# BOARD OF EDUCATION <br> SPECIAL MEETING <br> GUSTINE UNIFIED SCHOOL DISTRICT <br> 1500 MEREDITH AVENUE, GUSTINE, CA 95322 <br> WEDNESDAY, MARCH 18, 2015 

5:00 PM.
"Preparing students for the future...today"
I. CALL TO ORDER - 5:00 p.m.
A. The public may comment on any closed session agenda item.
B. ROLL CALL
C. PLEDGE OF ALLEGIANCE

## D. REVISION/ADOPTION/ORDERING OF AGENDA

E. COMMUNICATION FROM THE PUBLIC

Members of the public may bring before the Board matters that are not listed on the agenda. The Board may refer such a matter to the Superintendent or designee or take it under advisement, but shall not take action at that time.

Comments will be accepted during this time concerning any action item on the agenda. The Board will consider all comments prior to taking action on the item as listed on the agenda in the Action Item section. (Gov. Sec. 54954.3)

Individual speakers shall be allowed three minutes to address the Board on each agenda or nonagenda item (BP 9323).

## F. DISABILITY-RELATED MODIFICATIONS

Request for any disability-related modification or accommodation, including auxiliary aids or services in order to participate in the public meeting, may be made by contacting the Gustine Unified School District Office at (209) 854-3784 at least four (4) days prior to the scheduled meeting. Agendas and other writings may also be requested in alternative formats, as outlined in Section 12132 of the Americans With Disabilities Act.

## II. CONSENT AGENDA

A. Luna, Hugo - Hire Accounts Payable/Business Specialist, District Office

## III. ACTION

A. Warrants
B. Second Interim Report
C. GO Bond Financing Approval
D. Resolution \#2014-15-08 - Authorizing the Issuance and Sale of its General Obligation Bonds, 2014 Election, 2015 Series A in an Aggregate Principal Amount Not to Exceed Four Million Dollars

Board Agenda, Page 2
March 18, 2015
E. Summer Maintenance Projects/Budget
F. BP/AR 1240, Volunteer Assistance Board Policy Revision, First Reading
G. Superintendent Job Description

## IV. ADJOURN TO CLOSED SESSION

A. Conference with Labor Negotiator Dr. Ronald Estes, Superintendent - GRTA/CSEA (Govt. Code 54954.5 (f) pursuant to Govt. Code 54957.6)
B. Personnel - Public Employee Resignation, Discipline, Dismissal, Release, Employment

1. Superintendent Search Firm - The Board will meet with representatives of McPherson \& Jacobson to discuss the Superintendent Search

## V. RECONVENE TO OPEN SESSION

## VI. REPORT FROM CLOSED SESSION

VII. ADJOURNMENT

## CONSENT AGENDA

# GUSTINE UNIFIED SCHOOL DISTRICT RECOMMENDATION FOR EMPLOYMENT 

## CLASSIFIED POSITION

Board Meeting Date: March 18, 2015
Name: Hugo Luna
Position: Accounts Payable/Business Services Specialist
Site: $\qquad$
Type of Contract:
_ X_Full Time $\qquad$ Part Time
Short Term (dates:
11 month
12 month to 10 month

Hours per day: $\qquad$ Substitute $\qquad$
Salary Schedule Placement: __As appropriate /Confidential Salary Schedule
Advertised inside district: $\qquad$
$\qquad$ No
Advertised outside district: $\qquad$
$\qquad$ No Number of applicants: $\qquad$
Number of applicants interviewed: $\qquad$ 5

New Position: $\qquad$ Yes $\qquad$ No
Replacement for: Nancy Lackey (Retirement)

## Background of Applicant:

Hugo has been the Career Technician at Gustine High School two years. He has a BA in Accounting/Finance and received excellent recommendations from GHS staff. He will be an excellent addition to the District Office Staff.

Administrator's Signature:


Date: $3 / 13 / 15$

## ACTION ITEMS

# GUSTINE UNIFIED SCHOOL DISTRICT 

Meeting of the Board of Trustees<br>MEETING DATE:

March 18, 2015

AGENDA ITEM TITLE: Warrants
AGENDA SECTION: Action
PRESENTED BY: Dr. Ron Estes, Superintendent
SUMMARY:
Monthly warrants are presented for approval.

FISCAL IMPACT: Total of Warrants
BUDGET CATEGORY: All District Funds
RECOMMENDED ACTION: Approve

## GUSTINE UNIFIED SCHOOL DISTRICT

## March 18, 2015

GENERAL FUND
Warrant Register \#9-2 $\quad \$ 249,112.86$

TOTAL WARRANTS PAID THIS MONTH
\$249,112.86

Batch status: A All
From batch: 0017
To batch: 9999
Include Revolving Cash: Y
Include Address: $N$
Include Object Desc: N
Include Vendor TIN: Y


## 104731/00 ALBA, JOHN

PV-150660 03/11/2015 MILEAGE REIMB
01-0000-0-5200.00-0000-7200-112-000-000 NN
25.88

TOTAL PAYMENT AMOUNT
25.88 *
25.88

104318/00 AVAYA INC
PV-150661 03/11/2015 PHONE SERVICE
01-0000-0-5922.00-0000-7200-112-000-000 NN
58.70
$\begin{array}{lll}\text { TOTAL PAYMENT AMOUNT } 58.70 * & 58.70\end{array}$

103359/00 AVID CENTER
150884 PO-150879 03/12/2015 AVID REGISTRATION
1 01-0824-0-5200.00-1110-1000-310-000-000 NN F
2097.00

2,097.00
TOTAL PAYMENT AMOUNT
2,097.00 *
2,097.00

100831/00 BAUDVILLE DESKTOP PUBLISHING
150932 PO-150929 03/11/2015 WRONG AMOUNT
$101-0824-0 \cdot 4300.00 \cdot 1110-1000 \cdot 115 \cdot 000-000$ NN C $\quad 30.05 \quad 0.00$
TOTAL PAYMENT AMOUNT
0.00 *
0.00

101761/00 CREATIVE ALTERNATIVES INC
PV-150662 03/11/2015 FEBRUARY TUITION
$01 \cdot 6501-0 \cdot 5880 \cdot 00 \cdot 5770 \cdot 1180 \cdot 000-000-000 \mathrm{NN}$
1,228.68
TOTAL PAYMENT AMOUNT
1,228.68 *
1,228.68

103792/00 DATA PATH INC
150728 PO-150745 03/11/2015 KEYBOARDS
150775 PO-150771 03/11/2015 LAPTOP 150802 P0-150799 03/11/2015 LOW VOLTAGE 150899 PO-150894 03/11/2015 LICENSES

| 1 | $01-0824-0-4400.00-1154-1000-310-000-000$ |  |  |  |
| ---: | :---: | :---: | ---: | ---: | ---: |
| NN F | 117.60 | 115.96 |  |  |
| 1 | $01-0824-0-4400.00-1110-1000-115-000-000 \mathrm{NN} \mathrm{F}$ | 3341.83 | $3,341.83$ |  |
| 1 | $01-0824-0-4400.00-1154-1000-310-000-000 \mathrm{NN} \mathrm{F}$ | 1944.67 | $1,944.67$ |  |
| 1 | $01-0000-0-4400.00-1110-1000-112-000-000 \mathrm{NN} \mathrm{F}$ | 900.00 | 900.00 |  |
| TOTAL PAYMENT AMOUNT | $6,302.46 *$ |  |  | $6,302.46$ |





104755/00 WALLACE, BOB
150951 PO-150937 03/11/2015 INVESTIGATION SERVICES $\quad 1$ 01-0000-0-5866.00-0000-2700-112-555-000 NN F $3040.00 \quad 3.040 .00$
TOTAL PAYMENT AMOUNT $3,040.00 ~ * ~ 3,040.00 ~$

104319/00 YARD MASTERS INC.
PV-150674 03/11/2015 MARCH LANDSCAPE MAINT 01-0000-0-5802.00-0000-8110-112-000-000 NN 8,150.00
TOTAL PAYMENT AMOUNT 8,150.00 *
$8,150.00$

TOTAL BATCH PAYMENT
249.112.86 ***
0.00

249,112.86
TOTAL FUND PAYMENT
249,112.86 **
249.112.86

# Gustine Unified School District 

March 18, 2015

CAFETERIA FUND

014 Gustine Unified School Dist. J72821 MARCH WARRANT REGISTER-\#2

ACCOUNTS PAYABLE PRELIST BATCH: 0017 MARCH REGISTER-\#2 FUND : 13 CAFETERIA SPECIAL REVENUE FUND

Tax ID num Deposit type ABA num Account num FD-RESC-Y-OBJT.SO-GOAL-FUNC-SCH-DD1-DD2 T9MPS Liq Amt Net Amount

## GUSTINE UNIFIED SCHOOL DISTRICT

$$
\text { March } 18,2015
$$

## SB50 SCHOOL FACILITIES

Warrant Register \#1
\$12,047.06

Number of checks to be printed: 27 , not counting voids due to stub overflows.
Number of zero dollar checks: $\quad 1$, will be printed. Number of zero dollar checks: 1, will be printed.

# GUSTINE UNIFIED SCHOOL DISTRICT 

Meeting of the Board of Education
MEETING DATE: March 18, 2015

AGENDA ITEM TITLE: Second Interim Report
AGENDA SECTION: Action
PRESENTED BY: Dr. Ron Estes, Superintendent

## SUMMARY

The Second Interim Report will be presented. This is a report on the financial and budgetary situation of the District. The Board is required to review the budget twice during the school year. The Second Interim Report describes the District's revenue and expenditures for three years.

FISCAL IMPACT: None
BUDGET CATEGORY: None
RECOMMENDED ACTION: Approve Second Interim Report

# GUSTINE UNIFIED SCHOOL DISTRICT 

$\{$ Preparing students for the future... Today' $\}$


2014-2015
$2^{\text {nd }}$ Interim \& 2015-2017

## Multi-Year Projections

# Governing Board 

## of Trustees

> 2014-2015

# Pat Rocha, President Linetta Borrelli, Clerk Crickett Brinkman, Trustee Ernie Longoria,Trustee Loretta Rose,Trustee 

Dr. Ronald J. Estes Superintendent

The following report represents Gustine Unified School District's $2^{\text {nd }}$ Interim report for 2014-2015. This report includes the District's financial and operational revenues, expenditures and all necessary disclosures through January 31, 2015.

The Executive Summary consolidates the most important financial information for the Board of Trustees. The Executive Summary consists of: a Narrative, Budget, Ending Balances \& Reserves, Budget Assumptions/Highlights, and Enrollment Projections. In addition, detailed budget information and additional supplemental reporting are also available for further reference.

Below you will find the first part of the Executive Summary, it is the General Fund Combined (Unrestricted \& Restricted) Budget with totals by category for the 2014-15 $2^{\text {nd }}$ Interim Budget and projections for the two subsequent years, 2015-16 and 2016-17. Over the 3 years we see a steady growth of income and a slight reduction in expenses. This results in the elimination of deficit spending and ends the 3 years with a slight growth to the ending fund balance.

| Gustine Unified School Dis Multi-Year Projections - 2014 2014-2015 2nd Interim EXECUTIVE SUMMA <br> General Fund-Combined |  | 2014-2015 2nd INTERIM |  | FINAL <br> 2015-2016 PROJECTED |  | 2016-2017 PROJECTED |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| REVENUE |  |  |  |  |  |  |
| LCFF Revenue | \$ | 13,961,047 | \$ | 15,271,398 | \$ | 15,985,241 |
| Federal Revenue |  | 1,409,024 |  | 1,080,517 |  | 1,080,517 |
| Other State Revenue |  | 929,182 |  | 924,124 |  | 944,177 |
| Other Local Revenue |  | 384,288 |  | 114,848 |  | 114,848 |
| Total Revenue | \$ | 16,683,541 | \$ | 17,390,887 | \$ | 18,124,783 |
| EXPENSES |  |  |  |  |  |  |
| Certificated Salaries | \$ | 7,195,113 | \$ | 7,267,725 | \$ | 7,399,679 |
| Classified Salaries |  | 2,050,502 |  | 2,075,898 |  | 2,101,697 |
| Employee Benefits |  | 3,143,523 |  | 3,319,476 |  | 3,533,776 |
| Books \& Supplies |  | 1,788,182 |  | 1,079,849 |  | 1,106,845 |
| Services \& Other Operating Expenditures |  | 2,347,112 |  | 2,303,364 |  | 2,360,948 |
| Capital Outlay |  | 538,837 |  | 416,060 |  | 426,462 |
| Other Outgo |  | 794,348 |  | 823,553 |  | 830,908 |
| Direct Support/Indirect Costs |  | $(39,116)$ |  | $(40,058)$ |  | $(41,059)$ |
| Total Expenses | \$ | 17,818,501 | \$ | 17,245,867 | \$ | 17,719,255 |
| Excess/(Deficiency) before Other Financing Sources | \$ | $(1,134,960)$ | \$ | 145,020 | \$ | 405,528 |
| OTHER FINANCING SOURCES \& USES |  |  |  |  |  |  |
|  | \$ | - | \$ | - - | \$ | - |
| NET INCREASE/(DECREASE) IN FUND BALANCE | \$ | $(1,327,657)$ | \$ | $(47,677)$ | \$ | 212,831 |
| BEGINNING FUND BALANCE | \$ | 2,734,309 | \$ | 1,406,652 | \$ | 1,358,975 |
| ENDING FUND BALANCE | \$ | 1,406,652 | \$ | 1,358,975 | \$ | 1,571,807 |

The next part of the Executive Summary shows fund balance totals for the 2014-I5 $2^{\text {nd }}$ Interim and the two subsequent years. This first green section represents the totals for the Unrestricted funds that are in the General Fund. The numbers show the increase/decrease to the fund balance after revenues, expenses, and transfers/contributions have been totaled. The projections indicate there would be deficit spending in 2014-15 but it is eliminated in the final year with a slight growth of the ending fund balance. The deficit spending in 2014-15 is temporary as the additional LCFF revenue grows and closes the funding gap that districts have been battling for the past several years.


The sections below shows the same information described above, but for the Restricted funds. Don't be alarmed at the deficit spending projected in the budget for all of the years below. The large deficit spending in the 2014-15 year is mostly due to large fund balances in Common Core, Energy Efficiency and Site funds that have a limited time frame for spending. These are Ix balances that are being spent on Ix expenses. These expenses are reflected in the gradual reduction to the ending fund balance.


