	147,048	4,108	262,083
Total General Obligation Bonds				\$ 3,119,143	\$ 2,847,048	\$ 184,108	\$ 5,782,083

The annual requirements to amortize General Obligation Bonds outstanding as of June 30, 2019, are as follows:

For the Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 185,000	\$ 215,640	\$ 400,640
2021	95,000	229,475	324,475
2022	105,000	225,525	330,525
2023	10,000	223,300	233,300
2024	15,000	222,925	237,925
2025-2029	205,000	1,100,675	1,305,675
2030-2034	505,000	1,043,722	1,548,722
2035-2039	930,000	917,815	1,847,815
2040-2044	1,485,000	684,813	2,169,813
2045-2049	1,985,000	252,744	2,237,744
Total Debt Service	\$ 5,520,000	\$ 5,116,634	\$ 10,636,634

NOTE 8 – CAPITAL LEASES

The District leases equipment under agreements which provide for title to pass upon expiration of the lease period. The cost of the equipment is included in vehicles and equipment on the statement of net position as depreciated capital assets and was \$700,221 at June 30, 2019. Accumulated depreciation of the leased equipment at June 30, 2019, was \$254,117. Depreciation of the assets under capital leases is included in depreciation expense and amounted to \$50,769 for the year ended June 30, 2019. The amount of interest cost incurred during the year ended June 30, 2019, was \$4,706, all of which was charged to expenses.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Future minimum lease payments are as follows:

For the Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 19,816	\$ 5,959	\$ 25,775
2021	83,848	2,801	86,649
2022	6,559	456	7,015
Total	<u>\$ 110,223</u>	<u>\$ 9,216</u>	<u>\$ 119,439</u>

NOTE 9 – NOTE PAYABLE

In November 2013, the District was selected to receive a loan under the provisions of California Education Code, Section 17456, totaling \$2,864,000 to be used toward solar panel construction. The loan bears interest at 1.5%. As of June 30, 2019, the principal balance outstanding was \$2,403,348. The amount of interest cost incurred during the year ended June 30, 2019, was \$37,159, all of which was charged to expenses.

Future minimum debt service payments on the note are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 124,649	\$ 35,351	\$ 160,000
2021	126,529	33,471	160,000
2022	148,475	31,525	180,000
2023	170,903	29,097	200,000
2024	173,481	26,519	200,000
2025-2029	1,079,030	87,140	1,166,170
2030-2034	580,281	12,035	592,316
Total	<u>\$ 2,403,348</u>	<u>\$ 255,138</u>	<u>\$ 2,658,486</u>

NOTE 10 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

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

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

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 11 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing, multi-employer defined benefit pension plans maintained by agencies of the State of California. Classified employees are members of the California Public Employees' Retirement System (CalPERS), and certificated employees are members of the California State Teachers' Retirement System (CalSTRS).

For the fiscal year ended June 30, 2019, the District reported net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for CalPERS and CalSTRS as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERS	\$ 4,679,383	\$ 1,307,675	\$ 48,981	\$ 890,059
STRS	7,352,560	2,299,170	1,377,201	758,687
Total	\$ 12,031,943	\$ 3,606,845	\$ 1,426,182	\$ 1,648,746

California Public Employees Retirement System (CalPERS/PERS) Pension Plan

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's CalPERS Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.000%	7.000%
Required employer contribution rates	18.062%	18.062%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For fiscal year ending June 30, 2019, the State enacted Senate Bill No. 90 which appropriated funding to the Public Employees' Retirement Fund on behalf of the District.

For the year ended June 30, 2019, the District's contributions were as follows:

	CalPERS
Employer Contributions	\$ 449,092
State Contributions	158,652
Total	\$ 607,744

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to PERS

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	\$ 4,679,383

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**CORNING UNION HIGH SCHOOL DISTRICT
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The District's proportionate share of the net pension liability for the Plan as of measurement dates, June 30, 2018 and 2019, was as follows:

	CalPERS
Proportion - June 30, 2018	0.01726%
Proportion - June 30, 2019	0.01755%
Change - Increase/(Decrease)	0.00029%

For the year ended June 30, 2019, the District recognized pension expense of \$890,059 for the Plan.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 467,216	\$ -
Differences between Expected and Actual Experience	306,763	-
Differences between Projected and Actual Investment Earnings	38,381	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	3,057
Change in Employer's Proportion	46,223	45,924
Pension Contributions Made Subsequent to Measurement Date	449,092	-
Total	\$ 1,307,675	\$ 48,981

The District reported \$449,092 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Deferred Outflows/ (Inflows) of Resources
Fiscal Year Ending June 30:	CalPERS
2020	\$ 452,857
2021	376,961
2022	7,404
2023	(27,620)
Total	\$ 809,602

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	(3)

- (1) Varies by age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2018 based on June 30, 2017 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

In the December 2016 and April 2017 meetings, the Board voted to lower the funding discount rates used for the PERF. In making its decision, the Board reviewed recommendations from CalPERS team members, external pension and investment consultants, and input from employer and employee stakeholder groups. A lowered funding discount rate for the PERF will be phased in over a three-year period beginning July 1, 2018 for public agencies and school districts.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset Class (a)</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+ (c)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

- (a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>CalPERS</u>
1% Decrease	6.15%
Net Pension Liability	\$ 6,812,957
Current	7.15%
Net Pension Liability	\$ 4,679,383
1% Increase	8.15%
Net Pension Liability	\$ 2,909,277

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

California State Teachers' Retirement System (STRS) Pension Plan

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law.

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	16.280%	16.280%
Required State contribution rates	9.828%	9.828%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2019 the District's contributions were as follows:

	CalSTRS
Employer Contributions	\$ 762,122
State Contributions	693,799
Total	\$ 1,455,921

**CORNING UNION HIGH SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to STRS

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	\$ 7,352,560
State	4,209,708
Total	\$ 11,562,268

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 9.124 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year plus an additional \$292,157 as required by SB90. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District's proportionate share of the net pension liability for the Plan as of measurement dates, June 30, 2018 and 2019, was as follows:

	CalSTRS
Proportion - June 30, 2018	0.00800%
Proportion - June 30, 2019	0.00800%
Change - Increase/(Decrease)	<u>0.00000%</u>

For the year ended June 30, 2019, the District recognized pension expense of \$758,687 for the Plan.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalSTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 1,142,240	\$ -
Differences between Expected and Actual Experience	22,800	106,800
Differences between Projected and Actual Investment Earnings	-	283,120
Differences between Employer's Contributions and Proportionate Share of Contributions	59,892	18,892
Change in Employer's Proportion	312,116	968,389
Pension Contributions Made Subsequent to Measurement Date	762,122	-
Total	\$ 2,299,170	\$ 1,377,201

The District reported \$762,122 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Deferred Outflows/ (Inflows) of Resources
Ending June 30:	CalSTRS
2020	\$ 159,167
2021	53,087
2022	(139,873)
2023	(50,325)
2024	133,574
Thereafter	4,215
Total	\$ 159,845

**CORNING UNION HIGH SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Actuarial Assumptions - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method

Actuarial Assumptions:

Discount Rate	7.10%
Inflation	2.75%
Wage Growth	3.50%
Postretirement Benefit Increases	(1)
Investment Rate of Return	7.10% (2)
Mortality	(3)

(1) 2% simple for DB (annually)

Maintain 85% purchasing power level for DB
 Not applicable for DBS/CBB

(2) Net of investment expense but gross of administrative expenses.

(3) Based on 110% of the MP-2016 Ultimate Projection Scale table issued by the Society of Actuaries.

Discount Rate - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**CORNING UNION HIGH SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return ⁽¹⁾
Global Equity	47.00%	6.30%
Fixed Income	12.00%	30.00%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%
Total	<u>100.00%</u>	

⁽¹⁾ 20 year average

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

- The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>CalSTRS</u>
1% Decrease	6.10%
Net Pension Liability	\$ 10,770,640
Current	7.10%
Net Pension Liability	\$ 7,352,560
1% Increase	8.10%
Net Pension Liability	\$ 4,518,640

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

**CORNING UNION HIGH SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 - POSTEMPLOYMENT HEALTHCARE PLAN (OPEB)

Plan Description and Benefits - The District currently provides retiree medical, dental, and vision benefits. The Plan is a single-employer defined benefit healthcare plan administered by the District. These benefits are offered as a package through California's Valued Trust (CVT). Certificated, Administrative, and Unrepresented Classified employees may retire with District-paid health benefits after the later of age 55 and completion of at least 10 years of District service, until age 65. Medical, dental and vision coverage, including spousal and dependent coverage, is payable up to the premium in effect in the year of the employee's retirement, subject to the District cap on benefits. Classified employees covered by the CTA-ESP bargaining agreement are eligible for the same benefits as described above for other groups. All CTA-ESP employees are eligible for District-paid retiree health benefits, regardless of hire date.