This next section below shows the combined totals for Unrestricted and Restricted funds, representing the total General Fund. As noted previously, there is deficit spending projected for the first year below, but the deficit is eliminated in the final year as the LCFF funding increases.
The other significant information to be aware of is our reserve levels. For the 2014-15 $2^{\text {nd }}$ Interim Budget, our reserves decrease to $4.02 \%$, a decrease from the previous $6.70 \%$ level at $I^{\text {st }}$ Interim. For the future years, our reserves show a slight to steady increases over the 2015-16 and 201617 years. It is important to know that it is strongly recommended to have a reserve that exceeds the $3 \%$ state required minimum reserve, which for our district goes averages $\$ 534,000$ over the 3 years. This $3 \%$ reserve amount is only just over half of our average monthly payroll, currently at approximately \$915,000 and growing. As we move forward, we should be conscious of this and remain vigilant of our district spending patterns and our reserves to ensure the fiscal stability of our district.

| Gustine Unified School District Multi-Year Projections - 2014-2017 2014-2015 2nd Interim EXECUTIVE SUMMARY |  |  |  |
| :---: | :---: | :---: | :---: |
| GENERAL FUND | $\begin{gathered} \text { 2014-2015 } \\ \text { 2nd INTERIM } \end{gathered}$ | 2015-2016 PROJECTED | 2016-2017 <br> PROJECTED |
| UNRESTRICTED \& RESTRICTED COMBINED |  |  |  |
| NET INCREASE/(DECREASE) IN FUND BALANCE | $(\$ 1,327,657)$ | ( 547,677 ) | \$212,831 |
| BEGINNING FUND BALANCE | 2,734,309 | 1,406,652 | 1,358,975 |
| ENDING FUND BALANCE | \$1,406,652 | \$1,358,975 | \$1,571,807 |
| GENERAL FUND DESIGNATIONS |  |  |  |
| Reserve for Economic Uncertainties - Dollars | \$723,689 | \$710,434 | \$1,058,389 |
| Reserve for Economic Uncertainties - Percent | 4.02\% | 4.07\% | 5.91\% |
| Assigned for Site \& Other Designations | 403,147 | 403,147 | 403,147 |
| Legall Restricted | 279,816 | 245,394 | 110,271 |
| UNDESIGNATED FUND BALANCE | 5 | \$ - | \$ |
| Minimum Reserve Requirement @ 3\% | \$540,336 | \$523,157 | \$537,359 |

The amounts that follow are the projected ending balances for Fund 17. The district plans to continue building this fund for potential facility needs. This can help comply with Williams requirements, as it is one of the state priorities of the LCAP.

| FUND 17 SPECIAL RESERVES DEDSIGNATIONS | 2014-2015 <br> 2nd INTERIM | 2015-2016 <br> PROJECTED | $2016-2017$ <br> PROJECTED |
| :---: | :---: | :---: | :---: |
| Assigned for Facilities | \$100,095 | \$150,180 | \$200,265 |
| Projected District Reserve-General Fund \& Fund 17 | 4.57\% | 4.94\% | 7.03\% |

The chart and graph below illustrate our historical fund balances and demonstrate our ability to remain fiscally solvent as we worked together during the most difficult financial times, with the use of federal stimulus and one-time relief funding. Now that we have come out of the reductions in State funding, we need to remain vigilant of the importance of maintaining a balance between spending and a healthy fund balance.

| Historical Fund Balance | Unrestricted |  | Restidited |  | Combined |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 2006-07 | \$ | 1,027,440 | 5 | 1,649,325 | \$ | 2,676,765 |
| 2007-08 | \$ | 873,523 | S | 1,737,938 | \$ | 2,611,461 |
| 2008-09 | \$ | 2,408,835 | S | 1,560,940 | \$ | 3,969,775 |
| 2009-10 | \$ | 2,043,659 | \$ | 1,464,085 | \$ | 3,507,744 |
| 2010-11 | \$ | 2,829,419 | \$ | 1,035,382 | \$ | 3,864,801 |
| 2011-12 | \$ | 2,483,526 | § | 1,081,729 | \$ | 3,565,255 |
| 2012-13 | \$ | 2,022,902 | \$ | 1,025,373 | \$ | 3,048,275 |
| 2013-14 | \$ | 2,048,533 | \$ | 685,776 | \$ | 2,734,309 |
| 2014-15 2nd Interim | \$ | 1,126,836 | \$ | 279,816 | \$ | 1,406,652 |
| 2015-16 Projections | \$ | 1,113,581 | \$ | 245,394 | \$ | 1,358,975 |
| 2016-17 Projections | \$ | 1,461,536 | \$ | -110,271 | \$ | 1,571,807 |



The Budget Assumptions and Highlights below are what drive the numbers in the budget projections. It is very important to be aware of this because if we change the assumptions, then the budget projections change.

## ASSUMPTION CHANGES from $\left.\right|^{\text {st }}$ Interim to $2^{\text {nd }}$ Interim:

One of the most significant changes to the 2014-15 $2^{\text {nd }}$ Interim Budget vs. $1^{\text {st }}$ Interim is the decrease of $\$ 200,972$ to the Local Control Funding Formula (LCFF) revenue. This difference is due the decrease of our Supplemental \& Concentration Funding rate, illustrated in red below. This means the number of high need students we were allowed to count was reduced. Other changes reflected at $2^{\text {nd }}$ Interim include revisions to revenue and expense projections, projected salary increases (detailed on the next page), addition of Ix carry-over revenues and expenses, and Ix expenses to spend down fund balances in restricted programs. Some of these restricted programs with large balances include Microsoft Voucher Grant (\$146K) and Title I Program Improvement ( $\$ 150 \mathrm{~K}$ ). Overall, the combination of these changes resulted in a decrease of $\$ 456,896$ to the Combined General Fund Balance. For future years, additional adjustments are included in the projections, such as STRS/PERS rate increases, One to One device purchases and other actions listed in the LCAP plan. Our projections will be adjusted as needed as we develop the 2015-16 LCAP \& Adopted Budget.

| BUDGET ASSUMPTIONS / HIGHLIGHTS | 2014-2015 <br> 2nd INTERIM | $\begin{aligned} & \text { 2015-2016 } \\ & \text { PROJECTED } \end{aligned}$ | $\begin{aligned} & \text { 2016-2017 } \\ & \text { PROJECTED } \end{aligned}$ |
| :---: | :---: | :---: | :---: |
| Enroliment/ADA Proiections |  |  |  |
| CBEDS Enrollment (Actual/Projected) | 1,863 | 1,868 | 1,873 |
| LCFF ADA | 1778.03 | 1779.76 | 1787.49 |
| LCFF, COLA \& CPI Projections |  |  |  |
| LCFF Funding | \$13,961,047 | \$15,271,398 | \$15,985,241 |
| LCFF: COLA | 0.850\% | 1.58\% | 2.170\% |
| LCFF: GAP Funding Rate | 29.150\% | 32.190\% | 23.710\% |
| LCFF: Supplemental \& Concentration Funding Rate (EL's \& F\&R students) | 77.68\% | 75.67\% | 71.74\% |
| State Categorical COLA | 0.850\% | 1.580\% | 2.170\% |
| California Consumer Price Index Per SSC Projections | 1.80\% | 2.10\% | 2.50\% |
| STRS Employer Rates | 8.880\% | 10.730\% | 12.580\% |
| PERS Employer Rates | 11.771\% | 12.600\% | 15.000\% |
| LCAP Actions |  |  |  |
| Edu-Academy: One to One devices |  | \$ 90,000 |  |
| Common Core Materials |  | \$ 36,040 |  |
| Williams' Act Compliance (Capital) |  | \$ 60,000 |  |
| STRS/PERS rate increases |  | \$ 160,000 | \$ 190,000 |
| Other Adjustments |  |  |  |
| Special Education Program Cost Increase \& District Contribution Increase |  | \$ 27,000 | \$ 4,000 |
| MCOE transfer for District referred ADA |  | \$ 8,192 | 8,719 |

## 2014-2015 $2^{\text {nd }}$ Interim

## Budget Revenue \& Expenses



## Expenses by Category



Salaries \&
Benefits
make up $70 \%$, or \$12.4M, of the
Expenses in 2014-2015

As we move forward and continue operations and planning, we are aware that our most important asset is our staff, and in turn they are the largest part of the budget. Projected ongoing increases to salary are included at an estimated $3.5 \%$ for all staff. These are strictly projections at this point and are pending negotiation settlements. The financial impact of this $3.5 \%$ is detailed and highlighted in green below by employee group. This ongoing increase projection is included in the 2014-15 $2^{\text {nd }}$ Interim Budget and all subsequent years. Also included are the cost of Step \& Column Increases to all staff, an average of $\$ 173,000 /$ year over each of the next 3 years.

|  | 2014-2015 | 2015-2016 | 2016-2017 |
| :---: | :---: | :---: | :---: |
| Step \& Column Increases Included |  |  |  |
| Certificated Teachers | \$109,086 | \$133,153 | \$134,804 |
| Classified Staff | 39,639 | 27,607 | 27,611 |
| Administrators \& Confidentia/Management Staff | 15,258 | 15,637 | 15,637 |
| TOTAL | \$163,983 | \$176,398 | \$178,052 |
| Cost of Projected 3.5\% Salary Increase (Amounts included in budget) | 2014-2015 |  |  |
| Certificated Teachers | \$225,784 |  |  |
| Classified Staff | * 68,700 |  |  |
| Administrators \& Confidential/Management Staff | \% ${ }^{\text {\% }}$ - 63,563 |  |  |
| TOTAL | + l . $\$ 358,047$ |  |  |

The following schedule represents a comparison for all Governmental Funds from the $I^{\text {st }}$ Interim Fund Balances to the $\underline{2}^{\text {nd }}$ Interim Fund Balances for 2014-2015.

The General Fund change reflects reduced LCFF revenues, carry-over and Ix funds and changes in expenses as explained in the Assumption Changes section.
At this time there was not other changes to the other funds that affected the ending fund balance.


The following graph shows six years of actual enrollment and projections. The actual enrollment numbers, for the first 4 years, reflect our enrollment at the time of CBEDS reporting to the state, which is measured in October. The successive 2 years are projections of our enrollment based on a graduating movement by grade and a conservative Kindergarten enrollment. Actual enrollment for October 2014 CBEDS reporting is included showing a sizeable increase of 73 students over 2013. This is the largest increase for the district over the past several years. The district prepared accordingly and hired several new teachers and support staff in the beginning of this 2014-15 school year. The projections indicate this growth will hold over the next two years and the district will remain vigilant of these projections and their implications.

Enrollment Actuals \& Projections for Gustine (as of 3/13/15)

| Grades |  | 2011-2012 <br> Oct 2011 CBEDS Actuals | $\begin{gathered} 2012-2013 \\ \text { Oct 2012 } \\ \text { CBEDS } \\ \text { Actuals } \end{gathered}$ | 2013-2014 <br> Oct 2013 CBEDS Actuals | 2014-2015 <br> Oct 2014 <br> CBEDS <br> Actuals | Projected 2015-2016 CBEDS | Projected 2016-2017 CBEDS |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Kindergarten |  | 124 | 145 | 138 | 166 | 140 | 140 |
| 1st Grade |  | 144 | 133 | 128 | 126 | 166 | 140 |
| 2nd Grade |  | 119 | 144 | 133 | 129 | 126 | 166 |
| 3rd Grade |  | 133 | 124 | 144 | 144 | 129 | 126 |
| 4th Grade |  | 133 | 146 | 119 | 148 | 144 | 129 |
| 5th Grade |  | 149 | 136 | 144 | 117 | 148 | 144 |
| 6th Grade |  | 139 | 152 | 144 | 150 | 117 | 148 |
| 7th Grade |  | 135 | 143 | 157 | 148 | 150 | 117 |
| 8th Grade |  | 129 | 128 | 146 | 159 | 148 | 150 |
| 9th Grade |  | 145 | 135 | 146 | 160 | 159 | 148 |
| 10th Grade |  | 123 | 141 | 131 | 146 | 160 | 159 |
| 11th Grade |  | 115 | 124 | 142 | 135 | 146 | 160 |
| 12th Grade |  | 136 | 108 | 118 | 135 | 135 | 146 |
| Total Enrollment | ( Acruats | 1724 | 1759 | 1790 | 1863 |  |  |
|  | Projected |  |  |  |  | 1868 | 1873 |
| Increase (Decrease) in Enrollinent |  | (11) | 35 | 31 | \%-73 | \% | 5 |
| P-2 ADA | Actuals | 1630.33 | 1649.85 | 1707.33 |  |  |  |
|  | Projected $94.58 \%$ | 94.57\% | 33.2008 | 25sphit | 1762.03 | 1763.76 | 1771.49 |
|  | County/VPS ADA | 15.10 | 13.02 | 13.06 | 16.00 | 16.00 | 16.00 |
|  | LCFF ADA (formerly Rev Limit) | 1654.15 | 1662.87 | 1720.39 | 1778.03 | 1779.76. | $1787.49$ |
| Increase (Decrease) in LCFF (RL) ADA |  | 2.87 | 8.72 | 57.52 | 57.64 | 1.73 | 7.73 |

In closing, we would like to acknowledge that we appreciate the fiscal support provided by the Gustine Unified School District Board of Trustees, Staff and the Community for the development, implementation, and maintenance of an excellent educational program for the students of Gustine Unified School District.
Sincerely,

# GUSTINE UNIFIED SCHOOL DISTRICT 

Meeting of the Board of Education
MEETING DATE: March 18, 2015

AGENDA ITEM TITLE: GO Bond Financing Approval
AGENDA SECTION: Action
PRESENTED BY: Dr. Ron Estes, Superintendent
SUMMARY
Board approval is requested for the Preliminary Official Statement for sale of General Obligation Bonds, 2015 Series A, in the amount of $\$ 4$ million.

FISCAL IMPACT: Bond Proceeds Received
BUDGET CATEGORY: General Fund
RECOMMENDED ACTION: Approve

# NEW ISSUE - BOOK ENTRY ONLY 

RATING: Standard \& Poor's: "_"
(See "RATING" herein.)
In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as described herein, corporations. 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.

# $\$ 4,000,000^{*}$ <br> GUSTINE UNIFIED SCHOOL DISTRICT (Merced County, California) GENERAL OBLIGATION BONDS, 2014 ELECTION, 2015 SERIES A (Bank Qualified) 

Dated: Date of Delivery
Due: August 1, as shown on inside cover.
The Gustine Unified School District (Merced County, California) General Obligation Bonds, 2014 Election, 2015 Series A (the "Bonds") are being issued by the Gustine Unified School District (the "District") to finance the acquisition, construction, furnishing and equipping of District facilities and to pay certain costs of issuance associated therewith, as more fully described herein under the caption "THE PROJECTS." The Bonds were authorized at an election within the District held on November 4, 2014 (the "Election") at which at least fifty-five percent of the registered voters voting on the proposition voted to authorize the issuance and sale of $\$ 15,000,000$ aggregate principal amount of general obligation bonds of the District (the "Authorization").

The Bonds are general obligations of the District only and are not obligations of the County of Merced (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 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 $\qquad$ 1, 2015. 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 optional and mandatory redemption prior to maturity as described herein. See "THE BONDS Redemption" herein.

The District has applied for a policy of municipal bond insurance which, if purchased, will guarantee the payment of principal and interest on any insured Bonds when due, under an insurance policy to be issued concurrently with the Bonds.

## 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 issuer. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Denver, Colorado. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about $\qquad$ , 2015.

## STIFEL LOGO

The Date of this Official Statement is: $\qquad$ 2015.

[^0]
## MATURITY SCHEDULE

## \$

Gustine Unified School District
(Merced County, California)
General Obligation Bonds, 2014 Election, 2015 Series A

| Maturity <br> (August 1) | Principal <br> Amount | Interest <br> Rate |
| :---: | :---: | :---: |

$\qquad$ \% Term Bonds due August 1, 20 - Yield $\qquad$ \% CUSIP (

No dealer, broker, salesperson or other person has been authorized by the Gustine Unified 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 Merced, the County of Merced 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 MERCED COUNTY POOLED INVESTMENT FUND."

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

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

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

# GUSTINE UNIFIED SCHOOL DISTRICT <br> Merced County, State of California 

## Board of Education

Pat Rocha, President
Linetta Borrelli, Member
Crickett Brinkman, Member
Ernie Longoria, Member
Loretta Rose, Member

## District Administrators

Ronald J Estes, Ed.D., Superintendent
Lizett Aguilar, Chief Business Officer

## SPECIAL SERVICES

Bond Counsel and Disclosure Counsel
Dannis Woliver Kelley
Long Beach, California

## Financial Advisor

Isom Advisors, a Division of Urban Futures Incorporated
Walnut Creek, California

## Paying Agent, Transfer Agent, Registration Agent

U.S. Bank National Association

Los Angeles, California

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# $\$ 4,000,000^{*}$ <br> GUSTINE UNIFIED SCHOOL DISTRICT <br> (Merced County, California) <br> GENERAL OBLIGATION BONDS, 2014 ELECTION, 2015 SERIES A (BANK QUALIFIED) 

## INTRODUCTION

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

The Gustine Unified School District (the "District") proposes to issue $\$ 4,000,000^{*}$ aggregate principal amount of its General Obligation Bonds, 2014 Election, 2015 Series A (the "Bonds") under and pursuant to a bond authorization (the "Authorization") for the issuance and sale of not more than $\$ 14,000,000$ of general obligation bonds approved by $55 \%$ or more of the qualified voters of the District voting on the proposition at a general election held on November 4, 2014 (the "Election"). Subsequent to the issuance of the Bonds, $\$ 11,000,000^{*}$ aggregate principal amount of 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 was unified on January 25, 1971 and consists of an area of approximately 224 square miles in the western portion of Merced County (the "County"). The District is comprised of the cities of Gustine and Santa Nella and unincorporated areas of the County. The District is located approximately 102 miles south of the City of Sacramento and 105 miles southeast of the City of San Francisco in the northern central valley of the State. The District operates five schools including one elementary school providing kindergarten through ___ grade education services, one middle school providing sixth through eighth grade education services, one high school, one continuation school and one adult school. The District's estimated average daily attendance for fiscal year 2014-15 is $\qquad$ students and the District has a 2014-15 total assessed valuation of \$ $\qquad$ . The District's audited financial statements for the fiscal year ended June 30, 2014 are attached hereto as APPENDIX B. For further information concerning the District, see the caption "GUSTINE UNIFIED SCHOOL DISTRICT" herein.

[^1]
## 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

## Bond Insurance

The District has applied for a policy of municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds. See "SECURITY FOR THE BONDS- Bond Insurance" herein.

## Continuing Disclosure

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

## 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 registrar, transfer agent and paying agent for the Bonds. Isom Advisors, A Division of Urban Futures Incorporated, Walnut Creek, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds. Dannis Woliver Kelley, U.S. Bank National Association and Isom Advisors will receive compensation from the District contingent upon the sale and delivery of the Bonds.

## Forward Looking Statements

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

DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARDLOOKING 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 $\qquad$ 2015.

## 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 Education of the District adopted on $\qquad$ , 2015 (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 District bond proposition submitted at the Election, which includes . 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.

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 equivalent next-day funds or by wire transfer of same day funds by U.S. Bank National Association, as paying agent (the "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 "APPENDLX E-BOOK-ENTRY ONLY SYSTEM" herein.

## Payment of the Bonds

Interest on the Bonds is payable commencing August 1, 2015, 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 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 $16^{\text {th }}$ 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, 2015, 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. 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, 20_ are not subject to redemption prior to maturity. The Bonds maturing on or after August $1,20 \ldots$, may be redeemed before maturity at the option of the District, from any source of available funds, on any date on or after August 1 , 20 $\qquad$ at a redemption price of par, plus accrued interest to the date of redemption.

Mandatory Redemption. The Bonds maturing August 1,20_ are subject to mandatory sinking fund redemption on August 1 of each Mandatory Sinking Fund Payment Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund
Payment Date Principal Amount to
(August 1)
be Redeemed

In the event that a portion of the Bonds maturing on August 1,20_ are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $\$ 5,000$ principal amount of such Bonds optionally redeemed.

## Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of
any Bond to be redeemed in part shall be in the principal amount of $\$ 5,000$ or any integral multiple thereof.

## 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. Such redemption notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSPP numbers (if any) assigned to the Bonds to be redeemed, (f) the numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount, as appropriate, of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such redemption notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date in the case of Bonds, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

## 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

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

## Transfer and Exchange

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 any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

## Book-Entry Only System

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

## Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") in the form of APPENDIX D hereto, on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. [The District has previously failed to file certain annual reports and notices of material events under its existing continuing disclosure obligations as described herein.] See "CONTINUING DISCLOSURE" and "APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

## SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:
Sources of Funds
Principal Amount of Bonds
Net Original Issue Premium Total Sources

Uses of Funds
Deposit to Building Fund
Costs of Issuance ${ }^{(1)}$
Total Uses \$5,103,016.05
(1) Payment of bond insurance premium, if any, Underwriter's discount, Bond and Disclosure Counsel fees, financial
advisory fees, rating agency fees and other costs of issuance.

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

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

The net proceeds from the sale of the Bonds (other than premium) shall be paid to the County to the credit of the Gustine Unified 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 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 at the direction of the District.

## DEBT SERVICE SCHEDULE

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

| Bond Year <br> Ending <br> August 1 |
| :--- |

Total

## 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 $\$ 14,000,000$ principal amount of general obligation bonds pursuant to an election of the qualified electors within the District on November 4, 2014. Subsequent to
the issuance of the Bonds, $\$ 11,000,000^{*}$ aggregate principal amount of general obligation bonds will remain for issuance under the Authorization.

## BOND INSURANCE

## Bond Insurance

The District has applied for municipal bond insurance for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.

Potential Bond Insurer. In the event of a default in the payment of principal of or interest on the Bonds, when all or some becomes due, any Owner of a Bond may have a claim under any applicable municipal bond insurance policy (a "Policy") secured in connection with the Bonds. Any such Policy may not insure against redemption premium, if any, with respect to the Bonds. In the event that the provider of any such Policy (an "Insurer") is unable to make payment of principal of or interest on the Bonds as such payments become due under such a Policy, the Bonds will be payable solely as otherwise described herein. In the event that any such Insurer becomes obligated to make payments on the Bonds, no assurance can be given that such event would not adversely affect the market price of the Bonds or the marketability (liquidity) of the Bonds. See "RATING" herein.

## 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 "Strict Accountability in Local School Construction Bonds Act of 2000," known as Proposition 39, comprising Section 15264 et seq. of the Education Code, 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 (the "Project List"). The following description includes, in relevant part, the Project List. The District will prioritize and will not undertake to complete all components of the Project List, a portion of which is printed below.

## Project List

## [INSERT PROJECT LIST]

The District intends to apply the proceeds of the Bonds to finance $\qquad$ but may apply the proceeds to any of the aforementioned projects.

## 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.

[^2]
## 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 Treasurer's enforcement procedures (i.e., seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31 . A $10 \%$ penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the 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 XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

The State Constitution currently requires a credit of $\$ 7,000$ of the taxable value of an owneroccupied 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 tables presents the historical assessed valuation in the District since fiscal year 2004-05. The District's total assessed valuation is $\$$ $\qquad$ for fiscal year 2014-15.

# GUSTINE UNIFIED SCHOOL DISTRICT <br> Summary of Assessed Valuations <br> Fiscal Years 2004-05 Through 2014-15 

| Fiscal |
| :---: |
| Year |$\quad$ Local Secured

Utility \begin{tabular}{c}
Unsecured

 

Annual <br>
$\%$ Change
\end{tabular}

2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14
2014-15

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood 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."

## Appeals of Assessed Valuations

Under California law, 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 residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS - Article XIIIA of the California Constitution."

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

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

## Assessed Valuation by Land Use

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

# GUSTINE UNIFIED SCHOOL DISTRICT 2014-15 Assessed Valuation and Parcels by Land Use 

Non-Residential:

| 2014-15 | $\%$ of <br> Assessed Valuation | No. of <br> Total | Parcels of <br> Potal |
| :---: | :---: | :---: | :---: |

[^3][Remainder of page intentionally left blank.]

## 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 2014-15.

## GUSTINE UNIFIED SCHOOL DISTRICT

 Per Parcel 2014-15 Assessed Valuation of Single Family HomesSource: California Municipal Statistics, Inc.

## Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2014-15.

GUSTINE UNIFIED SCHOOL DISTRICT
2014-15 Largest Total Secured Taxpayers

[^4]
## Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Areas in the County within the District for fiscal years 2010-110 through 2014-15:

# GUSTINE UNIFIED SCHOOL DISTRICT <br> Typical Tax Rate per \$100 Assessed Valuation 

| (TRA ${ }^{1}$ ) |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| General | $\underline{2010-11}$ | $\underline{2011-12}$ | $\underline{2012-13}$ | $\underline{2013-14}$ | $\underline{2014-15}$ |  |  |  |
| 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.000000 |  |  |  |  |

${ }^{(1)}$ The 2014-15 assessed valuation of TRA $\qquad$ is $\$$ $\qquad$ which is $\qquad$ $\%$ of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

## Direct and Overlapping Debt

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

The following table is a statement of the District's direct and estimated overlapping bonded debt as of $\qquad$ , 2015:

## GUSTINE UNIFIED SCHOOL DISTRICT DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

[^5]
## 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 will be implemented in stages, beginning in fiscal year 2013-14 and will be fully implemented in fiscal year 2020-21. Prior to adoption of the Local Control Funding Formula, the State used a revenue limit system described below.

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

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

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

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

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

The following table sets forth the ADA by grade span, enrollment and the percentage of EL/LI enrollment for fiscal years 2012-13 through the current year.

## ADA, ENROLLMENT AND ENGLISH LANGUAGE/LOW INCOME ENROLLMENT Fiscal Years 2012-13 through 2014-15 Gustine Unified School District



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 1.94\% 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 districtwide 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. On or before October 1, 2015, the State Board of Education is required to develop 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 (i) to modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

The State revenue limit was calculated three times a year for each school district. The first calculation was performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations were reviewed by the County Office of Education and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of State aid owed to such school district and notify the State Controller of the amount, who then distributed the State aid.

The calculation of the amount of State aid a school district was entitled to receive each year was a five-step process. First, the prior year State revenue limit per ADA was established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year State revenue limit per ADA was inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for the school districts. Third, the current year's State revenue limit per ADA for each school district was multiplied by such school district's ADA for either the current or prior year, whichever is greater. Fourth, revenue limit add ons were calculated for each school district if such school district qualified for the add ons. Add ons included the necessary small school district adjustments, meals for needy pupils and small school district transportation, and were added to the State revenue limit for each qualifying school district. Finally, local property tax revenues were deducted from the State revenue limit to arrive at the amount of State aid based on the State revenue limit each school district was entitled to for the current year

## Revenue Sources

Major revenue sources of the District's general fund are described below.
Revenue Limit Sources and LCFF. State funding under the LCFF consists of Base Grants and supplemental grants. For the 2012-13 fiscal year, the District received \$ $\qquad$ from revenue limit
sources, constituting approximately $\qquad$ $\%$ of its general fund revenue. For the 2013-14 fiscal year, the District received \$ $\qquad$ from revenue limit sources, constituting approximately $\qquad$ $\%$ of its general fund revenue. For the 2014-15 fiscal year, the District has budgeted the receipt of $\$$ $\qquad$ from the LCFF, which replaced revenue limit sources in 2013-14, constituting approximately __ \% of its budgeted general fund revenue.

Other State Revenues. In addition to the LCFF, the District receives substantial other State revenues ("State Sources"). State Sources equaled approximately _ \% of total general fund revenues in 2012-13, approximately _ \% of such revenues in 2013-14, and are budgeted to equal approximately _ $\%$ of such revenues in 2014-15.

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 Drug-Free Schools and No Child Left Behind. The federal revenues, most of which are restricted, equaled approximately _ \% of total general fund revenues in 2012-13, approximately __ \% of such revenues in 2013-14, and are budgeted to equal approximately
$\qquad$ $\%$ of such revenues in 2014-15.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues. ${ }^{-}$These other local revenues equaled approximately $\qquad$ \% of total general fund revenues in 2012-13, approximately _ \% of such revenues in 2013-14, and are budgeted to equal approximately
$\qquad$ $\%$ of such revenues in 2014-15.

Developer Fees. The District maintains a fund, separate and apart from the general fund, to account for developer fees collected by the District. In 2014-15, residential development is assessed a fee of \$ $\qquad$ per square foot, and commercial development is assessed a fee of $\$$ $\qquad$ per square foot. The following table lists the annual developer fees generated since fiscal year 2008-09.

## DISTRICT DEVELOPER FEES

Fiscal Years 2008-09 through 2013-14
Gustine Unified School District

| Fiscal Year | Developer Fees <br> Collected |
| :--- | :--- |
| $2008-09$ |  |
| $2009-10$ |  |
| $2010-11$ |  |
| $2011-12$ |  |
| $2012-13$ |  |
| $2013-14$ |  |

Source: The District.

## 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. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. 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.

For both dual and single budgets submitted on 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 Superintendent of Public Instruction of all school districts whose budget has been disapproved.

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

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.
[The District has filed positive certifications for each reporting period in the last five years.]
General Fund Budget. The District's general fund adopted budgets for fiscal years 2011-12 through 2014-15, audited actuals for the fiscal years 2011-12 through 2013-14 and projected results for fiscal year 2014-15, are set forth on the following page.

$$
\begin{aligned}
& \text { REVENUES } \\
& \text { Revenue Limit/LCFF Sources } \\
& \text { Federal } \\
& \text { Other State } \\
& \text { Other Local } \\
& \text { Total Revenues } \\
& \\
& \text { EXPENDITURES } \\
& \text { Certificated Salaries } \\
& \text { Classified Salaries } \\
& \text { Employee Benefits } \\
& \text { Books and Supplies } \\
& \text { Services, Other Operating Expenses } \\
& \text { Capital outlay } \\
& \text { Other Outgo } \\
& \text { Total Expenditures } \\
& \text { EXCESS (DEFICIENCY) OR } \\
& \text { REVENUES OVER (UNDER) } \\
& \text { EXPENDITURES } \\
& \text { OTHER FINANCING SOURCES (USES) } \\
& \text { Interfund Transfers in } \\
& \text { Interfund transfers out } \\
& \text { Total Other Financing Sources and Uses } \\
& \text { Excess (Deficiency) of Revenues and Other } \\
& \text { Financing Sources Over (Under) } \\
& \text { Expenditures and Other Financing Sources } \\
& \text { Fund Balance, July } 1 \\
& \text { Fund Balance, June } 30 \\
& \hline \text { Source: The District. }
\end{aligned}
$$

## 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, 2013, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 1500 Meredith Avenue, Gustine, California 95322. See APPENDIX C hereto for the 2013-14 Audited Financial Statements of the District.