Employees Covered by Benefit Terms - At June 30, 2017 (the valuation date), the benefit terms covered the following employees:

Active employees	96
Inactive employees	8
Total employees	104

Contributions - The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions to the OPEB plan during the year were \$85,646. Total benefit payments included in the measurement period were \$109,400. The actuarially determined contribution for the measurement period was \$281,905. The District's contributions were 3.6% of covered employee payroll during the measurement period June 30, 2019 (reporting period June 30, 2019). Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan as of measurement date June 30, 2018.

Actuarial Assumptions - The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry-Age, Level % of Pay
Amortization Period:	6.7 years
Actuarial Assumptions:	
Discount Rate	3.13%
Inflation	3.00%
Salary Increases	3.00%
Healthcare Trend Rate	5.00%
Mortality	Pre-retirement: RP-2014 Employee Mortality Table Post-retirement: RP-2014 Health Annuitant Mortality
Retirement	Based on recent District retirement patterns

Discount Rate - The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Changes in the Total OPEB Liability - The following summarizes the changes in the total OPEB liability during the year ended June 30, 2019:

Fiscal Year Ended June 30, 2019 (Measurement Date June 30, 2017)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30,2018	\$ 1,759,145	\$ -	\$ 1,759,145
Service cost	147,152	-	147,152
Interest in Total OPEB Liability	61,734	-	61,734
Balance of changes in assumptions	57,030	-	57,030
Benefit payments	(88,646)	-	(88,646)
Implicit subsidy fulfilled	(22,867)	-	(22,867)
Net changes	154,403	-	154,403
Balance at June 30, 2019	\$ 1,913,548	\$ -	\$ 1,913,548

Covered Employee Payroll	\$ 7,211,365
Total OPEB Liability as a % of Covered Employee Payroll	26.54%
Plan Fid. Net Position as a % of Total OPEB Liability	0.00%
Service Cost as a % of Covered Employee Payroll	2.04%
Net OPEB Liability as a % of Covered Employee Payroll	26.54%

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Deferred Inflows and Outflows of Resources - At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ 10,521	\$ -
Totals	\$ 10,521	\$ -

amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	\$ 596
2021	596
2022	596
2023	594
2024	2,179
Thereafter	5,960
Total	\$ 10,521

**CORNING UNION HIGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

OPEB Expense - The following summarizes the OPEB expense by source during the year ended June 30, 2019, for measurement date of June 30, 2019:

Service cost	\$ 147,152
Interest in TOL	61,734
Change in assumptions	596
OPEB Expense	<u>\$ 209,482</u>

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2019, for the measurement date of June 30, 2019:

Total OPEB liability ending	\$ 1,913,548
Total OPEB liability beginning	<u>(1,759,145)</u>
Change in total OPEB liability	154,403
Changes in deferred outflows	(48,518)
Changes in deferred inflows	(7,916)
Employer contributions and implicit subsidy	<u>111,513</u>
OPEB Expense	<u>\$ 209,482</u>

Sensitivity to Changes in the Municipal Bond Rate - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a municipal bond rate (used to determine the discount rate) that is one percentage point lower or one percentage point higher, is as follows:

	Municipal Bond Rate		
	(1% Decrease)	3.13%	(1% Increase)
Total OPEB Liability	\$ 2,038,322	\$ 1,913,548	\$ 1,802,050

Sensitivity to Changes in the Healthcare Cost Trend Rates - The total OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	5.00%	(1% Increase)
Total OPEB Liability	\$ 1,755,938	\$ 1,913,548	\$ 2,101,051

REQUIRED
SUPPLEMENTARY
INFORMATION

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
LCFF sources	\$ 10,559,771	\$ 10,929,175	\$ 11,160,516	\$ 231,341
Federal	797,049	1,002,752	984,399	(18,353)
Other state	932,870	1,565,561	1,591,278	25,717
Other local	803,912	909,084	1,023,802	114,718
Total revenues	13,093,602	14,406,572	14,759,995	353,423
Expenditures:				
Certificated salaries	4,413,979	4,796,697	4,787,620	9,077
Classified salaries	2,282,588	2,468,245	2,468,245	-
Employee benefits	3,066,284	3,758,195	3,740,975	17,220
Books and supplies	712,798	735,468	602,752	132,716
Services and other operating expenditures	1,050,267	1,072,948	1,065,756	7,192
Capital outlay	113,787	129,465	129,465	-
Other outgo	296,748	359,365	345,308	14,057
Total expenditures	11,936,451	13,320,383	13,140,121	180,262
Excess (deficiency) of revenues over (under) expenditures	1,157,151	1,086,189	1,619,874	533,685
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(17,039)	(17,039)
Total other financing sources (uses)	-	-	(17,039)	(17,039)
Net change in fund balance	1,157,151	1,086,189	1,602,835	516,646
Fund balances beginning	2,319,937	2,319,937	2,319,937	-
Restatement to fund balance	73,287	73,287	73,287	-
Fund balance beginning as restated	2,393,224	2,393,224	2,393,224	
Fund balances ending	\$ 3,550,375	\$ 3,479,413	\$ 3,996,059	\$ 516,646

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (GAAP)
FOUNDATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basis)</u>	
Revenues:				
Other state	\$ 7,500	\$ 10,559	\$ 9,624	\$ (935)
Other local	195,675	237,222	204,285	(32,937)
Total revenues	<u>203,175</u>	<u>247,781</u>	<u>213,909</u>	<u>(33,872)</u>
Expenditures:				
Certificated salaries	6,800	6,800	6,500	300
Classified salaries	26,930	20,977	20,617	360
Employee benefits	16,187	13,728	13,728	-
Books and supplies	12,000	13,485	10,631	2,854
Services and other operating expenditures	36,187	77,734	77,734	-
Total expenditures	<u>98,104</u>	<u>132,724</u>	<u>129,210</u>	<u>3,514</u>
Excess (deficiency) of revenues over (under) expenditures	<u>105,071</u>	<u>115,057</u>	<u>84,699</u>	<u>(30,358)</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	105,071	115,057	84,699	(30,358)
Fund balances beginning	<u>3,822,401</u>	<u>3,822,401</u>	<u>3,822,401</u>	<u>-</u>
Fund balances ending	<u>\$ 3,927,472</u>	<u>\$ 3,937,458</u>	<u>\$ 3,907,100</u>	<u>\$ (30,358)</u>

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the Foundation Special Revenue Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CALPERS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CalPERS	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 241,786	\$ 244,153	\$ 305,470	\$ 361,758	\$ 449,092
Contributions in Relation to Contractually Required Contributions	241,786	244,153	305,470	361,758	449,092
Contribution Deficiency (Excess)	\$ -				
Covered Payroll	\$ 2,054,082	\$ 2,060,885	\$ 2,199,525	\$ 2,329,264	\$ 2,486,391
Contributions as a % of Covered Payroll	11.77%	11.85%	13.89%	15.53%	18.06%

Notes to Schedule:

Valuation Date: June 30, 2017
Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
4 Years Remaining Amortization Period
Inflation Assumed at 2.5%
Investment Rate of Returns set at 7.15%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.

The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.

The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

This schedule provides information about the District's required and actual contributions to CalPERS during the year.

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CALPERS PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CalPERS	2015	2016	2017	2018	2019
District's Proportion of Net Pension Liability	0.01770%	0.01850%	0.01720%	0.01726%	0.01755%
District's Proportionate Share of Net Pension Liability	\$ 2,009,381	\$ 2,726,918	\$ 3,397,011	\$ 4,120,418	\$ 4,679,383
District's Covered Payroll	\$ 1,857,752	\$ 2,054,082	\$ 2,060,885	\$ 2,199,525	\$ 2,329,264
District's Proportionate Share of NPL as a % of Covered Payroll	108.16%	132.76%	164.83%	187.33%	200.90%
Plan's Fiduciary Net Position as a % of the TPL	83.38%	79.43%	73.90%	71.87%	70.85%

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016 and then decreased from 7.65% to 7.15% in the District's fiscal year 2018.

The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019.

The CalPERS mortality assumptions was adjusted in the District's fiscal year 2019.

This schedule presents information on the District's portion of the net pension liability of CalPERS in compliance with GASB 68.

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CALSTRS PENSION PLAN CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CalSTRS	2015	2016	2017	2018	2019
Contractually Required Contributions	\$ 385,295	\$ 465,557	\$ 571,116	\$ 650,464	\$ 762,122
Contributions in Relation to Contractually Required Contributions	385,295	465,557	571,116	650,464	762,122
Contribution Deficiency (Excess)	\$ -				
Covered Payroll	\$ 4,338,908	\$ 4,338,835	\$ 4,539,873	\$ 4,507,720	\$ 4,681,339
Contributions as a % of Covered Payroll	8.88%	10.73%	12.58%	14.43%	16.28%

Notes to Schedule:

Valuation Date: June 30, 2017

Assumptions Used: Entry Age Method used for Actuarial Cost Method

Level Percentage of Payroll Basis

7 Years Remaining Amortization Period

Inflation Assumed at 2.75%

Investment Rate of Returns set at 7.10%

Mortality tables are based on 110% of the MP-2016 Ultimate Projection Scale table issued by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.

The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.

The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.

The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule provides information about the District's required and actual contributions to CalSTRS during the year.

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CALSTRS PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CalSTRS	2015	2016	2017	2018	2019
District's Proportion of Net Pension Liability	0.00900%	0.01000%	0.00900%	0.00800%	0.00800%
District's Proportionate Share of Net Pension Liability	\$ 5,259,330	\$ 6,732,400	\$ 7,279,290	\$ 7,398,400	\$ 7,352,560
State's Proportionate Share of Net Pension Liability					
Associated with the District	3,175,794	3,560,699	4,143,954	4,376,819	4,209,708
Total	<u>\$ 8,435,124</u>	<u>\$ 10,293,099</u>	<u>\$ 11,423,244</u>	<u>\$ 11,775,219</u>	<u>\$ 11,562,268</u>
District's Covered Payroll	\$ 4,093,842	\$ 4,338,908	\$ 4,338,835	\$ 4,539,873	\$ 4,507,720
District's Proportionate Share of NPL as a % of Covered Payroll	128.47%	155.16%	167.77%	162.96%	163.11%
Plan's Fiduciary Net Position as a % of the TPL	76.52%	74.02%	70.04%	69.46%	70.99%

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.
The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule presents information on the District's portion of the net pension liability of CalSTRS in compliance with GASB 68.

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF TOTAL OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Fiscal Year Ended	2018	2019
Total OPEB liability		
Service cost	\$ 152,452	\$ 147,152
Interest	52,070	61,734
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(53,829)	57,030
Benefit payments	(86,343)	(88,646)
Implicit subsidy fulfilled	(23,057)	(22,867)
Net change in Total OPEB Liability	41,293	154,403
Total OPEB Liability - beginning	1,717,852	1,759,145
Total OPEB Liability - ending	<u>\$ 1,759,145</u>	<u>\$ 1,913,548</u>
 Plan fiduciary net position		
Employer contributions	\$ -	\$ -
Employer implicit subsidy	-	-
Employee contributions	-	-
Net investment income	-	-
Difference between estimated and actual earnings	-	-
Benefit payments	-	-
Implicit subsidy fulfilled	-	-
Other	-	-
Administrative expense	-	-
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>\$ -</u>
 Net OPEB liability (asset)	 \$ 1,759,145	 1,913,548
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%	 0.00%
 Covered Employee Payroll	 \$ 6,504,047	 \$ 7,211,365
 Net OPEB liability as a percentage of covered employee payroll	 27.05%	 26.54%
 Total OPEB liability as a percentage of covered employee payroll	 27.05%	 26.54%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

There were not changes in benefit terms.

There were no changes in discount rates, trend rates or assumptions.

SUPPLEMENTARY
INFORMATION

**CORNING UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Special Revenue Funds			Capital Projects Funds	Debt Service Funds	Total Nonmajor Funds
	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	
Assets						
Cash and investments	\$ 806	\$ 540	\$ 105,402	\$ 320,508	\$ 473,737	\$ 900,993
Accounts receivable	46,540	106,739	-	9,731	-	163,010
Due from other funds	16,379	-	-	-	-	16,379
Prepaid	-	6,729	-	-	-	6,729
Total Assets	<u>\$ 63,725</u>	<u>\$ 114,008</u>	<u>\$ 105,402</u>	<u>\$ 330,239</u>	<u>\$ 473,737</u>	<u>\$ 1,087,111</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 4,616	\$ 16,379	\$ -	\$ -	\$ -	\$ 20,995
Due to other funds	59,109	71,318	-	-	-	130,427
Total Liabilities	<u>63,725</u>	<u>87,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,422</u>
Fund balances:						
Nonspendable revolving funds	-	500	-	-	-	500
Nonspendable prepaid expenditures	-	6,729	-	-	-	6,729
Restricted debt service	-	-	-	-	473,737	473,737
Restricted for cafeteria programs	-	19,082	-	-	-	19,082
Restricted for capital projects	-	-	-	330,239	-	330,239
Assigned for site repairs	-	-	105,402	-	-	105,402
Total Fund Balances	<u>-</u>	<u>26,311</u>	<u>105,402</u>	<u>330,239</u>	<u>473,737</u>	<u>935,689</u>
Total Liabilities and Fund Balances	<u>\$ 63,725</u>	<u>\$ 114,008</u>	<u>\$ 105,402</u>	<u>\$ 330,239</u>	<u>\$ 473,737</u>	<u>\$ 1,087,111</u>

**CORNING UNION HIGH SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds			Capital Projects Funds	Debt Service Funds	Total Nonmajor Funds
	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	
Revenues:						
LCFF Sources	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ 50,000
Federal	21,734	556,512	-	-	-	578,246
Other state	128,733	80,384	-	-	6,093	215,210
Other local	(187)	123,800	1,761	66,963	420,708	613,045
Total revenues	<u>150,280</u>	<u>760,696</u>	<u>51,761</u>	<u>66,963</u>	<u>426,801</u>	<u>1,456,501</u>
Expenditures:						
Instruction	76,395	-	-	-	-	76,395
Instruction-related services:						
School site administration	86,923	-	-	-	-	86,923
Pupil services:						
Food services	-	736,024	-	-	-	736,024
All other pupil services	11,718	-	-	-	-	11,718
General administration:						
All other general administration	-	17,218	-	460	-	17,678
Plant services	-	4,236	21,579	-	-	25,815
Facility acquisition and construction	-	-	72,031	-	-	72,031
Debt service:						
Principal	-	-	-	-	180,000	180,000
Interest	-	-	-	-	145,645	145,645
Total expenditures	<u>175,036</u>	<u>757,478</u>	<u>93,610</u>	<u>460</u>	<u>325,645</u>	<u>1,352,229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,756)</u>	<u>3,218</u>	<u>(41,849)</u>	<u>66,503</u>	<u>101,156</u>	<u>104,272</u>
Other financing sources (uses):						
Premium from bond issuance	-	-	-	-	147,048	147,048
Transfers in	17,039	-	-	-	-	17,039
Transfers out	-	-	-	-	(49,728)	(49,728)
Total other financing sources (uses)	<u>17,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,320</u>	<u>114,359</u>
Net change in fund balances	<u>(7,717)</u>	<u>3,218</u>	<u>(41,849)</u>	<u>66,503</u>	<u>198,476</u>	<u>218,631</u>
Fund balances beginning	<u>7,717</u>	<u>23,093</u>	<u>147,251</u>	<u>263,736</u>	<u>275,261</u>	<u>717,058</u>
Fund balances ending	<u>\$ -</u>	<u>\$ 26,311</u>	<u>\$ 105,402</u>	<u>\$ 330,239</u>	<u>\$ 473,737</u>	<u>\$ 935,689</u>

STATE AND FEDERAL
AWARD COMPLIANCE
SECTION

**CORNING UNION HIGH SCHOOL DISTRICT
ORGANIZATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019**

The Corning Union High School District is located in Tehama County and was established in 1907. There were no changes in the boundaries of the District during the current year. The District is currently operating one high school, one continuation high school, and one adult education program.

Governing Board

Name	Office	Term Expires
James Bingham	President	2022
William Mache	Clerk	2022
Todd Henderson	Member	2020
Ken Vaughn	Member	2020
James Scott Patton	Member	2022

Administration

Jared Caylor
Superintendent

Christine Fears
Chief Business Official

**CORNING UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA: Grades nine through twelve	961.48	954.49	961.48	954.49
ADA Totals	961.48	954.49	961.48	954.49

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Grade Level	Minutes Requirements	2019 Actual Minutes	(Unaudited) 2019 Original Scheduled Minutes	Actual Number of Days Traditional Calendar	(Unaudited) Scheduled Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64,800	65,176	65,558	179	180	-	In compliance ⁽¹⁾
Grade 10	64,800	65,176	65,558	179	180	-	In compliance ⁽¹⁾
Grade 11	64,800	65,176	65,558	179	180	-	In compliance ⁽¹⁾
Grade 12	64,800	65,176	65,558	179	180	-	In compliance ⁽¹⁾

(1) The District and the Charter have approved Form J-13A, Request for Allowance of Attendance Due to Emergency Conditions, for school closure due to California wild fires. Pursuant to Education Code section 41422, 46200, 46391, 46392 and the California Code of Regulations the approved Form J-13A combined with attendance records were used to document compliance with instructional time laws.

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts and charter schools, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has met or exceeded its target funding.

**SEQUOIA UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019**

The purpose of this schedule is to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools to be reported.