The following tables reflect the District's audited general fund revenues, expenditures and fund balances from fiscal year 2010-11 to fiscal year 2013-14:

## GUSTINE UNIFIED SCHOOL DISTRICT GENERAL FUND

Statement of Revenues, Expenditures and Change in Fund Balances<br>for Fiscal Years 2010-11, 2011-12, 2012-13 and 2013-14

## REVENUES

Revenue Limit Sources
Federal Revenues
Other State Revenues
Other Local Revenues
TOTAL REVENUES

## EXPENDITURES

Certificated salaries
Classified salaries
Employee benefits
Books and supplies
Services and other operating expenditures
Capital Outlay
Other outgo
TOTAL EXPENDITURES
Excess (Deficiency) of Revenues
Over Expenditures

## OTHER FINANCING SOURCES (USES):

Operating Transfers In
Operating Transfers Out

## TOTAL OTHER FINANCING SOURCES

(USES)
Net Change in Fund Balances
Fund Balance at Beginning of Year
Fund Balance at End of Year
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.

2014-15 State Budget. The Governor signed the State Budget for fiscal year 2014-15 ("the 2014-15 State Budget") into law on June 20, 2014. The 2014-15 State Budget reduced State debt by more than $\$ 10$ billion by paying down deferrals to $\mathrm{K}-12$ schools by $\$ 5$ billion, paying off the Economic Recovery Bonds, repaying various special fund loans and funding $\$ 100$ million in mandate claims that had been owed to local governments. The 2014-15 State Budget also set forth a plan of shared responsibility among the State, school districts and teachers to shore up STRS, the teacher's pension system. By increasing teacher contributions over the next decades from 19.3 percent to 37.5 percent under the 2014-15 State Budget, STRS unfunded liability was projected to be eliminated by 2047. The legislature placed a Constitutional amendment (the "Rainy Day Fund") on the November ballot that required both saving for a rainy day and the pay down of liabilities. The Constitutional amendment was approved by the voters at the November 2014 election. Deposits to a rainy day fund are now required whenever capital gains revenues rise to more than eight percent of general fund tax revenues and 1.5 percent of general fund revenues will be aside annually. Deposits to the Rainy Day Fund are limited to 10 percent of general fund revenues. In addition, a Proposition 98 reserve has been created to smooth school spending and avoid future cuts. See "-Rainy Day Fund" and "SB 858 " below.

The 2014-15 State Budget included total K-12 education funding of $\$ 76.6$ billion ( $\$ 45.3$ general fund and $\$ 31.3$ billion other funds). The 2014-15 State Budget included Proposition 98 funding of $\$ 60.9$ billion for 2014-15, an increase of $\$ 5.6$ billion over the 2013 Budget Act level. When combined with increases of $\$ 4.4$ billion in 2012-13 and 2013-14, the 2014-15 State Budget provided a $\$ 10$ billion increased investment in K-14 education. Proposition 98 funding for K-12 education grew by more than $\$ 12$ billion from the 2011-12 fiscal year to the 2014-15 fiscal year, representing an increase of more than $\$ 1,900$ per student.

Significant features of the 2014-15 State Budget impacting K-12 education included:

- Local Control Funding Formula - An increase of $\$ 4.75$ billion Proposition 98 funding to continue the transition to LCFF closing the remaining funding implementation gap by more the 29 percent.
- K-12 Deferrals - The Budget repaid nearly $\$ 4.7$ billion Proposition 98 funding for K-12 expenses.
- Independent Study - The Budget streamlined the existing independent study program, reduced administrative burdens and freed up time for teachers to spend on student
instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.
- K-12 Mandates - An increase of $\$ 400.5$ million in one-time Proposition 98 funding to reimburse K-12 local educational agencies for the costs of State-mandated programs.
- K-12 High-Speed Internet Access - An increase of $\$ 26.7$ million in one-ttime Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to local educational agencies to address Common Core implementation with funds targeted to those local educational agencies most in need of help securing internet connectivity and infrastructure to implement Common Core.
- Career Technical Education Pathways Program - An increase of $\$ 250$ million in one-time Proposition 98 funding to support a second cohort of competitive grants for participating K -14 local educational agencies.
- Child Care and State Preschool Slots - $\$ 57$ million general fund and $\$ 30$ million Proposition 98 funding for 500 slots for the Alternative Payment program, 1,000 slots for General Child Care, 7,500 part-day State Preschool slots, and 7,500 part-day wrap around care slots.

Rainy Day Fund. The 2014-15 State Budget proposed certain constitutional amendments to the Rainy Day Fund on the November 2014 ballot, which proposition was approved by the voters. Such constitutional amendments (i) required deposits into the Rainy Day Fund whenever capital gains revenues rise to more than eight percent of general fund tax revenues (and the 2014-15 State Budget noted that capital gains revenues were expected to account for approximately $9.8 \%$ of general fund revenues in fiscal year 2014-15); (ii) set the maximum size of the Rainy Day Fund at $10 \%$ of general fund revenues; (iii) for the next 15 years, required half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, required at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allowed the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) required the State to provide a multiyear budget forecast; and (vi) created a Proposition 98 reserve (the Public School System Stabilization Account) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. As part of the 2014-15 State Budget, the Governor signed Senate Bill 858 ("SB 858") which includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Such provisions became effective when the State voters approved the constitutional amendments relating to the Rainy Day Fund described above. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an Average Daily Attendance ("A.D.A.") of less than 400,000 , is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000 , is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a
school district a waiver from this limitation on reserves for up to two consecutive years within a threeyear period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000 , is required to maintain a reserve for economic uncertainty in an amount equal to $3 \%$ of its general fund expenditures and other financing uses. The District's original adopted budget for fiscal year 2014-15 projected total expenditures and other financing uses of approximately \$__ million, $3 \%$ of which is approximately \$__ million. The estimated maximum amount permitted under SB 858 in fiscal year 2014-15, if SB 848 were in effect for such fiscal year, would be approximately $\$ \ldots$ million. The District's original adopted budget for fiscal year 2014-15 projected a combined assigned and unassigned ending fund balance of approximately $\$$ million, which is approximately $\$$ _ million more than the maximum that would be permitted under SB 858 if SB 858 were in effect. SB 858 would not adversely affect the payment of principal of and interest on the Bonds as and when due. See "DISTRICT FINANCIAL INFORMATION- General Fund" above for information relating to the District's 2014-15 adopted budget."

Proposed 2015-16 State Budget. Governor Brown announced his proposed State budget for fiscal year 2015-16 (the "Proposed 2015-16 State Budget") on January 9, 2015. Continued moderate expansion of the State economy is assumed in the Proposed 2015-16 State Budget as well as temporary above normal capital gains tax revenues. Revenues are budgeted to be $\$ 108$ billion in 2014-15 and $\$ 113.4$ billion in 2015-16 and will exceed expenditures of $\$ 111.7$ billion and $\$ 113.3$ billion in fiscal years 2014-15 and 2015-16, respectively, for balanced budgets in both fiscal years. The Proposed 2015-16 Budget focuses expenditures on existing liabilities as well as the State's Rainy Day Fund. Deposits to the Rainy Day fund of $\$ 1.6$ billion in 2014-15 and $\$ 1.2$ billion in 2015-16 will yield a Rainy Day fund balance of $\$ 2.8$ billion at the close of 2015-16. $\$ 1$ billion in deferrals of apportionments to schools and community colleges are repaid, the final $\$ 15$ billion payment on the Economic Recovery Bonds is made and local governments are paid $\$ 533$ million in mandate reimbursements. In addition, a plan to slow the growth of retiree health care benefit costs is proposed which would maintain those benefits for career State employees but share the cost of pre-funding those benefits between employees and the State.

Total K-12 total per-pupil funding is proposed to increase by $\$ 2,600$ per student over 2011-12 funding levels to reach $\$ 13,462$ in 2015-16. Proposition 98 funding is increased by $\$ 7.8$ billion over three years with K-14 spending proposed to be $\$ 63.2$ billion in 2014-15 and $\$ 65.7$ billion in 2015-16. An additional $\$ 4$ billion is committed to the LCFF to eliminate an estimated $32 \%$ of the remaining funding gap to full implementation of the LCFF. The Proposed 2015-16 State Budget also includes raising the limits on tax rates and amount of bonded indebtedness for school districts to increase school districts' ability to issue local general obligation bonds.

Significant features of the Proposed 2015-16 State Budget related to funding of K-12 education are as follows:

- Common Core- $\$ 1.1$ billion in one-time Proposition 98 funding for implementation of common core, newly introduced standards for evaluating student achievement in English language arts and mathematics, to be distributed on the basis of ADA .
- School District LCFF- $\$ 4$ billion in Proposition 98 funding for school districts and charter schools in 2015-16.
- K-12 Deferrals - $\$ 900$ million in one-time Proposition 98 funding in 2014-15 to eliminate all remaining outstanding deferral debt for K-12.
- Energy Efficiency (Proposition 39) - $\$ 320.1$ million and $\$ 39.6$ million to school districts and community college districts, respectively for energy efficiency projects, $\$ 5.3$ million to the California Conservation Corps for technical assistance to school districts and community college districts and $\$ 3$ million to the Workforce Investment Board for implementation of the job-training program.
- Emergency Repair Program - $\$ 273.4$ million in one-time Proposition 98 funding for the Emergency Repair Program. This funding will retire the State's facilities funding obligation under the terms of the Williams lawsuit settlement agreement.
- Technology Infrastructure - $\$ 100$ million Proposition 98 funds to support internet connectivity and infrastructure.
- Local Property Tax Adjustments-A decrease of $\$ 11.4$ million Proposition 98 funding for the school district and county office of education in 2014-15 as a result of higher offsetting property tax revenues. A decrease of $\$ 1.7$ billion in Proposition 98 General Fund for school districts and county offices of education in 2015-16 as a result of increased offsetting local property tax revenues.
- Average Daily Attendance- $\$ 197.6$ million in 2014-15 for school districts and county offices of education as a result of an increase in projected ADA from the 2014 Budget Act, and a decrease of $\$ 6.9$ million in 2015-16 for school districts and county offices of education as a result of projected decline in ADA for 2015-16.
- Career Technical Education- $\$ 250$ million Proposition 98 funding to support career technical education and a requirement that school districts and county offices of education provide a dollar per dollar match. Priority for receipt of CTE funds will go to local educational agencies that provide CTE in conjunction with other local education agencies on a regional basis.
- Charter Schools- $\$ 59.5$ million Proposition 98 General Fund to support projected charter school ADA growth.
- Special Education- $\$ 15.3$ million Proposition 98 funding to reflect a projected increase in Special Education ADA.
- COLA Increases- $\$ 71.1$ million to support a 1.58 percent cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- Full-Day State Preschool Slots- $\$ 14.8$ million Proposition 98 funds and $\$ 18.8$ million non-Proposition 98 funds to support 4,000 State Preschool slots with full-day wraparound care.

Litigation Regarding State Budgetary Provisions. On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners alleged that the fiscal year 2011-12 State budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the
minimum funding guarantee of approximately $\$ 2.1$ billion. The CSBA Petition sought an order from the Court compelling the State Director of Finance, State Superintendent and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution. On May 31, 2012, the court denied the CSBA Petition, finding that Proposition 98 does not prohibit the State from assigning sales tax revenues to a special fund that previously were deposited into the State general fund. The Court also found that, upon doing so, the State was not required to rebench the minimum funding guarantee. On July 27, 2012, the petitioners filed a notice of appeal of the court's decision. On March 1, 2013, the California State Court of Appeals, First District, determined that the lawsuit was made moot by the passage of Proposition 30 (See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES- Proposition 30" below); the court did not rule on the merits of the case.

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

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

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

## Article XIIIA of the California Constitution

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

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

Article XIIIA requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. Article XIIIA exempts from the $1 \%$ tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) 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 interest on the Bonds and the 2010 Bonds falls within the exception described in (c) of the immediately preceding sentence. The tax base for payment of the principal of, and interest on, the bonds sold under the District's 1993 Authorization (as defined herein) falls within the exemption described in (b) above. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

## Legislation Implementing Article XIIIA

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

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

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

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

## Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. Stateassessed unitary and certain other property is allocated to the County by SBE, taxed at special countywide 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 XIIIB of the California Constitution

Article XIIIB of the State Constitution ("Article XIIIB"), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines
(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and
(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

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

## Article XIIIC and Article XIIID of the California Constitution

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

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

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

## Proposition 26

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

## Proposition 98

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

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is 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 XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

The most significant provisions of Proposition 111 are summarized as follows:
a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of
"change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, $50 \%$ of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, $100 \%$ of excess State tax revenues went to K-14 school districts, but only up to a maximum of $4 \%$ of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above 1990 levels (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $\$ 15$ billion in additional taxes from 1990 through 2000 to fund transportation programs.
d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
e. 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 XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

## Proposition 39

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

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

## Jarvis v. Connell

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

## Proposition 1A and Proposition 22

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

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

On December 30, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx 127 , a companion bill to ABx 126 , 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. ABxl 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx 126 , 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 ABxl 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other "enforceable obligations" (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in
excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

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

## Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of $0.25 \%$ of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2017. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of $0.25 \%$ of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019 : Proposition 30 increases the marginal personal income tax rate by: (i) $1 \%$ for taxable income over $\$ 250,000$ but less than $\$ 300,000$ for single filers (over $\$ 340,000$ but less than $\$ 408,000$ for joint filers), (ii) $2 \%$ for taxable income over $\$ 300,000$ but less than $\$ 500,000$ for single filers (over $\$ 408,000$ but less than $\$ 680,000$ for joint filers), and (iii) $3 \%$ for taxable income over $\$ 500,000$ for single filers (over $\$ 608,000$ for joint filers).

The revenues generated from the temporary tax increases will be 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 will be 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 will be allocated quarterly, with $89 \%$ of such funds provided to schools districts and $11 \%$ provided to community college districts. The funds will be 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 A.D.A. 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.

## State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. Legislation enacted with respect to fiscal year 2012-13 provides for additional inter-fiscal year deferrals.

On May 23, 2012, the Governor signed into law Assembly Bill 103 (Chapter 13, Statutes of 2012) ("AB 103") which extends certain provisions of SB 82 into fiscal year 2012-13. AB 103 addressed the State's ongoing cash crisis by deferring a variety of K-12 payments within fiscal year 2012-13 and
requires that fiscal year 2012-13 K-12 payments that would otherwise be made in four separate months be deferred and repaid later in fiscal year 2012-13. Specifically, Government Code Section 16326(a)(2) requires that $\$ 1.2$ billion in K-12 payments be deferred from July 2012, with $\$ 700$ million paid in September 2012 and $\$ 500$ million paid in January 2013; $\$ 600$ million be deferred from August 2012 to January 2013; $\$ 800$ million be deferred from October 2012 to January 2013; and $\$ 900$ million be deferred from March 2013 to April 2013.

AB 103 permits schools to apply for exemptions from the deferrals. The District has not filed an application for an exemption. The District is authorized to borrow temporary funds to cover annual cash flow deficits and, as a result of this legislation, the District might find it necessary to undertake a cash flow borrowing in fiscal year 2014-15.

## Future Initiatives

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

## GUSTINE UNIFIED SCHOOL DISTRICT

## Introduction

The District was unified on January 25, 1971 and consists of an area of approximately 224 square miles in the western portion of Merced County (the "County"). The District is comprised of the cities of Gustine and Santa Nella and unincorporated areas of the County. The District is located approximately 102 miles south of the City of Sacramento and 105 miles southeast of the City of San Francisco in the northern central valley of the State. The District operates five schools including one elementary school providing kindergarten through $\qquad$ grade education services, one middle school providing sixth through eighth grade education services, one high school, one continuation school and one adult school. The District's estimated average daily attendance for fiscal year 2014-15 is $\qquad$ students and the District has a 2014-15 total assessed valuation of \$ $\qquad$ . The District's audited financial statements for the fiscal year ended June 30, 2014 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: Gustine Unified School District, 1500 Meredith Avenue, Gustine, California 95322, Attention: Superintendent.