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	(Budget ¹) 2020	2019	2018	2017
<u>General Fund</u>				
Revenues and other financial sources	\$ 15,160,391	\$ 14,759,995	\$ 12,843,854	\$ 12,193,158
Expenditures	15,360,560	13,140,121	12,112,220	11,812,965
Other uses and transfers out	-	17,039	-	15,513
Total outgo	15,360,560	13,157,160	12,112,220	11,828,478
Change in fund balance	\$ (200,169)	\$ 1,602,835	\$ 731,634	\$ 364,680
Beginning fund balance adjustment	\$ -	\$ 73,287	\$ -	\$ -
Ending fund balance	\$ 3,795,890	\$ 3,996,059	\$ 2,319,937	\$ 1,588,303
Available reserves ⁽²⁾	\$ 1,873,526	\$ 1,613,361	\$ 916,391	\$ 586,216
Designated for economic uncertainty	\$ 1,843,267	\$ 1,613,361	\$ 916,391	\$ 471,047
Unassigned fund balance	\$ 30,259	\$ -	\$ -	\$ 115,169
Available reserves as a percentage of total outgo	12.2%	12.3%	7.6%	5.0%
Total long-term debt	\$ 22,262,266	\$ 22,595,839	\$ 19,624,955	\$ 19,005,060
Average daily attendance at P-2	997	961	919	885

Average daily attendance has increased by 76 over the past three years. The district anticipates an increase of 36 ADA.

The general fund balance has increased by \$2,407,756 over the past three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo).

The district has shown an operating surplus in all of the past three years. Total long-term debt has increased by \$3,590,779 over the past three years.

¹ Budget numbers are based on the first adopted budget of the fiscal year 2019/20.

² Available reserves consists of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

PROGRAM NAME	FEDERAL CATALOG NUMBER	PASS THROUGH NUMBER	PROGRAM EXPENDITURE
U. S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education			
<i>Special Education Cluster</i>			
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	\$ 93,527
Adult Education: Adult Basic Education & ELA (Section 231)	84.002A	14508	11,284
Adult Education: Adult Secondary Education (Section 231)	84.002	13978	10,450
ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	386,262
Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Ed.)	84.048	14894	36,438
ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	58,918
ESSA: Title III, English Learner Student Program	84.365	14346	2,073
ESEA (ESSA): Title IV, Part A, Student Support and Academic Enrichment Grant Program (SSAE)	84.424	15391	52,960
ESEA (ESSA): Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	295,000
ESEA (ESSA): Title V, Part B, Rural & Low Income School Program (aka REAP)	84.358	14356	18,966
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>965,878</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education			
<i>Child Nutrition Cluster</i>			
National School Lunch Program	(1) 10.555	13524	324,745
School Breakfast Needy	(1) 10.553	13526	70,178
Nonmonetary Assistance - Food Donation - Commodities	(1) 10.555	n/a	40,135
<i>Total Child Nutrition Cluster</i>			<u>435,058</u>
Child Nutrition: CACFP Claims - Centers and Family Day Care Homes	10.558	13529	121,455
Passed Through Tehama County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	18,576
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>575,089</u>
TOTAL FEDERAL PROGRAMS			<u>\$ 1,540,967</u>

(1) Audited as major program

**CORNING UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General Fund	Foundation Special Revenue Fund	Building Fund	Other Nonmajor Governmental Funds
June 30, 2019 Annual Financial and Budget Report Fund Balances	\$ 3,996,059	\$ 3,907,100	\$ 1,541,012	\$ 935,689
Adjustments and Reclassifications: None	-	-	-	-
June 30, 2019 Audited Financial Statements Fund Balances	\$ 3,996,059	\$ 3,907,100	\$ 1,541,012	\$ 935,689

**SEQUOIA UNION HIGH SCHOOL DISTRICT
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206 and whether the Charter School complied with Education Code Sections 47612 and 47612.5.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District's financial statements.

D. 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.

E. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the Unaudited Actual Financial Report in SACS to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEMS

There were no material unreconciled differences between the District's records and the schedule of federal grant activity as shown on the Schedule of Expenditures of Federal Awards.

**SEQUOIA UNION HIGH SCHOOL DISTRICT
NOTES TO STATE AND FEDERAL AWARD COMPLIANCE SECTIONS
FOR THE YEAR ENDED JUNE 30, 2019**

3. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

OTHER INDEPENDENT
AUDITOR'S REPORTS



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*

Board of Trustees
Corning Union High School District
Corning, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Corning Union High School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 15, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not identified. We did identify a certain deficiency in internal controls, described in the accompanying schedule of findings and questions costs, that we consider to be a material weakness; see findings 2019-001 and 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,



regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as findings 2019-001 and 2019-002.

District's Response to Findings

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

Purpose of this Report

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

C & A LLP

December 15, 2019
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Board of Education
Corning Union High School District
Corning, California

Report on Compliance for Each Major Federal Program

We have audited Corning Union High School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule



of findings and questioned costs as an item that we consider to be a significant deficiency: see findings 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

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

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

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

C & A LLP

December 15, 2019
San Jose, California



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS**

The Honorable Board of Trustees
Corning Union High School District
Corning, California

Compliance

We have audited the Corning Union High School District's (the District) compliance with the types of compliance requirements described in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District’s state programs identified below for the year ended June 30, 2019.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State’s audit guide, *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and state audit, guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a material effect on compliance with the state laws and regulations described in the schedule below, occurred. An audit includes examining, on a test basis, evidence supporting the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes



<u>Description</u>	<u>Procedures Performed</u>
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for the Independent Study-Course Based program because the ADA was under the level that requires testing.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2019.

C & A LLP

December 15, 2019
 San Jose, California

FINDINGS AND
RECOMMENDATIONS

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Financial Statements

Type of auditor's report issued Modified

Internal control over financial reporting:

Material weaknesses? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? _____ Yes x None Reported

Non-compliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

Material weaknesses? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? x Yes _____ None Reported

Type of auditor's report issued on compliance over major programs Unmodified

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a) _____ Yes x No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.553 & 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between
type A and type B programs: \$ 750,000

Auditee qualified as low risk auditee? x Yes _____ No

State Awards

Internal control over state programs:

Material weaknesses? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? _____ Yes x None Reported

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

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings and Questioned Costs

Finding 2019-001; 50000 – Grant Reimbursements – General Process

Federal Program Information: 10.553, 10.555, 10.556, 10.559 Child Nutrition Cluster

Federal Grantor Agency: Food and Nutrition Services (FNS) of the U.S. Department of Agriculture (USDA)

Pass-Through Grantor Agency: California Department of Education

Criteria or Specific Requirements: Best practices dictate that the District have processes in place to ensure that grant reimbursements are filed timely and available grant funding is utilized to its fullest extent.

Condition: In review of the supporting documentation for School Nutrition Program (SNP) Claim for Reimbursement, we noted the following:

- The claim for July 2018 was not submitted within the 60-day requirement so the District did not receive reimbursement for this federal claim.

Questioned Costs: None.

Context: The District should maintain controls to prevent noncompliance with Uniform Guidance or detect and correct noncompliance with Uniform Guidance in a timely manner.

Effect: The District was unable to receive the revenue from this grant reimbursement.

Cause: The District did not have sufficient monitoring controls in place to allow the District to detect and correct this issue in a timely manner.

Recommendation: We recommend that the District establish procedures to ensure requirements are met with regard to SNP claims for reimbursement. For example, a secondary review of the due dates for claims reimbursements and a periodic review of claims to ensure they are submitted timely.

Corrective Action Plan: The District was aware of the issue and agrees with the recommendation.

**CORNING UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Finding 2019-002; 50000 – Verification of Free and Reduced Price Applications

Federal Program Information: 10.553, 10.555, 10.556, 10.559 Child Nutrition Cluster

Federal Grantor Agency: Food and Nutrition Services (FNS) of the U.S. Department of Agriculture (USDA)

Pass-Through Grantor Agency: California Department of Education

Criteria or Specific Requirements: Pursuant to *Title 7 part 245.6a of the Code of Federal Regulations* require local educational agencies to perform a verification of applications each year. The sample size is required to be based on the number of approved applications on file as of October 1 of the current school year. The local education agency must complete the verification efforts no later than November 15 of each school year. If a student's eligibility status are determined to be have been changed from free to reduced price due to documents provided by a household, the District must notify the parents as soon as determination has been made and change the students' status ten days after notification. If a household fails to provide documents to complete the verification process by the deadline the students' eligibility for free or reduced price benefits shall be terminated after a ten day advance notification letter to parents.

Condition: During review of the District's verification process we noted the following:

1. The District did not determine the sample size based on the October 1st applications on file.
2. The District did not complete the verification process by the November 15th deadline.
3. In 1 of 1 applications sampled by the District were parents responded, the District did not notify or change students' status from free to reduced timely.
4. In 6 of 6 applications sampled by the District were parents failed responded by the deadline, the District did not notify or change students' status from free/reduced to denied timely.