## Administration

The District is governed by a five-member Board of Education, 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 EDUCATION

## Gustine Unified School District

| Board Member | Office | Term Expires |
| :--- | :---: | :---: |
| Patricia Rocha | President | 2016 |
| Linetta Borelli | Member | 2018 |
| Crickett Brinkman | Member | 2018 |
| Loretta Rose | Member | 2016 |
| Ernie Longoria | Member | 2016 |

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:

Ronald J. Estes, Ed.D. Superintendent Estes has served as Superintendent of the District since _. Prior to joining the District, Superintendent Estes served as the Superintendent at Linden Unified School District. Superintendent Estes has a total of $\qquad$ years' experience in school administration including $\qquad$ years' experience in a school district office as well as $\qquad$ years of teaching experience. Superintendent Estes earned his Bachelor's Degree in $\qquad$ at $\qquad$ , his Doctorate Degree in Education at $\qquad$ .

## Student Teacher Ratios

On average throughout the District, the pupil to teacher ratio is approximately __: 1 in grades K-3, $\ldots: 1$ in grades 4-8 and $\qquad$ :1 in grades 9-12.

## Labor Relations

The District employs approximately ___ full-time equivalent ("FTE") certificated employees and _ FTE classified employees

The certificated employees have assigned Gustine-Romero Teachers Association ("GRTA") as their exclusive bargaining agent and the contract between the District and GRTA expires on June 30, 2016.

The classified employees of the District have assigned the California School Employees Association ("CSEA") as their exclusive bargaining agent. The contract between the District and CSEA expires on June 30, 2016.

## 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.
$\boldsymbol{S T R S}$. 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 $8.88 \%$ of eligible salary expenditures, while participants contribute $8 \%$ of their
respective salaries. The State also contributes to STRS, currently in an amount equal to $4.517 \%$ of teacher payroll. The State's contribution reflects a base contribution of $2.017 \%$ and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from $8.25 \%$ to $8.88 \%$ of covered payroll. Such rate will increase by $1.85 \%$ beginning in fiscal year 2015-16 until the employer contribution rate is $19.10 \%$ of covered payroll as further described below. Teacher contributions will also increase 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 will also increase 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 district's contribution rates will increase over a seven year phase in period in accordance with the following schedule:

| Effective Date <br> (July 1) | School District <br> Contribution Rate |  |
| :---: | :---: | :---: |
| 2014 |  | $8.88 \%$ |
| 2015 | 10.73 |  |
| 2016 | 12.58 |  |
| 2017 | 14.43 |  |
| 2018 | 16.28 |  |
| 2019 | 18.13 |  |
| 2020 | 19.10 |  |

The District contributed $\$ 526,494$ to STRS for fiscal year 2011-12, $\$ 514,252$ to STRS for fiscal year 2012-13 and $\$ 522,982$ for fiscal year 2013-14. Such contributions were equal to $100 \%$ of the required contributions for the respective years. The District has budgeted a contribution to STRS of \$ for fiscal year 2014-15. 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 $11.771 \%$ of eligible salary expenditures for fiscal year 2014-15, while participants contribute $7 \%$ of their respective salaries.

Effective July 1, 2014, the Board of Administration of PERS adopted new contribution rates for school districts. The new contribution rates resulted in large part from new 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 are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimates that the new demographic assumptions could 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 future experiences differ from PERS' current assumptions, the required employer contributions may vary.

The District contributed $\$ 162,470$ to PERS for fiscal year 2011-12, $\$ 165,748$ for fiscal year 2012-13 and $\$ 195,026$ for fiscal year 2013-14, which amounts equaled $100 \%$ of required contributions to PERS. The District has budgeted a contribution to PERS of \$ $\qquad$ for fiscal year 2014-15.

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 actuariallydetermined accrued liability for PERS and STRS as of July 1, 2013.

## FUNDED STATUS STRS (DEFINED BENEFIT PROGRAM) and PERS <br> Actuarial Valuation as of July 1, 2013 <br> (Dollar Amounts in Millions) ${ }^{(1)}$

| Plan | Accrued <br> Liability | Value of Trust Assets | Unfunded Liability |
| :---: | :---: | :---: | :---: |
| Public Employees Retirement Fund (PERS) | \$61,487 | \$49,482 | \$(12,005) |
| State Teachers' Retirement Fund Defined Benefit Program (STRS) | 222,281 | 148,614 | $(73,667)$ |

[^6]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.

## On-Behalf of Payments

During fiscal year 2013-14, the District was the recipient of on-behalf of payments made by the State to STRS for K-12 education. The payments consisted of contributions to STRS in the amount of $\$ 332,106$ ( $5.204 \%$ of 2011-12 creditable compensation subject to STRS).

## 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.

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 provides Health \& Welfare Benefits to qualified eligible employees and their spouses who retire from the District on or after attaining age _ with at least _ years of service to the District. As of July 1, 2012, 13 employees and their beneficiaries were receiving Health and Welfare Benefits and 107 employees were active plan members.

Expenditures for post-employment healthcare benefits are recognized on a pay-as-you-go basis. During the fiscal years ended June 30, 2012, June 30, 2013 and June 30, 2014, the District recognized $\$ 330,508, \$ 366,503$ and $\$ 363,254$ in expenditures for post-employment healthcare benefits, respectively. The District has completed an actuarial study of its Health and Welfare Benefits dated July 30, 2012. Based on that study, the District's Annual Required Contribution is $\$ 375,470$ and its unfunded actuarial accrued liability is $\$ 3,028,118$. The District has not set aside any amounts to fund its OPEBs.

## FUNDED STATUS

OTHER POST-EMPLOYMENT BENEFITS

| Fiscal Year Ended (June 30) | Annual OPEB Cost | Percentage of Annual Cost Contributed | Net OPEB Obligation |
| :---: | :---: | :---: | :---: |
| 2014 | \$363,254 | 60\% | \$829,449 |
| 2013 | 366,503 | 50 | 685,166 |
| 2012 | 330,508 | 63 | 502,886 |

## Source: The District.

## 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 three joint powers agreements with the i) Self Insured Schools of California ("SISC III"), ii) the Merced County Schools Insurance Group I ("MCSIG I") and iii) the Central Region Schools Insurance Group ("CRSIG"). 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 C -2013-14 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT - Note 13" 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.

## District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2014, is shown below:

| , | Balance <br> July 1, 2013 | Additions | Deductions | $\begin{gathered} \text { Balance } \\ \text { June } 30,2014 \end{gathered}$ | Amounts Due Within One Year |
| :---: | :---: | :---: | :---: | :---: | :---: |
| QZAB lease obligation | \$1,610,000 | -- | \$1,610,000 | -- | -- |
| Certificates of Participation | 7,580,000 | -- | 195,000 | \$7,385,000 | \$200,000 |
| Construction Settlement | 523,085 | -- | 65,386 | 457,699 | 65,386 |
| Capitalized lease obligations | - | \$225,560 | 46,862 | 178,698 | 43,147 |
| Compensated absences | 73,870 | -- | 15,862 | 58,008 | -- |
| Net OPEB Obligation | 685,166 | 144,283 | - | 829,449 | - - |
| Total Long-Term liabilities | \$10,472,121 | \$369,843 | \$1,933,110 | \$8,908,854 | \$308,533 |

## Source: The District.

General Obligation Bonds. Pursuant to the Authorization, the District received authorization to issue $\$ 14,000,000$ principal amount of general obligation bonds. The Bonds are the first series of bonds
to be issued under the Authorization. Subsequent to the issuance of the Bonds, $\$ 11,000,000^{*}$ principal amount of general obligations bonds remain for issuance under the Authorization.

## Certificates of Participation

On March 15, 2007, the District executed and delivered $\$ 8,640,000$ principal amount of Certificates of Participation (the "Certificates") which mature through 2037. On June 30, 2014, the Certificates were outstanding in the principal amount of $\$ 7,385,000$. The annual payments with respect to the Certificates (assuming no optional redemptions) through maturity are as follows:

| Year ended June 30 | Principal | Interest | Total |
| :---: | :---: | :---: | :---: |
| 2015 | \$200,000 | \$313,850 | \$513,850 |
| 2016 | 210,000 | 305,850 | 515,850 |
| 2017 | 215,000 | 297,713 | 512,713 |
| 2018 | 225,000 | 1,595,569 | 1,820,569 |
| 2019 | 235,000 | 280,663 | 515,663 |
| 2020-2024 | 1,310,000 | 1,255,119 | 2,565,119 |
| 2025-2029 | 1,595,000 | 956,804 | 2,551,804 |
| 2030-2034 | 1,985,000 | 576,188 | 2,561,188 |
| 2035-2037 | $\cdots 1,410,000$ | 125,125 | 1,535;125 |
| Total | \$7,385,000 | \$5,706,881 | \$13,091,8810 |

The District entered into agreements to lease buses during fiscal year ended June 30, 2014. The District's minimum lease payments under its capital leases are as follows:

| Year ended June 30 |  | Lease Payment |
| ---: | :---: | :---: |
| 2015 |  | 47,303 |
| 2016 | 47,303 |  |
| 2017 | 47,303 |  |
| 2018 |  | 47,303 |
| Total payments | $\$ 189,212$ |  |
| Less amount representing interest |  | $(10,514)$ |
| Net future minimum payments | $\$ 178,698$ |  |

## THE MERCED COUNTY POOLED INVESTMENT FUND

The following information concerning the Merced County Pooled Investment Fund has been provided by the Treasurer and has not been confirmed or verified by the District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

Under California law, the District is required to pay all monies received from any source into the Merced 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.

[^7]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.

# MERCED COUNTY <br> POOLED INVESTMENT FUND PORTFOLIO REVIEW FOR QUARTER ENDING DECEMBER 31, 2014 

Portfolio Composition:<br>Book Value of Assets Held<br>Market Value of Assets Held Assets Maturing Within 90 Days<br>Percentage of Market to book Value<br>Weighted Average Maturity<br>Return on Assets:<br>Total Earnings Quarter Ended<br>Total Earnings Fiscal YTD<br>Rate of Return QTR<br>Rate of Return Fiscal YTD

## 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 2014-15 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 material 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 material events is set forth below under the caption "APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The District has never failed to file timely its annual reports under its existing continuing disclosure obligations except $\qquad$ $-$

## LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge, a form of which is attached hereto as Exhibit A. Dannis Woliver

Kelley is also acting as Disclosure Counsel to the District. Bond Counsel and Disclosure Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

## TAX MATTERS

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

Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a regulated investment company, a real estate investment trust or a real estate mortgage investment conduit. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In 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. Each of the Capital Appreciation Bonds will be deemed to be issued with original issue discount for federal income tax purposes, because the initial interest payment date is more than twelve months after such bonds will be delivered to the initial purchasers. Additional original issue discount will also result if the original offering price of a Capital Appreciation Bond (assuming that a substantial amount of the Capital Appreciation Bonds of that maturity are sold to the public at such price) is less than the amount payable on the Capital Appreciation Bond at its maturity). 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 alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum taxable income imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

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

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

## LEGALITY FOR INVESTMENT

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

## 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

Standard \& Poor's Ratings Services, a Standard \& Poor's Financial Services LLC business ("S\&P") assigned its underlying municipal bond rating of " $\qquad$ " to the Bonds. Such rating reflects only the view of S\&P and an explanation of the significance of such rating may be obtained as follows: S\&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 2088000 . There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## UNDERWRITING

Stifel, Nicolaus \& Company, Incorporated (the "Underwriter") has agreed to purchase the Bonds at the purchase price of $\$$
$\qquad$ less an Underwriter's discount of $\$$ $\qquad$ , at the rates and yields shown on the in the amount of \$ $\qquad$ 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 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.


#### Abstract

OTHER INFORMATION References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. Copies of the Resolution are available upon request from the Gustine Unified School District, 1500 Meredith Avenue, Gustine, California 95322.

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


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

GUSTINE UNIFIED SCHOOL DISTRICT

By: $\qquad$
Superintendent

## APPENDIX A

## FORM OF BOND COUNSEL OPINION

[Closing date]

Board of Education<br>Gustine Unified School District<br>1500 Meredith Avenue<br>Gustine, California 95322

Re: $\quad$ Q Gustine Unified School (Merced County, California) District General Obligation Bonds, 2014 Election, 2015 Series A

Ladies and Gentlemen:
We have acted as bond counsel for the Gustine Unified School District, Merced County, State of California (the "District"), in connection with the issuance by the District of $\$ 5,000,000$ aggregate principal amount of the District's General Obligation Bonds, 2014 Election, 2015 Series A (the "Bonds"). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53506), as amended and that certain resolution adopted by the Board of Education of the District on $\qquad$ 2015 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

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

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

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

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

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

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

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

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

Respectfully submitted,

Dannis Woliver Kelley

## APPENDIX B

## GUSTINE UNIFIED SCHOOL DISTRICT <br> AUDITED FINANCIAL STATEMENTS <br> FOR FISCAL YEAR ENDED JUNE 30, 2013

## APPENDIX C

## GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE COUNTY OF MERCED

The following information concerning Merced 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 encompasses approximately 2,020 square miles in the heart of the San Joaquin Valley. The southern portion of California's central valley is a productive agricultural area that extends from the coastal range east to the foothills of the Yosemite National Park. With its central location in the state, automobile travel from the County to the San Francisco Bay Area or the picturesque resorts of Monterey and Carmel takes about two hours. Lake Tahoe and Reno are within a four-hour drive of the County. The County was formed in 1855 from parts of Mariposa County. The city of Merced is the County seat and is the largest of six incorporated cities, which include Atwater, Livingston, Los Banos, Gustine, and Dos Palos. There are eleven unincorporated communities in the County including Castle, Delhi, Franklin/Beachwood, Fox Hills, Hilmar, Le Grand, Planada, Santa Nella, University Community, Villages of Laguna San Luis and Winton.

## Population

The following table shows historical population statistics for the cities in the County as well as the County.

# CITIES OF THE COUNTY AND THE COUNTY OF MERCED <br> Calendar Years 2010 through 2014 

| Atwater | 28,168 | 28,212 | 28,715 | 28,921 | 29,050 |
| :--- | ---: | ---: | ---: | ---: | ---: |
| Dos Palos | 4,950 | 4,956 | 5,000 | 5,034 | 5,050 |
| Gustine | 5,520 | 5,527 | 5,577 | 5,623 | 5,648 |
| Livingston | 13,058 | 13,219 | 13,433 | 13,537 | 13,793 |
| Los Banos | 35,972 | 36,397 | 36,733 | 37,004 | 37,168 |
| Merced | 78,958 | 78,986 | 79,730 | 80,572 | 81,130 |
| Balance of County | 89,167 | 89,901 | 90,851 | 91,669 | 93,083 |
| County Total | 255,793 | 257,098 | 260,039 | 262,390 | 264,922 |

2010 through 2014 data based on 2010 Census benchmark and Population Estimates for Cities, Counties, and State. Source: California State Department of Finance.

## Employment

The County civilian labor force figures are shown in the following table for the years 2010 through 2014, the most recent annual information available. These figures are County-wide and may not necessarily reflect employment trends in the District.

## MERCED COUNTY, CALIFORNIA, AND UNITED STATES Labor Force, Employment, and Unemployment ${ }^{(1)}$

| Year and Area | Labor Force | Employment | Unemployment | $\begin{gathered} \text { Unemployment } \\ \text { Rate }^{(2)} \\ \hline \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: |
| 2010 |  |  |  |  |
| Merced County | 110,200 | 89,500 | 20,600 | 18.7 |
| California | 18,336,300 | 16,068,400 | 2,267,900 | 12.4 |
| United States | 153,889,000 | 139,064,000 | 14,825,000 | 9.6 |
| 2011 |  |  |  |  |
| Merced County | 110,100 | 90,800 | 20,300 | 18.2 |
| California | 18,417,900 | 16,249,600 | 2,168,300 | 11.8 |
| United States | 153,617,000 | 139,869,000 | 13,747,000 | 8.9 |
| 2012 |  |  |  |  |
| Merced County | 111,700 | 92,800 | 18,900 | 16.9\% |
| California | 18,519,000 | 16,589,700 | 1,929,300 | 10.4 |
| United States | 154,975,000 | 142,469,000 | 12,506,000 | 8.1 |
| 2013 |  |  |  |  |
| Merced County | 112,700 | 96,100 | 16,500 | 14.7\% |
| California | 18,596,800 | 16,933,300 | 1,663,500 | 8.9 |
| United States | 155,389,000 | 143,929,000 | 11,460,000 | 7.4 |
| 2014 |  |  |  |  |
| Merced County | 113,900 | 99,300 | 14,600 | 12.8\% |
| California | 18,726,400 | 17,474,600 | 1,251,800 | 6.7 |
| United States | 155,922,000 | 146,305,000 | 9,617,000 | 6.2 |

[^8][Remainder of page intentionally left blank]

## Industry

Government is the largest employer in the County followed by agriculture, trade and manufacturing. The table below shows the estimated employment by industry group for 2010 through 2014.

## COUNTY OF MERCED <br> EMPLOYMENT BY INDUSTRY <br> ANNUAL AVERAGES 2010 through 2014 by Class of Work

|  | 2010 |  | 2011 |  | 2012 |  | 2013 |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
|  |  |  |  |  |  | 2014 |  |
| Agriculture total | 10,800 |  | 11,400 |  | 12,500 |  | 14,600 |

[^9][Remainder of page intentionally left blank]

## Major Employers Within the County

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

## COUNTY OF MERCED 2015 MAJOR EMPLOYERS

| Employer |  | Employees |
| :--- | :--- | :---: |
| County of Merced |  | 1,980 |
| Merced City School District |  | 1,300 |
| AT\&T Call Center |  | 200 |
| Merced Union High School District |  | 891 |
| Merced College |  | 800 |
| Quad Graphics | 700 |  |
| U.C. Merced |  | 500 |
| City of Merced |  | 480 |
| Scholle Corporation |  | 370 |
| WalMart | 290 |  |
| McLane Pacific |  | 250 |

Source: California Employment Development Department, City of Merced website.

## Commercial Activity

The table below shows the number of permits and taxable transactions in the County between 2007 and 2012, the most recent data available.

## COUNTY OF MERCED <br> Valuation of Taxable Transactions <br> Fiscal Years 2007 through 2012

| Year | Retail Permits | Taxable TransactionsRetail ${ }^{*}$ | Total Permits | Taxable <br> TransactionsTotal ${ }^{*}$ |
| :---: | :---: | :---: | :---: | :---: |
| 2007 | 1,992 | 1,849,230 | 3,946 | 2,517,482 |
| 2008 | 2,086 | 1,701,172 | 3,996 | 2,387,557 |
| 2009 | 1,989 | 1,264,000 | 3,617 | 2,050,459 |
| 2010 | 2,033 | 1,348,906 | 3,671 | 2,134,070 |
| 2011 | 2,030 | 1,493,623 | 3,605 | 2,374,690 |
| 2012 | 2,107 | 1,574,919 | 3,734 | 2,512,316 |

[^10]
## Transportation

State Highway 99 and U.S. Interstate Highway 5 provide access from the County to the rest of California and the western United States. Transportation between the County and the rest of California is provided by Amtrak rail passenger service as well as by four airports; Merced Regional Airport, Castle

Airport, Gustine Airport and Los Banos Municipal Airport. Local bus service is available in the City of Merced as well as connecting service between most cities in the County. The Yosemite Area Regional Transportation System connects Merced with Yosemite National Park. In addition, Greyhound buses provide passenger and freight access to western destinations.

## Education

The County has excellent higher education including Merced Community College and the University of California's tenth campus, University of California, Merced. In addition, 21 public school districts provide kindergarten through twelfth grade educational services throughout the County.

## APPENDIX D

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Gustine Unified School District (the "District") in connection with the execution and delivery of $\$ 5,000,000$ aggregate principal amount of the District's General Obligation Bonds, 2014 Election, 2015 Series A (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on September 4, 2014 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

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

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

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:
"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.
"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.
"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.
"Listed Event" means any of the events listed in Section 6 of this Disclosure Agreement.
"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 6.
"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 $\qquad$ , 2015 ("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, 2015, which would be due on April 1, 2016, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.
(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A.
(c) The Dissemination Agent shall:
(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and
(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:
(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.
(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):
(i) General fund budget for the current fiscal year;
(ii) Assessed valuations;
(iii) Largest local secured taxpayers; and
(iv) Secured tax charges and delinquencies, 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 each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

## SECTION 6. Reporting of 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 (RS Form 5701 TEB);
(vi) Tender Offers;
(vii) Defeasances;
(viii) Rating changes; or
(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:
(i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
(ii) Modifications of rights to Bondholders;
(iii) Optional, unscheduled or contingent Bond calls;
(iv) Release, substitution or sale of property securing repayment of the Bonds;
(v) Non-payment related defaults;
(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an
action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee.
(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 subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION ${ }^{7}$. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or
liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:
(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;
(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to each NRMSIR or to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: $\qquad$ , 2015

By:
Superintendent

## EXHIBIT A

## NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Gustine Unified School District
Name of Issue: \$__ General Obligation Bonds, 2014 Election, 2015 Series A
Date of Issuance: $\qquad$ 2015

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 $\qquad$ , 2015. The Issuer anticipates that the Annual Report will be filed by
$\qquad$
Dated: $\qquad$
[ISSUER/DISSEMINATION AGENT]
$\qquad$
By:

## APPENDIX E

## BOOK-ENTRY ONLY SYSTEM


#### Abstract

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.

## APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

# GUSTINE UNIFIED SCHOOL DISTRICT <br> Meeting of the Board of Education <br> MEETING DATE: March 18, 2015 

AGENDA ITEM TITLE: Resolution \#2014-15-08, Authorizing the Issuance and Sale of its General Obligation Bonds, 2014 Election, 2015 Series A in an Aggregate Principal Amount Not to Exceed Four Million Dollars

AGENDA SECTION: Action/Resolution
PRESENTED BY: Dr. Ron Estes, Superintendent

## SUMMARY

This is the Resolution needed to authorize the issuance and sale of the 2015 Series A General Obligation Bonds.

FISCAL IMPACT: Bond Proceeds Received

BUDGET CATEGORY: General Fund
RECOMMENDED ACTION: Approve Resolution

RESOLUTION OF THE BOARD OF EDUCATION OF GUSTINE UNIFIED SCHOOL DISTRICT,
AUTHORIZING THE ISSUANCE AND SALE OF ITS GENERAL OBLIGATION BONDS, 2014 ELECTION, 2015 SERIES A IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED FOUR MILLION DOLLARS
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# RESOLUTION OF THE BOARD OF EDUCATION OF GUSTINE UNIFIED SCHOOL DISTRICT, AUTHORIZING THE ISSUANCE AND SALE OF ITS GENERAL OBLIGATION BONDS, 2014 ELECTION, 2015 SERIES A IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED FOUR MILLION DOLLARS 

\#2014/15-08

WHEREAS, the issuance of not to exceed $\$ 14,000,000$ aggregate principal amount of general obligation bonds (the "Authorization") of Gustine Unified School District (the "District"), County of Merced (the "County"), State of California was authorized at an election (the "Election") held in said District on November 4, 2014, the proceeds of which are to be used for the financing of the acquisition, construction, equipping, furnishing and improvement of certain capital facilities of the District (the "Project"); and

WHEREAS, the Merced County Registrar of Voters has certified to the effect that the official canvass of returns for the Election reflected that $55 \%$ or more of the votes cast on the District's bond measure submitted to the voters at the Election (the "Measure") were cast in favor of the Measure, and such result has been entered in the minutes of the Board of Education of the District (the "Board"); and

WHEREAS, the District has not yet issued any general obligation bonds under the Authorization; and

WHEREAS, the Board has determined the need for issuance of one or more series of its general obligation bonds under the Authorization in an aggregate principal amount not to exceed Four Million Dollars ( $\$ 4,000,000$ ) in order to finance certain costs of the Project; and

WHEREAS, the Board has elected to proceed under Section 53506 et seq. of the Government Code of the State of California; and

NOW THEREFORE, IT IS ORDERED by the Board of Education of Gustine Unified School District as follows:

SECTION 1. Definitions. The following terms shall for all purposes of this Resolution have the following meanings:
"Authorized Investments" shall mean legal investments authorized by Section 53601 of the Government Code of the State of California, but only to the extent that the same are acquired at Fair Market Value.
"Authorizing Law" shall mean, collectively, (i) Section 53506 et seq. of the Government Code of the State of California, as amended and (ii) Article XIIIA of the California Constitution.
"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories including, but not limited to, through the Nominee.
"Bond Counsel" and "Disclosure Counsel" means the law firm of Dannis Woliver Kelley, as Bond Counsel to the District and a firm of nationally recognized standing with respect to the issuance of municipal obligations.
"Bond Insurer" shall mean any financial guaranty company that guarantees the scheduled payments of Principal and interest on the Bonds when due.
"Bond Insurance Policy" shall mean a policy of municipal bond insurance which guarantees the scheduled payments of Principal and interest on the Bonds when due.
"Bond Obligation" shall mean from time to time as of the date of calculation the Principal Amount thereof.
"Bond Purchase Agreement" shall mean the Bond Purchase Agreement, by and between the District and the Underwriter, relating to the Bonds.
"Bond Register" shall mean the records of the Paying Agent held on behalf of the District listing the names and address of the Owners of the Bonds.
"Bonds" shall mean the Gustine Unified School District General Obligation Bonds, (County of Merced) 2014 Election, 2015 Series A, as further designated as one or more series of Bonds, issued and delivered pursuant to this Resolution.
"Bond Year" shall mean the twelve-month period commencing August 1 in any year and ending on the last day of July in the next succeeding year, both dates inclusive, or as otherwise set forth in the Bond Purchase Agreement; provided, however, that the first Bond Year shall commence on the day the Bonds are issued and shall end on July 31, 2015, both dates inclusive, or as otherwise set forth in the Bond Purchase Agreement.
"Business Day" shall mean a day that is not a Saturday, Sunday or a day on which banking institutions in the State or the State of New York and the New York Stock Exchange are authorized or required to be closed.
"Code" shall mean the Internal Revenue Code of 1986, as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds.
"Continuing Disclosure Agreement" shall mean the Continuing Disclosure Agreement of the District for the benefit of the Owners of the Bonds.
"Costs of Issuance" shall mean all of the costs of issuing the Bonds, including but not limited to, all printing and document preparation expenses in connection with this Resolution, the Bonds and the Official Statement pertaining to the Bonds and any and all other agreements, instruments, certificates or other documents prepared in connection therewith; financial advisor fees; rating agency fees and related travel expenses; auditor's fees; CUSIP service bureau charges; legal fees and expenses of counsel with respect to the financing; the initial fees and expenses of the Paying Agent; fees for credit enhancement relating to the Bonds, if any; and other fees and expenses incurred in connection with the issuance of the Bonds, to the extent such fees and expenses are approved by the District but excluding Underwriter's discount.
"County" shall mean the County of Merced, California.
"County Office of Education" shall mean the Office of Education of the County of Merced and such other persons as may be designated by the County Office of Education to perform the operational and disbursement functions hereunder.
"Debt Service" shall have the meaning given to that term in Section 22(c) of this Resolution.
"Debt Service Fund" shall mean the Debt Service Fund established pursuant to Section 22(a) of this Resolution.
"Depository" shall mean DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the District discontinues use of the Depository pursuant to this Resolution, any other securities depository that agrees to follow procedures required to be followed by a securities depository in connection with the Bonds and that is selected by the District.
"DTC" shall mean The Depository Trust Company, New York, New York, and its successors and assigns.
"Excess Earnings Fund" shall mean the Excess Earnings Fund established pursuant to Section 23 of this Resolution.
"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10\%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the Regulations, the term "investment" will include a hedge.
"Fiscal Year" shall mean the twelve-month period commencing on July 1 of each year and ending on the following June 30 or any other fiscal year in effect for the District.
"Interest Payment Date" shall mean February 1 and August 1, commencing August 1, 2015, in each year, or as otherwise specified in the Bond Purchase Agreement, commencing on the date specified in the Bond Purchase Agreement.

[^11]"Outstanding" when used with reference to the Bonds, shall mean, as of any date, Bonds theretofore issued or thereupon being issued under this Resolution except:
(i) Bonds canceled at or prior to such date;
(ii) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to Section 16 hereof;
(iii) Bonds for the payment or redemption of which funds or eligible securities in the necessary amount shall have been set aside (whether on or prior to the maturity or redemption date of such Bonds), in accordance with Section 42 of this Resolution.
"Owner" shall mean the registered owner, as indicated in the registration books kept by the Paying Agent pursuant to this Resolution, of any Bond.
"Participant" shall mean a member of or participant in the Depository.
"Paying Agent" shall mean U.S. Bank National Association, its successors or assigns, acting in the capacity of paying agent, registrar, authenticating agent and transfer agent.
"Pledged Moneys" shall have the meaning given to that term in Section 21 of this Resolution.
"Principal" or "Principal Amount" shall mean, as of any date of calculation, with respect to the principal amount thereof.
"Principal Payment Date" shall mean August 1 in each year, or as otherwise specified in the Bond Purchase Agreement, commencing on the date specified in the Bond Purchase Agreement.
"Record Date" shall mean the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date.
"Regulations" shall mean applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.
"Resolution" shall mean this Resolution of the Board providing for the issuance and sale of the Bonds.
"S\&P" shall mean Standard \& Poor's Ratings Services, a Standard \& Poor's Financial Services LLC business, its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating agency for any reason, the term "S\&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.
"Securities Depositories" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax (212) 855-1000; and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a certificate of the District delivered to the Paying Agent.
"State" shall mean the State of California.
"Superintendent" shall mean the Superintendent of the District.
"Superintendent of Schools" shall mean the Superintendent of Schools of the County.
"Supplemental Resolution" shall mean any resolution supplemental to, or amendatory of, this Resolution, adopted by the Board in accordance with the terms hereof.
"Tax Certificate" shall mean a certificate as to arbitrage of the District delivered in connection with the issuance of the Bonds.
"Transfer Amount" shall mean the aggregate Principal Amount thereof.
"Treasurer" shall mean the Treasurer-Tax Collector of the County of Merced or any authorized deputy thereof.
"Underwriter" shall mean Stifel Nicolaus \& Company, Incorporated.
SECTION 2. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and vice versa. Except where the context otherwise requires, words importing the singular shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

SECTION 3. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Authorizing Law.