Questioned Costs: None.

Context: The verification process is required to be done once a year to review income support for students whose eligibility of free or reduced meals was determined based on an application submitted.

Effect: The District is not in compliance of *Title 7 part 245.6a of the Code of Federal Regulations*. The District may be required to return funding for all students whose statuses were not properly changed after verification deadline.

Cause: The District utilizes a point of sale system with an integrated verification module. The District did not fully understand all steps required of the verification module and the deadlines of the verification process.

Recommendation: We recommend the District gain a full understanding of their point of sale verification module and how to use it. We recommend the District's management and staff review the requirements of Title 2 CFR 245.6a to ensure procedures are in place at the District to ensure deadline and procedures are followed each year. We also recommend the District keep all preparation and review documented for review (sign off with dates).

Corrective Action Plan - The District agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2019-20 to address the causes of the condition(s) noted.

Section IV – State Award Findings and Questioned Costs

No findings noted.

**CORNING UNION HIGH SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

Finding 2018-001; 30000 – Internal Controls (Student Body)

Significant Deficiency

Condition: During our tests of internal controls over student body, we noted the following:

1. One out of 15 disbursements tested was for an unallowable expenditure. A student was paid a scholarship award from student store funds.
2. Club budgets are not established and approved.

Criteria: Internal controls should be in place to ensure that all student body expenditures have proper documentation and approval prior to payment and are for allowable expense. Procedures should be established requiring budgets for each club to be in place and approved on an annual basis.

Effect: Without strengthening internal controls over student body assets, funds may not be properly safeguarded and expended for valid student body activities.

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

Recommendation: All student body disbursements should be for allowable expenses. Clubs should be prohibited from spending any funds until a budget is approved for the year.

Status: Implemented

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Section IV - State Award Findings and Questioned Costs

No findings noted.

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APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF TEHAMA

The following information concerning Tehama County (the “County”) is included only for the purpose of supplying general information regarding the area served by the District. The Bonds are not a debt of the County.

Introduction

The District is located in the County. The County lies midway between Sacramento and the Oregon border, in the northern Sacramento Valley. The County is bordered by Shasta County to the north, Trinity and Mendocino counties to the west, Glenn and Butte counties to the south, and Plumas County to the east. The western boundary of Tehama County is located in the Pacific Coast Range, and the eastern boundary is the Cascade Mountains. The County comprises approximately 2,950 square land miles and 1,887,807 acres. The topography consists of rolling foothills, fertile valleys, flat-topped buttes, and vast rangelands. Some areas of the County are cultivated and planted with grains, and most of the rolling hills and terrace lands are used for winter and spring grazing by cattle and sheep. Almonds, walnuts, prunes, olives, peaches, strawberries and various grain crops are produced and grown in the County.

The central portion of the County is bisected by the Sacramento River Valley. The County also contains large amounts of national forests in the hills and mountains to the east and west. A small part of the Lassen Volcanic National Park extends into the northeast corner of the County.

Three communities within the County, Corning, Red Bluff, and Tehama, are incorporated cities. The City of Red Bluff was established as the County seat in 1856. It is located along the Sacramento River and serves as a transportation hub to export agricultural and lumber products. The City of Corning serves as an agricultural hub for olives, plums, walnuts, almonds, and peaches, as well as cattle and sheep. The City of Tehama was established as a trading hub due to its proximity to the Sacramento River.

Population

The following table shows historical population statistics for the incorporated cities in the County as well as the County.

POPULATION OF TEHAMA COUNTY AND INCORPORATED CITIES Calendar Years 2016 through 2019

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Corning	7,500	7,541	7,515	7,534	7,620
Red Bluff	14,048	13,856	13,858	14,166	14,245
Tehama	431	432	430	442	445
Balance of County	41,955	42,120	42,236	42,501	42,819
Total County	63,934	63,949	64,039	64,643	65,129

Based on 2010 Census benchmark and Population Estimates for Cities, Counties, and State.
Source: California State Department of Finance.

Employment

The County, State and United States civilian labor force figures are shown in the following table for the years 2015 through 2019, the most recent annual information available. The unemployment rate in the County in 2019 was 5.5%. In contrast, the average unemployment rate in California in 2019 was 3.9%. The higher rate in the County reflects the effect of agricultural employment and the seasonal pattern of crop harvesting and food processing. The County figures are County-wide and may not necessarily reflect employment trends in the District.

TEHAMA COUNTY, CALIFORNIA, AND UNITED STATES Labor Force, Employment, and Unemployment⁽¹⁾

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽²⁾
2015				
Tehama County	25,190	23,190	2,000	8.0%
California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
Tehama County	25,160	23,360	1,790	7.1%
California	19,093,700	18,048,800	1,044,800	5.5%
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
Tehama County	25,600	23,970	1,630	6.4%
California	19,312,000	18,393,100	918,900	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
Tehama County	25,520	24,050	1,470	5.8%
California	19,398,200	18,582,800	815,400	4.2
United States	163,111,000	156,825,000	6,286,000	3.9
2019				
Tehama County	25,650	24,230	1,420	5.5%
California	19,483,790	18,729,074	754,716	3.9
United States	164,556,000	158,803	5,753,000	3.5

⁽¹⁾ Data reflects employment status of individuals by place of residence.

⁽²⁾ Unemployment rate is based on unrounded data.

Source: California State Employment Development Department and U.S. Department of Labor.

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Industry

Government is the largest employer in the County followed by trade, transportation and utilities, and educational and health services. The table below shows the estimated employment by industry group for 2015 through 2019, the most recent data available.

**COUNTY OF TEHAMA
EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGES
2015 through 2019 by Class of Work**

	2015	2016	2017	2018	2019
Agriculture total	1,700	1,830	1,940	1,900	1,880
Mining, logging and construction	690	700	740	830	960
Manufacturing	1,810	1,810	1,820	1,880	1,810
Trade, transportation and utilities	3,660	3,920	4,000	4,040	4,080
Wholesale trade	340	300	300	290	290
Retail	1,830	2,050	2,030	2,060	2,110
Information	60	80	110	100	90
Finance	330	360	360	320	310
Professional and business services	670	810	880	820	870
Educational and health services	2,870	2,830	2,950	3,140	3,330
Leisure and hospitality	1,390	1,340	1,420	1,480	1,480
Other Services	340	330	310	330	300
Government	<u>4,030</u>	<u>4,060</u>	<u>4,140</u>	<u>4,160</u>	<u>4,160</u>
Non-Agriculture Total	15,840	16,230	16,710	17,080	17,370

Source: California State Employment Development Department.

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Major Employers Within the County

The County is host to a diverse mix of major employers representing industries ranging from agriculture and education and health services to lumber production and retail sales. The following table lists the County's major employers, without regard to the number of employees.

COUNTY OF TEHAMA 2019 MAJOR EMPLOYERS (listed in alphabetical order by employer name)

<u>Employer</u>	<u>Location</u>	<u>Industry</u>
Bell-Carter Olive Co.	Corning	Olives (whls)
CAL Fire	Red Bluff	Fire Departments
Crain Walnut Shelling Inc	Los Molinos	Dried/Dehydrated Fruits Vegetables
Home Depot	Red Bluff	Home Centers
I-5 RV Park at Rolling Hls Csn	Corning	Casinos
Pactiv	Red Bluff	Packaging Materials – Manufacturers
Petro Stopping Ctr	Corning	Truck Stops & Plazas
Precision Towing	Red Bluff	Wrecker Service
Raley's	Red Bluff	Grocers-Retail
RBNC	Red Bluff	Convalescent Homes
Red Bluff High School	Red Bluff	Schools
Red Bluff Union High Sch Dist	Red Bluff	School Districts
Sierra Pacific Industries	Corning	Lumber-Manufacturers
Sierra Pacific Industries	Red Bluff	Lumber-Manufacturers
Sierra Pacific Windows	Red Bluff	Windows
St. Elizabeth Community Hosp	Red Bluff	Hospitals
Tehama County Controller	Red Bluff	Government Officers-County
Tehama County Dept of Ed	Red Bluff	Government Officers-County
Tehama County Health Svc	Red Bluff	Government Officers-County
Tehama County Health Svc Agency	Red Bluff	Government Officers-County
Tehama County Mental Health	Red Bluff	Government Officers-County
Tehama County Sherriff/Records	Red Bluff	Government Officers-County
Tehama County Social Svc Dept	Red Bluff	Government Officers-County
Walmart Distribution Ctr	Red Bluff	Distribution Centers (whls)
Walmart Supercenter	Red Bluff	Department Stores

Source: America's Labor Market Information System (ALMIS) Employer Database, 2018 2nd Edition. Employer information is provided by Infogroup, Omaha, NE, 800/555-5211. ©2019. All Rights Reserved. California Employment Development Department.