SECTION 4. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall own the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the District and the Owners from time to time of the Bonds; and the pledge made in this Resolution shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof.

SECTION 5. Terms and Conditions of Sale. The Board hereby approves of the sale of the Bonds on a negotiated basis to the Underwriter. The District has determined that conditions in the municipal marketplace are sufficiently complex that the increased flexibility the Underwriter can provide in structuring and planning the sale of the Bonds dictates sale on a negotiated basis. The Bonds shall be sold at a negotiated sale upon the direction of the Superintendent or the Chief Business Officer of the District, or any designee thereof (each, an "Authorized Officer"). The costs of sale of the Bonds, consisting of Costs of Issuance, not including any fees for credit enhancement or Underwriter's discount, are estimated at ___ percent (__\%) of the principal amount of the Bonds. The Bonds shall be sold pursuant to the terms and conditions set forth in the Bond Purchase Agreement, as described below.

SECTION 6. Designation of Finance Team. The Board hereby confirms the designation of Stifel Nicolaus \& Company, Incorporated, as underwriter, Isom Advisors, a Division of Urban Futures Incorporated, Walnut Creek, California, as Financial Advisor and the law firm of Dannis Woliver Kelley as Bond Counsel and Disclosure Counsel to the District in connection with the authorization and issuance of the Bonds. An Authorized Officer is hereby authorized to execute a legal services agreement with members of the finance team.

SECTION 7. Terms of Bonds. The Bonds shall be dated their date of delivery (or such other date as may be designated in the Bond Purchase Agreement). The Bonds shall bear interest at rates not to exceed the maximum rate permitted by law, payable on the dates as may be set forth in the Bond Purchase Agreement, and payable upon maturity, shall mature on August 1 of each of the years as set forth in the Bond Purchase Agreement, or such other maturity date as may be set forth in the Bond Purchase Agreement, through a date no later than 40 years after the date of issuance of the Bonds, or otherwise upon such other terms and conditions as shall be established for the Bonds by the Bond Purchase Agreement. The Bond Purchase Agreement may provide for the purchase of Bonds in any combination of the foregoing structures and shall provide for optional, mandatory sinking fund and other types and terms of redemption for the Bonds as shall prove most advantageous in marketing said Bonds for the District.

SECTION 8. Approval of Bond Purchase Agreement. The Superintendent or any Authorized Officer, in consultation with Bond Counsel and such other officers of the District as shall be authorized by the Board, are hereby authorized and directed to issue and deliver the Bonds and to establish the final Principal Amount thereof, provided, however, that such combined Principal Amount (in one or more series) as of the date of delivery shall not exceed the maximum aggregate Principal Amount of $\$ 4,000,000$. The form of the Bond Purchase Agreement attached hereto as Exhibit B is hereby approved. The Authorized Officer, or any authorized deputy, and such other officers of the District as may be authorized by the Board are, and each of them acting alone is, authorized and directed to execute and deliver the Bond Purchase Agreement for and in the name and on behalf of the District, with such additions, changes or corrections therein as the officer executing the same on behalf of the District may approve, in his/her discretion, as being in the best interests of the District, such approval to be conclusively evidenced by such officer's execution thereof, and any other documents required to be executed thereunder, and to deliver the same to the Underwriter. The Authorized Officer, or any authorized deputy, and such other officers of the District as may be authorized by the Board are, and each of them acting alone hereby is, authorized and directed to negotiate with the Underwriter the interest rates on the Bonds and the purchase price of the Bonds to be paid by the Underwriter, which purchase price shall reflect an Underwriter's discount of not to exceed percent (__ \%) (not including original issue discount or any Costs of Issuance to be paid by the Underwriter) of the Principal Amount thereof. Final terms of the Bonds shall be as set forth in the Bond Purchase Agreement.

SECTION 9. Official Statement. The Board hereby approves the form of Preliminary Official Statement relating to the Bonds, on file with the Clerk of the Board and to be used and distributed, together with an Official Statement in connection with the sale of the Bonds, in each case with such changes as are approved by the Authorized Officer. An Authorized Officer and such other officers of the District as may be authorized by the Board are, and each of them acting alone hereby is, authorized to deliver copies of the Preliminary Official Statement and the Official Statement with such changes therein as such officer shall approve, in his or her discretion, as being in the best interests of the District. Upon approval of such changes by such officer, the Preliminary Official Statement shall be "deemed final" as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule") and an Authorized Officer is authorized to execute a certificate to that effect. Any Authorized Officer is hereby authorized and directed to execute such Official Statement with such changes therein, deletions therefrom and modifications thereto as such Authorized Officer may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 10. Authorization of Officers. The officers of the District and their authorized representatives are, and each of them acting alone is, hereby authorized to execute any and all documents and do and perform any and all acts and things, from time to time, consistent with this Resolution and necessary or appropriate to carry the same into effect and to carry out its purpose.

SECTION 11. Use of Bond Proceeds. Bonds of the District shall be issued in the name of the District in an aggregate initial Principal Amount not to exceed \$4,000,000, and proceeds of the Bonds shall be applied to finance the construction, acquisition, furnishing and equipping of District property and facilities, as authorized at the Election by the Measure, which shall be incorporated herein by this reference as though fully set forth in this Resolution.

SECTION 12. Designation and Form; Payment.
(a) An issue of Bonds of one or more series entitled to the benefit, protection and security of this Resolution is hereby authorized in an aggregate initial Principal Amount not to exceed $\$ 4,000,000$. Such Bonds shall be general obligations of the District, payable as to Principal, premium, if any, and interest from ad valorem taxes to be levied upon all of the taxable property in the District without limitation as to rate or amount (except certain personal property which is taxable at limited rates). The Bonds shall be designated "Gustine Unified School District General Obligation Bonds, 2014 Election, 2015 Series A" with such additional series designations as may be necessary or advisable in order to market the Bonds, as set forth in the Bond Purchase Agreement. The Bonds shall be subject to redemption as further set forth in the Bond Purchase Agreement, pursuant to this Resolution.
(b) The form of the Bonds shall be substantially in conformity with the standard form of registered school district bonds, a copy of which is attached hereto as Exhibit A and incorporated herein by this reference.
(c) Principal, premium, if any, and interest with respect to any Bond are payable in lawful money of the United States of America. Principal and premium, if any, is payable upon surrender thereof at maturity or earlier redemption at the office designated by the Paying Agent in Los Angeles, California.

SECTION 13. Description of Bonds.
(a) The Bonds shall be issued in fully registered form, without coupons, in denominations of $\$ 5,000$ or any integral multiple thereof. The Bonds shall be dated and shall mature on the dates, in the years and in the Principal Amounts, and interest shall be computed at the rates, set forth in the Bond Purchase Agreement.
(b) Interest on each Bond shall accrue from its dated date as set forth in the Bond Purchase Agreement. Interest on Bonds 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 Record Date. Interest with respect to each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, 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. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by firstclass 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.

SECTION 14. Book-Entry System.
(a) The Bonds shall be initially issued in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds within each series. Upon initial issuance, the ownership of each such Bond certificate shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in subsection (c) hereof, all of the Outstanding Bonds shall be registered in the Bond Register in the name of the Nominee and the Bonds may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each Bond certificate shall bear a legend substantially to the following effect: "UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE RESOLUTION) TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE \& CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE \& CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE \& CO., HAS AN INTEREST HEREIN."

With respect to Bonds registered in the Bond Register in the name of the Nominee, the District shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds a beneficial interest in the Bonds. Without limiting the immediately preceding sentence, the District shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Participant, Beneficial Owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any redemption notice, (iii) the selection by the Depository and the Participants of the beneficial interests in the Bonds to be redeemed in part, or (iv) the payment to any Participant, Beneficial Owner or any other person, other than the Depository, of any amount with respect to Principal of, premium, if any, and interest on, the Bonds. The District may treat and consider the person in whose name each Bond is registered in the Bond Register as the absolute Owner of such Bond for the purpose of payment of Principal of, premium, if any, and interest on, such Bond, for the purpose of giving Redemption Notices and other notices with respect to such Bond, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Bonds.

The Paying Agent shall pay all Principal of, premium, if any, and interest on, the Bonds only to the respective Owners, as shown in the Bond Register, and all such payments shall be
valid hereunder with respect to payment of Principal of, premium, if any, and interest on, the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation to make payments of Principal of, premium, if any, and interest, pursuant to this Resolution. Upon delivery by the Depository to the Paying Agent and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions hereof with respect to Record Dates, the word "Nominee" in this Resolution shall refer to such new nominee of the Depository.
(b) If at any time the Depository notifies the District that it is unwilling or unable to continue as Depository with respect to the Bonds or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the Superintendent within 90 days after the District receives notice or becomes aware of such condition, as the case may be, subsection (a) hereof shall no longer be applicable and the District shall issue new bonds representing the Bonds as provided below. In addition, the District may determine at any time that the Bonds shall no longer be represented by bookentry securities and that the provisions of subsection (a) hereof shall no longer apply to the Bonds. In any such event, the District shall execute and deliver certificates representing the Bonds as provided below. Certificated securities issued in exchange for book-entry securities pursuant to this subsection shall be registered in such names and delivered in such denominations as the Depository shall instruct the District. The District shall then deliver certificated securities representing the new bonds to the persons in whose names such Bonds are so registered.

If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or cause to be prepared a new fully-registered bookentry security for each of the maturities of Bonds, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the District and such securities depository and not inconsistent with the terms of this Resolution.
(c) Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to Principal of, premium, if any, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter of representation from the District to the Depository or as otherwise instructed by the Depository.
(d) The initial Depository under this Resolution shall be DTC. The initial Nominee shall be Cede \& Co., as nominee of DTC.

SECTION 15. Execution of the Bonds.
(a) The Bonds shall be executed in the name of the District by the manual or facsimile signature of the President of the Board and the manual or facsimile signature of the Secretary of the Board or by a deputy of either of such officers. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been issued by the District, such Bonds may, nevertheless, be issued, as herein provided, as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any of the Bonds may be signed and sealed by such persons as at the time of the execution of such Bonds shall be duly authorized to hold or shall hold the proper offices in the District, although at the date borne by the Bonds such persons may not have been so authorized or have held such offices.
(b) The Bonds shall bear thereon a certificate of authentication executed manually by the Paying Agent. Only such Bonds as shall bear thereon such certificate of authentication duly executed by the Paying Agent shall be entitled to any right or benefit under this Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Paying Agent. Such certificate of the Paying Agent upon any Bond shall be conclusive evidence that the Bond so authorized has been duly authenticated and delivered under this Resolution and that the Owner thereof is entitled to the benefit of this Resolution.

SECTION 16. Transfer and Exchange. The transfer of any Bond may be registered upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or accompanied by delivery of the written instrument of transfer shown in Exhibit A hereto, duly executed by the Owner or his duly authorized attorney, and payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same Transfer Amount and in authorized denominations, will be executed and delivered to the transferee in exchange therefor.

The Paying Agent shall deem and treat the person in whose name any Outstanding Bond shall be registered upon the Bond Register as the absolute Owner of such Bond, whether the Principal, premium, if any, or interest with respect to such Bond shall be overdue or not, for the purpose of receiving payment of Principal, premium, if any, and interest with respect to such Bond and for all other purposes, and any such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the District or the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged at the office of the Paying Agent for Bonds of like tenor, maturity and Transfer Amount of other authorized denominations. All Bonds surrendered in any such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge the Owner a reasonable sum for each new Bond executed and delivered upon any exchange (except in the case of the first exchange of any Bond in the form in which it is originally delivered, for which no charge shall be imposed) and the Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Paying Agent shall not be required to register the transfer or exchange of any Bond (i) during the period beginning at the close of business on any Record Date through the close of business on the immediately following Interest Payment Date, or (ii) that has been called or is subject to being called for redemption, during a period beginning at the opening of business 15 days before any selection of Bonds to be redeemed through the close of business on the applicable redemption date, except for the unredeemed portion of any Bond to be redeemed only in part.

SECTION 17. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, the Paying Agent, at the expense of the Owner, shall deliver a new Bond of like date, interest rate, maturity, Transfer Amount, series and tenor as the Bond so mutilated in exchange and substitution for such mutilated Bond, upon surrender and cancellation thereof. All Bonds so surrendered shall be cancelled. If any Bond shall be destroyed, stolen or lost, evidence of such destruction, theft or loss may be submitted to the Paying Agent and if such evidence is satisfactory to the Paying Agent that such Bond has been destroyed, stolen or lost, and upon furnishing the Paying Agent with indemnity satisfactory to the Paying Agent and complying with such other reasonable regulations as
the Paying Agent may prescribe and paying such expenses as the Paying Agent may incur the Paying Agent shall, at the expense of the Owner, execute and deliver a new Bond of like date, interest rate, maturity, Transfer Amount and tenor in lieu of and in substitution for the Bond so destroyed, stolen or lost. Any new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the District, whether or not the Bonds so alleged to be destroyed, stolen or lost are at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Resolution in any moneys or securities held by the Paying Agent for the benefit of the Owners of the Bonds.

SECTION 18. Bond Register. The Paying Agent shall keep or cause to be kept at its office sufficient books for the registration and registration of transfer of the Bonds. Upon presentation for registration of transfer, the Paying Agent shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions hereof, register or register the transfer of the Bonds, or cause the same to be registered or cause the registration of the same to be transferred, on such books.

SECTION 19. Unclaimed Money. All money which the Paying Agent shall have received from any source and set aside for the purpose of paying or redeeming any of the Bonds shall be held in trust for the respective Owners of such Bonds, but any money which shall be so set aside or deposited by the Paying Agent and which shall remain unclaimed by the Owners of such Bonds for a period of one year after the date on which any payment or redemption with respect to such Bonds shall have become due and payable shall be transferred to the general fund of the District; provided, however, that the Paying Agent, before making such payment, shall cause notice to be mailed to the Owners of such Bonds, by first class mail, postage prepaid, after a date in said notice, which date shall not be less than 90 days prior to the date of such payment, to the effect that said money has not been claimed and that after a date named therein, any unclaimed balance of said money then remaining will be transferred to the general fund of the District. Thereafter, the Owners of such Bonds shall look only to the general fund of the District for payment of such Bonds.

SECTION 20. Application of Proceeds. Upon the sale of the Bonds, the District intends to deposit or cause to be deposited a portion of the proceeds of the Bonds into the Building Fund (the "Building Fund") which is hereby established for the account of the District and shall be administered by the County Office of Education. Money in the Building Fund shall be disbursed for the payment of the costs of acquiring and constructing the Project. At such time that no amounts remain on deposit in Building Fund, the County Office of Education may close the Building Fund.