Commercial Activity

The table below shows the number of permits and taxable transactions in the County between 2015 and 2019, the most recent data available.

COUNTY OF TEHAMA Valuation of Taxable Transactions Fiscal Years 2015 through 2019

Year	Retail Permits	Taxable Transactions- Retail*	Total Permits	Taxable Transactions- Total*
2015	1,359	\$597,086	1,994	\$780,122
2016	1,365	607,771	2,015	793,062
2017	1,311	172,270	1,933	816,168
2018	1,359	681,386	2,051	836,284
2019	1,365	736,208	2,085	950,582

* In thousands.

Source: California Board of Equalization Taxable Sales in California.

Transportation

Two major north-south highways and one east-west highway serve regional traffic in the County. These include Interstate 5, which is in the middle of Sacramento County and provides direct access to the cities of Red Bluff and Corning; State Route 99, which enters from Butte County on the County's southeastern side; and State Route 36. Portions of State Routes 32 and 89 pass through the eastern part of the County.

The County has a local public transportation service, Tehama Rural Area Express (TRAX), which operates in Red Bluff and provides service to Los Molinos and Corning. Greyhound buses also stop in Red Bluff. The County has two small general aviation airports, Red Bluff Municipal Airport and Corning Municipal Airport.

Education

Shasta Community College has a campus in the County, and the County is approximately 35 miles from California State University, Chico. In addition, 19 public school districts provide kindergarten through twelfth grade educational services throughout the County.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Agreement (this “Disclosure Certificate”) is executed and delivered by the Corning Union High School District (the “District”) in connection with the execution and delivery of \$2,600,000 aggregate principal amount of the District’s General Obligation Bonds, 2016 Election, 2020 Series C (the “Bonds”). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on June 18, 2020 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

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

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

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

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

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

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

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

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated June 25, 2020 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2020, which would be due on April 1, 2021, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

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

(c) The Dissemination Agent shall:

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

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

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

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

(b) Operating data, including the following information with respect to the District's most recently completed fiscal year, or, if available at the time of filing the Annual Report, for the fiscal year in which the Annual Report is filed (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Adopted general fund budget;

(ii) Assessed valuations;

(iii) 20 largest local secured taxpayers; and

(iv) Secured tax charges and delinquencies, but only if the County terminates or discontinues the Teeter Plan within the District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of or failure to perform by any credit provider.
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

- (i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the security or other material events affecting the tax status of the security;
- (ii) Modifications of rights to security holders;
- (iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the securities;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee; and

(viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders;

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Listed Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of

default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: July 9, 2020

CORNING UNION HIGH SCHOOL DISTRICT

By: _____
Superintendent

Acceptance of duties as Dissemination Agent:

By: _____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Corning Union High School District

Name of Issue: \$2,600,000 General Obligation Bonds, 2016 Election, 2020 Series C

Date of Issuance: July 9, 2020

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated July 9, 2020. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

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APPENDIX E

TEHAMA COUNTY INVESTMENT POLICY STATEMENT

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INVESTMENT POLICY COUNTY OF TEHAMA

Revised 04-04-19

POLICY

This policy is intended to provide guidelines for the investment portfolio of the County, and to outline the policies for maximizing the efficiency of the County's cash management system. The ultimate goal is to enhance the economic status of the County while protecting its funds.

SCOPE

This investment policy applies to the County's total investment portfolio which encompasses all monies under the direct oversight of the Treasurer. These include the Agency funds of the county, schools and special districts. It does not apply to bond funds or other assets belonging to the County of Tehama or other affiliated public agency assets that reside outside of the County Treasury Pool.

PRUDENCE

The standard of prudence to be used by investment officials will be the "prudent investor" standard, which states that, "when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

OBJECTIVE

The County's cash management system is designed to accurately monitor and forecast revenues and expenditures thus enabling the Treasurer to invest funds to the fullest extent possible. The Treasurer maintains a diversified portfolio to accomplish the primary objectives of safety, liquidity and yield (in that order of priority).

1. **Safety:** The safety/risk associated with an investment refers to the potential loss of principal, accrued interest or a combination of these. The County seeks to mitigate credit risk by careful scrutiny of the credit worthiness of the investment instruments as well as the institutions. Such resources as Moody's Investor, Standard & Poor's and Fitch rating services are utilized for this review.

2. **Liquidity:** The secondary objective of the county treasurer will be to meet the liquidity needs of the depositor. This refers to the ability to provide adequate resources to meet the daily cash flow needs of the county, schools and special districts. Since all cash requirements cannot be anticipated, an adequate percentage of the portfolio should be maintained in liquid short-term securities, including Local Agency Investment Fund (LAIF) or other overnight liquidity vehicles such as money market funds or local government investment pools. Which offer same-day liquidity.
3. **Yield:** A competitive market rate of return is the third objective of the investment program after the fundamental requirements of safety and liquidity have been met.

DEPOSIT AND WITHDRAWAL OF FUNDS

Upon the approval of the county auditor and treasurer, other entities not required to deposit funds with the county treasurer but who wish to do so for investment purposes, may be permitted to deposit funds with the county treasurer subject to the following criteria:

All funds deposited with the county treasury for investment must be accompanied by a deposit permit and received prior to 2:00 p.m. on the day the funds are deposited. If the deposit exceeds \$500,000 notification at least one day prior to the deposit is encouraged.

When an agency intends to withdraw funds in excess of \$500,000 for the purpose of investing or to deposit those funds outside the county treasury pool, it is required that a written request be submitted to the treasurer for his or her approval. While this approval will normally be received within two working days, in order to protect the integrity of all pooled funds, the treasurer may withhold approval for a maximum of 30 days, and reserves the right to mark the treasury pool investment to market if securities must be sold prior to maturity to meet such requests. This guideline will apply to entities that currently are part of the county pool that are considering investing independently of the pool.

Written notification to the Treasurer and Auditor is required before funds are permanently withdrawn from the county pool.

DELEGATION OF AUTHORITY

In accordance with Government Code sections 27000.1, 53607, and 53608 and Tehama County Code section 2.07.040, the county treasurer has been delegated the authority to invest or reinvest the funds of the county and the funds of other depositors in the county treasury. This delegation is subject to review and renewal of authority by the board of supervisors each year. The Treasurer and his or her deputies are further limited by this investment policy.

The Treasurer retains the authority to amend the Investment Policy, Guidelines, and Procedures at any time in order to carry out the duties as chief investment officer for the County, subject to approval by the Board of Supervisors. The Treasurer will annually prepare an Investment Policy which will be submitted to the Board of Supervisors for review and approval.

CONFLICTS OF INTEREST

The Treasurer and Treasury staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. The Treasury staff shall disclose to the County Treasurer any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the County.

DIVERSIFICATION AND LIMITATIONS

The County Treasurer will diversify its investment portfolio, thereby minimizing the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. Investments shall be limited to the following listed investment instruments and shall be further limited to the listed percentage of the Total Investment Portfolio. The Total Investment Portfolio for purposes of this Policy, shall apply to all funds under the control of the Treasurer, excluding bond funds, other assets belonging to the County of Tehama or other affiliated public agency assets that reside outside of the County Treasury Pool, and investments purchased with Tax & Revenue Anticipation Note (TRAN's) proceeds. The County's Investment Portfolio will not be directly invested in securities which mature more than five years from the date of purchase.

INVESTMENT INSTRUMENTS

Investment of County funds are governed by the California Government Code Sections 16429.1 and 53601. Investments may not have a term or maturity at the time of investment of longer than that authorized by Section 53601 of five years unless the Board of Supervisors has granted express authority at least 3 months prior to the investment. The investment activities of County Treasurers are restricted by state law to a select group of government securities and high credit quality fixed-income investments. To reduce the risk inherent in any one instrument, state law further limits the percentage of the county's investment portfolio that can be invested in any one type of security. See attached Exhibit "A" for a complete description of Authorized Investments, and percentage and term limitations.

The following is a brief description of the eligible investments with some additional restrictions imposed by the Treasurer. Government Code specifies the maximum

percentage of the portfolio which may be held in each type of investment at any one time, fluctuations in the portfolio balance will prevent strict adherence to such restrictions. Therefore, percentage limitations shall apply to investments at the time of purchase.

Credit criteria listed in this section refers to the credit rating at the time the security is purchased. If an investment's credit rating falls below the minimum rating required at the time of purchase, the Treasurer will perform a timely review and decide whether to sell or hold the investment.

The County will limit investments in any one non-government issuer, except investment pools, to no more than 5% regardless of security type.

Within the context of State limitations, the following investments are authorized:

1. **State Treasurer's Local Agency Investment Fund (LAIF).** Local government agencies are authorized to invest up to the amount set by LAIF's Local Investment Advisory Board in this investment program administered by the California State Treasurer. Monies invested with LAIF are pooled with State monies in order to earn the maximum rate of return consistent with safe and prudent treasury management.
2. **Sweep Account** – The commercial Sweep Account provides optimal liquidity management without the effort and cost associated with managing the excess cash in separate investments. The sweep account provides for daily investment confirmations and all purchase, sale and interest transactions are reported on the checking account statement. The excess cash balance is invested in the Treasury Reserve Fund. This Fund invests in short-term U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. U.S. Treasury obligations are backed by the full faith and credit of the United States government.
3. **Bank Deposits.** FDIC insured or collateralized deposits including, but not limited to, demand deposit accounts, savings accounts, market rate accounts, time certificates of deposits in financial institutions located in California. The amount on deposit in any financial institution shall not exceed the shareholder's equity per Government Code section 53638. To be eligible to receive County deposits, the financial institution must have received a minimum overall satisfactory rating, under the Community Redevelopment Act, for meeting the credit needs of California Communities in its most recent evaluation per Government Code section 53635.2. Bank deposits are required to be collateralized as specified under Government Code section 53630 et seq. The County Treasurer, at his/her discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance per Government Code section 53653. The County shall have a signed agreement

with any depository accepting County funds per Government Code section 53649.

4. **California Asset Management Program (CAMP)**--- A Local Government Investment Pool that must maintain a credit rating of AAAM. Up to twenty percent (20%) of the County's portfolio may be invested in CAMP.
5. **U.S. Treasury Notes or other indebtedness secured by the full faith and credit of the federal government.** These are guaranteed by the U.S. Government and are considered by most experts as free of credit risk.
6. **Securities Issued by U.S. Government Agencies and Government-Sponsored Enterprises.** These securities consist mostly of notes and debentures of agencies and government sponsored corporations. They are not guaranteed by the U.S. Government and therefore have some credit risk. Their yield is typically higher than U.S. Treasury securities. These include but are not limited to agency securities issued by the Federal Home Loan Bank (FHLB), Federal Farm Credit (FFC), Tennessee Valley Authority (TVA), Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corporation (FHLMC).
7. **Bankers Acceptances (40%)**---Briefly stated, the function of the bankers' acceptance is as follows: A borrower may, under certain circumstances, obtain short-term credit by arranging for his bank to accept a time draft upon it. The bank stamps its official "accepted" across the face of the draft and converts it into a bankers' acceptance. The instrument, now being a bank obligation, may be sold to an acceptance dealer who, in turn, may sell it to an investor. Most BA's arise out of transactions involving the trade of manufactured goods or commodities and must be rated "A¹/P¹" or higher. Maturities range from one to 180 days and are limited to forty percent (40%) of the total portfolio.
8. **Commercial Paper (40%)**--- These are short-term promissory notes issued by a company to finance current transactions. Commercial paper is issued not only by industrial and manufacturing firms but also by finance companies. The entity that issues the commercial paper must meet all of the following conditions in either paragraph A or paragraph B:
 - A. The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated in a rating category of "A" or the equivalent or higher by a nationally recognized statistical rating organization (NRSRO).
 - B. The entity meets the following criteria: (i) is organized within the United States as a special purpose corporation, trust, or limited liability company, (ii)

has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated “A-1” or higher, or the equivalent, by a NRSRO.

Commercial Paper is sold on a discount or interest bearing basis with maturities not exceeding 270 days and must have an “A-1/P-1” or higher rating by one NRSRO. Purchases of commercial paper may not exceed forty percent (40) of the total portfolio. The County may purchase no more than ten percent (10) of the outstanding commercial paper of any single issuer.

9. **Negotiable CD’s (30%)**-- Negotiable CD’s are issued by a national or state-chartered bank, a savings association or federal association, a state or federal credit union, or by a federally- or state-licensed branch of a foreign bank. The County Treasurer may invest up to thirty (30%) percent of the total portfolio in Negotiable CD’s that are rated in a rating category of “A” (long-term) or “A-1” (short-term) or their equivalents or higher by one NRSRO. Negotiable CDs for which the full amount of the principal and the interest that may be accrued during the maximum term of each certificate is insured by federal deposit insurance are exempt from the rating requirements. Negotiable CD’s are considered liquid, trading actively in the secondary market.
10. **Money Market Mutual Funds (20%)**--- Funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies will either: (i) attain the highest ranking letter or numerical rating provided by at least two NRSROs or (ii) have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience managing money market mutual funds and with assets under management in excess of \$500,000,000. No more than 20% of the County’s investment portfolio may be invested in money market funds. No more than 10% of the County’s investment portfolio may be invested in any single money market fund.
11. **Obligations of the State of California** ---Registered state warrants or treasury notes or bonds of the state of California, as well as bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state, or by a department, board, agency or authority of the state , which finances essential services, with a maximum maturity of five (5) years.
12. **Registered treasury notes or bonds of any of the other 49 states in addition to California**--- Including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state, or by a department, board, agency, or authority of any of these states with a maximum maturity of five (5) years.

13. **Guaranteed Investment Contracts (GIC's)**--- GIC's provide a predictable, guaranteed, fixed interest rate until the specified maturity date of the contract. GIC participants achieve prudent diversification into a superior credit quality insurer with top financial ratings, while offering participants price stability & competitive rates. Tehama County will limit the use of GIC's to proceeds from Tax & Revenue Anticipation Notes only.
14. **Repurchase Agreements (Repo's)**--- A holder of securities sells securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The County may invest in repurchase agreements with "well capitalized" banks and dealers of primary dealer status recognized by the Federal Reserve with which the County has entered into a master repurchase contract which specifies terms and conditions of repurchase agreements. The maturity of repurchase agreements shall not exceed 92 days and are limited to twenty percent (20%) of the net portfolio.

Collateralization will be required on repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be (102%) of market value of principal and accrued interest. In order to conform with provisions of the Federal Bankruptcy Code, which provide for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of or that are fully guaranteed by the United States or any agency of the United States.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained. The right of collateral substitution is granted.

Within the context of State limitations, in addition to the investments listed above, the following investments are authorized for the portion of the county portfolio under professional management by an outside advisor:

1. **Medium Term Notes (30%)**--- All corporate and depository institution debt securities that are rated in a rating category of "A" or the equivalent or higher by one NRSRO with a maximum maturity of five (5) years. Medium term notes are restricted to thirty percent (30%) of the total portfolio at time of purchase.
2. **Mortgage Pass-Through Securities/Asset-Backed Securities (20%)**--- Up to twenty percent (20%) of the County's portfolio may be invested in a mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond with a maximum remaining maturity of five years or less. Securities in this category

must be rated in a rating category of “AA” or its equivalent or better by one NRSRO.

3. **Supranational Debt** -- United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of “AA” or its equivalent or better by an NRSRO and shall not exceed 30% percent of the County’s portfolio that may be invested pursuant to this section.

INVESTMENT POOLS/MUTUAL FUNDS

A thorough investigation of pools and funds is required prior to investing, and on a continual basis.

INELIGIBLE INVESTMENTS

Investments not described above, including but not limited to common stocks, financial futures, contract and options are prohibited. Additionally, the Treasurer shall not invest in reverse or inverse floaters, range notes and principal or interest only strips that are derived from a pool of mortgages, nor may the Treasurer invest in any security that could result in zero interest accrual if held to maturity.

INVESTMENT DOCUMENTATION AND REVIEW

Each investment transaction must be documented with a completed Security Information Sheet at the time of purchase. The Security Information Sheet shall include the investment purchased, price, coupon, maturity, rating and broker. The confirmation shall also be included in the file and should be reviewed and filed by a person other than the person initiating the transaction. Any discrepancies must be resolved immediately and a new confirmation issued.

AUTHORIZED DEALERS, DEPOSITORIES & FINANCIAL INSTITUTIONS

For the purchase of all investments, the dealer must operate from an office within the United States. Dealers must provide current audited financial statements. Each Dealer will receive a copy of this investment policy and copy of the County Resolution authorizing the Treasurer/Tax Collector to invest county funds. The Dealer shall be identified on each confirmation of transaction by name. Certificates of Deposit may be purchased directly from the issuer instead of through a dealer.

At least once a year the Treasurer will review all dealers with which the County conducts business. A list of authorized broker/dealers, depositories and financial institutions will be prepared and maintained. The list will include all securities dealers,

depositories and investment advisory firms eligible to conduct business with the County under the criteria established in this policy.

No broker, brokerage firm or dealer of securities shall be selected that has made any political contribution to the local treasurer, any member of the board of supervisors or any candidate for those offices.

If the County has an investment advisor, the investment advisor may use its own list of authorized broker/dealers to conduct transactions on behalf of the County, subject to any conditions contained in the agreement between the County and the investment advisor.

DESIGNATED SERVICE BANK

The Treasurer shall designate a State or Federally chartered bank operating within the State of California to serve as the primary service and the treasurer shall use said bank as a clearing house for all funds.

SAFEKEEPING AND CUSTODY

Security transactions entered into by the county shall be conducted on a delivery-vs-payment (DVP) basis where funds are not transferred until the security is delivered to a custodian (third party), by physical delivery to our safekeeping account or safekept in the Treasurer's vault. All negotiable securities shall be secured through third party custody and safekeeping. No security will be safekept with the dealer or financial institution selling the investment.

INTERNAL CONTROLS

The Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

CALCULATING AND APPORTIONING COSTS

The County Treasurer will determine the administrative cost of investing or handling of funds. A portion of the administrative cost is recovered through the Cost Plan, the remaining cost shall be deducted from total interest earnings prior to the interest apportionment and shall be shared proportionately by all pooled and self-directed investments. The administrative costs are the actual direct and indirect costs charged to the Treasurer's office for salaries, benefits and operating expenses.

POOLING OF FUNDS AND DISTRIBUTION OF EARNINGS

Funds available from all sources may be pooled in order to achieve greater investment potential. The earnings from the pooled investments shall be deposited in a special

fund each quarter the earnings fund will be charged and each participant in the pool will be credited with interest in proportion to their aggregate total for the quarter based on an average daily balance.

REPORTING REQUIREMENTS

The Treasurer shall generate daily and monthly reports for management purposes. In addition, the Board of Supervisors will be provided monthly reports detailing investment activities and holdings, including a description of the security, maturity date, book value, par value, market value and stated coupon.

PERFORMANCE STANDARDS

The investment portfolio will be managed in accordance with the parameters specified within this policy. The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The County will measure the portfolio's performance against a market benchmark that is commensurate with the County's investment risk constraints and the cash flow characteristics of the portfolio.

Glossary

Asset-Backed Securities are securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

Bankers' Acceptances are short-term credit arrangements to enable businesses to obtain funds to finance commercial transactions. They are time drafts drawn on a bank by an exporter or importer to obtain funds to pay for specific merchandise. By its acceptance, the bank becomes primarily liable for the payment of the draft at maturity. An acceptance is a high-grade negotiable instrument.

Benchmark is a comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

Broker-Dealer is a person or a firm who can act as a broker or a dealer depending on the transaction. A broker brings buyers and sellers together for a commission. They do not take a position. A dealer acts as a principal in all transactions, buying and selling for his own account.

California Asset Management Program (CAMP) is a California Joint Powers Authority ("JPA") established in 1989 to provide California public agencies with professional investment services. The CAMP pool is a short-term money market portfolio and cash management vehicle.

Collateral refers to securities, evidence of deposits, or other property that a borrower pledges to secure repayment of a loan. "Security" means any of the eligible securities or obligations listed in Government Code Section 53651. It also refers to securities pledged by a bank to secure deposits. In California, repurchase agreements, reverse repurchase agreements, and public deposits must be collateralized.

Commercial Paper is a short term, unsecured, promissory note issued by a corporation to raise working capital.

Federal Agency Obligations are issued by U.S. Government Agencies or Government Sponsored Enterprises (GSE). Although they were created or sponsored by the U.S. Government, most Agencies and GSEs are not guaranteed by the United States Government. Examples of these securities are notes, bonds, bills and discount notes issued by Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Home Loan Bank system (FHLB), and Federal Farm Credit Bank (FFCB). The Agency market is a very large and liquid market, with billions traded every day.

Issuer means any corporation, governmental unit, or financial institution that borrows money through the sale of securities.

Liquidity refers to the ease and speed with which an asset can be converted into cash without loss of value. In the money market, a security is said to be liquid if the difference between the bid and asked prices is narrow and reasonably sized trades can be done at those quotes.

Local Agency Investment Fund (LAIF) is a voluntary investment program for California local governments administered by the California State Treasurer. LAIF provides local agencies a way to invest cash held in the treasury pool that may be withdrawn as needed on a same-day basis to meet an agency's cash flow needs, while realizing interest. The Local Investment Advisory Board (LIAB) provides oversight for LAIF. Due to the portfolio's characteristics, credit risk is minimal. The pool is managed to ensure the safety of the portfolio by investing in high quality securities and by maintaining a mix of securities that provide reasonable assurance that no single investment or class of investments will have a disproportionate impact on the total portfolio. Additionally, LAIF funds are protected by statute and are not borrowable.

Market Value is the price at which a security is trading and could presumably be purchased or sold.

Maturity is the date upon which the principal or stated value of an investment becomes due and payable.

Medium-Term Notes are debt obligations issued by corporations and banks, usually in the form of unsecured promissory notes. These are negotiable instruments that can be bought and sold in a large and active secondary market. For the purposes of California Government Code, the term "Medium Term" refers to a maximum remaining maturity of five years or less. They can be issued with fixed or floating-rate coupons, and with or without early call features, although the vast majority are fixed-rate and non-callable. Corporate notes have greater risk than Treasuries or Agencies because they rely on the ability of the issuer to make payment of principal and interest.

Money Market Fund is a type of investment comprising a variety of short-term securities with high quality and high liquidity. The fund provides interest to shareholders and must strive to maintain a stable net asset value (NAV) of \$1 per share.

Negotiable Certificates of Deposit are large-denomination CDs. They are issued at face value and typically pay interest at maturity, if maturing in less than 12 months. CDs that mature beyond this range pay interest semi-annually. Negotiable CDs are issued by U.S. banks (domestic CDs), U.S. branches of foreign banks (Yankee CDs), and thrifts. There is an active secondary market for negotiable domestic and Yankee CDs. However, the negotiable thrift CD secondary market is limited. Yields on CDs exceed those on U.S. treasuries and agencies of similar maturities. This higher yield compensates the investor for accepting the risk of reduced liquidity and the risk that the issuing bank might fail. State law does not require the collateralization of negotiable CDs.

Principal describes the original cost of a security. It represents the amount of capital or money that the investor pays for the investment.

Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

Repurchase Agreements are short-term investment transactions. Banks buy temporarily idle funds from a customer by selling him U.S. Government or other securities with a contractual agreement to repurchase the same securities on a future date at an agreed upon interest rate. Repurchase Agreements are typically for one to ten days in maturity. The customer receives interest from the bank. The interest rate reflects both the prevailing demand for Federal Funds and the maturity of the Repo. Repurchase Agreements must be collateralized.

U.S. Treasury Issues are direct obligations of the United States Government. They are highly liquid and are considered the safest investment security. U.S. Treasury issues include:

1. **Treasury Bills** which are non-interest-bearing discount securities issued by the U.S. Treasury to finance the national debt. Bills are currently issued in one, three, six, and twelve month maturities.
2. **Treasury Notes** that have original maturities of one to ten years.
3. **Treasury Bonds** that have original maturities of greater than 10 years.

Yield to Maturity is the rate of income return on an investment, minus any premium above par or plus any discount with the adjustment spread over the period from the date of the purchase to the date of maturity of the bond.

Exhibit "A"
Authorized Investments

Investment Instruments	Gov't Code Section	Minimum Rating	Government Code		County Policy	
			% or \$ limitation	Term limitation	% or \$ limitation	Term limitation
State Treasurer's Local Agency Investment Fund	16429.1	*N/R	Maximum set by LAIF Board	-	Amount allowed by LAIF Board	-
U.S. Treasury Instruments	53601 (b)	n/a	100%	5 yrs	100%	5 yrs
Federal Agency Securities	53601 (f)	n/a	100%	5 yrs	100%	5 yrs
Bankers Acceptance	53601 (g)	A1, P1	40% <30% in one bank	180 days	40% <5% in one bank	180 days
Commercial Paper	53601 (h) 53635 (a)	A1, P1	<40% total <10% single issuer	270 days	<40% total <5% single issuer	270 days
Negotiable CD's	53601 (i)	"A" or equivalent,	30%	5 yrs	30% total <5% single issuer	5 yrs
Medium Term Notes Corporate Obligations	53601 (k)	"A" or equivalent	30%	5 yrs	30% total <5% single issuer	5 yrs
Money Market Mutual Funds	53601 (l)	"AAA" or equivalent or Advisor Requirements	<20% total <10% single issuer	5 yrs	<20% total <10% single issuer	5 yrs
Mortgage Pass-Through Securities	53601 (o)	"A" issuer "AA" issue or equivalent	20%	5 yrs	20%	5 yrs
Repurchase Agreements	53601 (j)	n/a	20%	92 days	20%	92 days
California Asset Management Program (CAMP)	53601 (p)	AAAm or equivalent	100%	-	20%	-
California Municipals	53601(c,e) 53651(c,h,i)	"A"; A-1/P-1 or equivalent	100%	5 yrs	100%	5 yrs
Other 49 State Municipals	53601(d)	n/a	100%	5 yrs	100%	5 yrs
Supranational Debt	53601 (q)	"AA" or equivalent	30%	5 yrs	30% total <5% single issuer	5 yrs

*Not Rated

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in San Francisco, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in San Francisco, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100