SECTION 21. Payment and Security for the Bonds. The Board of Supervisors of the County shall annually at the time of making the levy of taxes for County purposes, levy a continuing direct ad valorem tax for the Fiscal Year upon the taxable property in the District without limitation as to rate or amount (except for certain personal property which is taxable at limited rates) in an amount at least sufficient, together with moneys on deposit in the Debt Service Fund and available for such purpose, to pay the Principal of, premium, if any, and interest on each Bond as each becomes due and payable in the next succeeding Bond Year. The tax levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The District hereby pledges as security for the Bonds and the interest thereon and the County shall deposit or cause to be deposited in the District's Debt Service Fund, the proceeds from the levy of the aforementioned tax which the County receives (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 and do not constitute an obligation of the County except as provided in this 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.

SECTION 22. Debt Service Fund.
(a) The District shall deposit or cause to be deposited any accrued interest and any original issue premium not applied towards payment of the Costs of Issuance and received by the District from the sale of the Bonds in the fund established and designated as the "Gustine Unified School District, General Obligation Bonds, 2014 Election, 2015 Series A Debt Service Fund" (the "Debt Service Fund") to be administered by the County of Merced and used only for the payment of the Principal of, premium, if any, and interest on the Bonds.
(b) All Pledged Moneys shall be deposited upon collection by the County into the Debt Service Fund and used for the payment of the Principal of, premium, if any, and interest on the Bonds.
(c) The County shall transfer or cause to be transferred from the Debt Service Fund to the Paying Agent, an amount, in immediately available funds, sufficient to pay all the Principal of, premium, if any, and interest on the Bonds (collectively, the "Debt Service") on such Interest Payment Date. Debt Service on the Bonds shall be paid by the Paying Agent in the manner provided by law for the payment of Debt Service.
(d) The District shall cause moneys to be transferred to the Excess Earnings Fund to the extent needed to comply with the Tax Certificate. Any amounts on deposit in the Debt Service Fund when there are no longer any Bonds Outstanding shall be transferred to the general fund of the District.

SECTION 23. Establishment and Application of Excess Earnings Fund. The District shall establish a special fund designated "Gustine Unified School District General Obligation Bonds, 2014 Election, 2015 Series A, Excess Earnings Fund" (the "Excess Earnings Fund") which shall be administered by the County Office of Education for the account of the District and which shall be kept separate and apart from all other funds and accounts held hereunder. The District shall deposit, or cause to be deposited, moneys to the Excess Earnings Fund in accordance with the provisions of the Tax Certificate. Amounts on deposit in the Excess Earnings Fund shall only be applied to payments made to the United States or otherwise transferred to other accounts or funds established hereunder in accordance with the Tax Certificate.

SECTION 24. Payment of Costs of Issuance. The District may pay, or cause to be paid, Costs of Issuance using proceeds of the Bonds or, to the extent available, original issue premium derived from the sale of the Bonds and applied for that purpose as provided in the Bond Purchase Agreement.

SECTION 25. Establishment of Additional Funds and Accounts. If at any time it is deemed necessary or desirable by the District, the County Office of Education may establish additional funds under this Resolution and/or accounts within any of the funds or accounts established hereunder.

SECTION 26. Redemption. The Bonds shall be subject to redemption as provided in the Bond Purchase Agreement.

SECTION 27. Selection of Bonds for Redemption. Whenever provision is made in this Resolution or in the Bond Purchase Agreement for the redemption of the Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 45 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, in inverse order of maturity within a series. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the Principal Amount of $\$ 5,000$ or any integral multiple thereof.

SECTION 28. Notice of Redemption. When redemption is authorized or required pursuant to this Resolution or the Bond Purchase Agreement, 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 (a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date, and that from and after such date interest with respect thereto shall cease to accrue or accrete and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice:
(a) At least 30 but not more than 60 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register. Notice of redemption may be given on a conditional basis in contemplation of a refunding of the Bonds.
(b) In the event that the Bonds shall no longer be held in book-entry only form, at least two days before the date of the notice required by clause (a) of this Section, such Redemption Notice shall be given by (i) first class mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories.
(c) In the event that the Bonds shall no longer be held in book-entry only form, at least two days before the date of notice required by clause (a) of this Section, such Redemption Notice shall be given by (i) first class mail, postage prepaid, or (ii) overnight delivery service, to the Municipal Securities Rulemaking Board.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for
the purpose of redeeming Bonds shall bear the CUSIP number identifying, by series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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, 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.

SECTION 29. Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in Transfer Amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

SECTION 30. Effect of Notice of Redemption. Notice having been given as aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for the payment of their redemption price, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided above, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of Section 27, 28 and 29 shall be cancelled upon surrender thereof and delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be cancelled by the Paying Agent upon written notice by the District given to the Paying Agent.

## SECTION 31. Paying Agent, Appointment and Acceptance of Duties.

(a) The Board hereby consents to and confirms the appointment of U.S. Bank National Association to act as Paying Agent for the Bonds under this Resolution. All fees and expenses incurred for services of the Paying Agent shall be the sole responsibility of the District. The Paying Agent shall have a corporate trust office in San Francisco or Los Angeles, California.
(b) Unless otherwise provided, the office of the Paying Agent designated by the Paying Agent shall be the place for the payment of Principal of, premium, if any, and interest on the Bonds.

SECTION 32. Liability of Paying Agent. The Paying Agent makes no representations as to the validity or sufficiency of this Resolution or of any Bonds issued hereunder or as to the security afforded by this Resolution, and the Paying Agent shall incur no liability in respect hereof or thereof.

SECTION 33. Evidence on Which Paying Agent May Act. The Paying Agent, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent may consult with counsel, who may or may not be counsel to the District, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance therewith.

SECTION 34. Compensation. The District shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Resolution. In no event shall the Paying Agent be required to expend its own funds hereunder.

The fees and expenses of the Paying Agent not paid from the proceeds of the sale of the Bonds shall be paid each year from the Debt Service Fund, insofar as permitted by law, including specifically by Section 15232 of the Education Code.

SECTION 35. Ownership of Bonds Permitted. The Paying Agent or the Underwriter may become the Owner of any Bonds.

SECTION 36. Resignation or Removal of Paying Agent and Appointment of Successor.
(a) The Paying Agent initially appointed hereunder may resign from service as Paying Agent and any Authorized Officer may remove such Paying Agent or any subsequent Paying Agent as provided in the respective Paying Agent's service agreement. Without further action by the District, if at any time the Paying Agent shall resign or be removed, an Authorized Officer shall appoint a successor Paying Agent, which shall be a bank or trust company doing business in and having a corporate trust office in San Francisco or Los Angeles, California, with at least $\$ 50,000,000$ in net assets. The Paying Agent shall keep accurate records of all funds administered by it and of all Bonds paid and discharged by it. Such records shall be provided, upon reasonable request, to the District in a format mutually agreeable to the Paying Agent and the District. Such successor Paying Agent shall signify the acceptance of its duties and obligations hereunder by executing and delivering to the District a written acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon appointment and acceptance of a successor Paying Agent.
(b) In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor.
(c) In the event of the merger, acquisition or consolidation of the Paying Agent, the Paying Agent shall pay over, assign and deliver any moneys held by it to its successor
who shall assume the responsibilities of Paying Agent hereunder unless the successor shall be removed by the District in which case all funds shall be paid at the direction of an Authorized Officer.

SECTION 37. Investment of Certain Funds. Moneys held in all funds and accounts established hereunder shall be invested and reinvested by the Treasurer in Authorized Investments to the fullest extent practicable as shall be necessary to provide moneys when needed for payments to be made from such funds or accounts. Nothing in this Resolution shall prevent any investment securities acquired as investments of funds held hereunder from being issued or held in book-entry form on the books of the Department of the Treasury of the United States. All investment earnings on amounts on deposit in the Excess Earnings Fund, the Debt Service Fund and the Building Fund shall remain on deposit in such funds.

The proceeds from the sale of the Bonds (net of premium, if any) will be deposited in the County of Merced treasury to the credit of the Building Fund. Any premium or accrued interest received by the District from the sale of the Bonds will be deposited in the Debt Service Fund. Earnings on the investment of moneys in either fund will be retained in that fund and used only for the purposes to which that fund may lawfully be applied. Moneys in the Building Fund may only be applied for the purposes for which the Bonds were approved. Moneys in the Debt Service Fund may only be applied to make payments of interest, principal 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 at the direction of the District. All funds held in the Building Fund by the Treasurer under this Resolution will be invested pursuant to applicable law and the investment policy of the County of Merced, unless otherwise directed in writing by the District. At the written direction of the District, all or any portion of the Building Fund may be invested in the Local Agency Investment Fund in the treasury of the State, and all or any portion of the Building Fund may be invested on behalf of the District in investment agreements, including guaranteed investment contracts, which comply with the requirements of each rating agency then rating the Bonds necessary in order to maintain the then-current rating on the Bonds, provided that the Treasurer will be a signatory to any such investment agreement.

The District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Resolution, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Resolution or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code).

SECTION 38. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any fund or account shall be deemed at all times to be a part of such fund or account. Profits or losses attributable to any fund or account shall be credited or charged to such fund or account.

SECTION 39. Supplemental Resolutions With Consent of Owners. This Resolution, and the rights and obligations of the District and of the Owners of the Bonds issued hereunder, may be modified or amended at any time by a Supplemental Resolution adopted by the District with the written consent of Owners owning at least $60 \%$ in aggregate Bond Obligation of the Outstanding Bonds, exclusive of Bonds, if any, owned by the District;
provided, however, that if a Bond Insurance Policy is in effect, and provided that the Bond Insurer, if any, complies with its obligations thereunder, the Bond Insurer shall be deemed to be the sole Owner of the Bonds for purposes of this sentence. Notwithstanding the foregoing, no such modification or amendment shall, without the express consent of the Owner of each Bond affected, reduce the Principal Amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification thereof or hereof. No such Supplemental Resolution shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall be required if the Owners are not directly and adversely affected by such amendment or modification.

SECTION 40. Supplemental Resolutions Effective Without Consent of Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, without the requirement of consent of the Owners, shall be fully effective in accordance with its terms:
(a) To add to the covenants and agreements of the County or the District in this Resolution, other covenants and agreements to be observed by the County or the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;
(b) To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the County or the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;
(c) To confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by this Resolution, of any moneys, securities or funds, or to establish any additional funds, or accounts to be held under this Resolution;
(d) To cure any ambiguity, supply any omission, or cure to correct any defect or inconsistent provision in this Resolution;
(e) To make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds; or
(f) To amend or supplement this Resolution in any other respect, provided such Supplemental Resolution does not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners.

SECTION 41. Effect of Supplemental Resolution. Any act done pursuant to a modification or amendment so consented to shall be binding upon the Owners of all the Bonds and shall not be deemed an infringement of any of the provisions of this Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after consent relating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent of either from taking any action pursuant thereto.

SECTION 42. Defeasance. If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:
(a) by well and truly paying or causing to be paid the Principal of and interest on all Bonds Outstanding, as and when the same become due and payable;
(b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or
(c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to this Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;
then all obligations of the District and the Paying Agent under this Resolution with respect to such Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent hereunder.

SECTION 43. Bond Insurance. All or a portion of the Bonds may be sold with bond insurance or other form of credit enhancement, if an Authorized Officer, in consultation with the Underwriter and the Financial Advisor, determines that the savings to the District resulting from the purchase of such bond insurance exceeds the cost thereof.

SECTION 44. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the terms of the Continuing Disclosure Agreement in substantially the form attached as an appendix to the Preliminary Official Statement. Any Underwriter, any Owner or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section and the Continuing Disclosure Agreement.
[Remainder of this page intentionally left blank.]

The foregoing resolution was, on the 18th day of March, 2015, adopted by the Board of Education of the Gustine Unified School District at a regular meeting by the following vote:

AYES:
NOES:
ABSENT:

Clerk of the Board of Education of the Gustine Unified School District

By:

EXHIBIT A<br>FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE RESOLUTION) TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE \& CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE \& CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE \& CO., HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
GUSTINE UNIFIED SCHOOL DISTRICT
(COUNTY OF MERCED, CALIFORNIA)
GENERAL OBLIGATION BONDS, 2014 ELECTION, 2015 SERIES A


No. $\qquad$
$\frac{\text { Interest Rate }}{\text { Maturity Date }} \frac{\text { Dated Date }}{\text { August 1, 20__ }}$\cline { }

REGISTERED OWNER: CEDE \& CO.
PRINCIPAL AMOUNT:

The Gustine Unified School District (the "District") of the County of Merced, State of California, for value received, hereby acknowledges itself indebted and promises to pay to the Registered Owner set forth above the Principal Amount set forth above, on the Maturity Date set forth above, together with interest thereon from the dated date set forth above until the Principal Amount hereof shall have been paid or provided for, in accordance with the Resolution hereinafter referred to, at the interest rate set forth above. Interest on this Bond is payable on $\qquad$ 1, 20 $\qquad$ and semiannually thereafter on the first day of February and August (each, an "Interest Payment Date") in each year to the registered owner hereof from the Interest Payment Date next preceding the date on which this Bond is registered (unless it is registered after the close of business on the fifteenth calendar day of the month preceding any Interest Payment Date (a "Record Date") and before the close of business on the immediately following Interest Payment Date, in which event it shall bear interest from such following Interest Payment Date, or unless this Bond is registered prior to the close of business on $\qquad$ 15, 201_, in which event it shall bear interest from its date; provided, however, that if at the time of registration of this Bond interest with respect hereto is in default, interest with respect hereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment). The Principal

Amount hereof is payable at the office of U.S. Bank National Association, as paying agent (the "Paying Agent"), in Los Angeles, California. The interest hereon is payable by check or draft mailed by first class mail to each registered owner, at his address as it appears on the registration books kept by the Paying Agent as of the Record Date.

The Bonds of this issue are comprised of $\$$ $\qquad$ Principal Amount of Bonds. This Bond is issued by the District under and in accordance with the provisions of (i) Section 53506 et seq. of the California Government Code (the "Act") and (ii) Article XIIIA of the California Constitution, and pursuant to a resolution adopted by the Board of Education of the District on $\qquad$ 2015 (the "Resolution"). Reference is hereby made to the Resolution, a copy of which is on file at the office of the District, for a description of the terms on which the Bonds are delivered, and the rights thereunder of the registered owners of the Bonds and the rights and duties of the Paying Agent and the District, to all of the provisions of which the registered owner of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used but not otherwise defined herein shall have the respective meanings set forth in the Resolution. The Bonds were authorized by a vote of $55 \%$ or more of the qualified electors of the District voting on the proposition at a general election held therein to determine whether such Bonds should be issued.

This Bond is a general obligation of the District, payable as to both Principal and interest from ad valorem taxes which, under the laws now in force, may be levied without limitation as to rate or amount upon all of the taxable property in the District. Neither the payment of the Principal of this Bond, or any part thereof, nor any interest or premium hereon constitute a debt, liability or obligation of the County.

This Bond is issued in fully registered form and is nonnegotiable. Registration of this Bond is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the aforesaid offices of the Paying Agent, but only in the manner, subject to the limitations, and upon payment of the charges, provided in the Resolution and upon surrender and cancellation of this Bond. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same Transfer Amount and in authorized denominations will be issued to the transferee in exchange herefor. The District and the Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary.

The Bonds maturing on or before August $1,20 \_$shall not be subject to redemption prior to their maturity dates. The Bonds maturing on or before August $1,20 \ldots$ may be redeemed prior to their respective stated maturity dates, at the option of the District, from any source of available funds, on August 1, 20__ or on any date thereafter as a whole, or in part, at the principal amount thereof, together with interest accrued thereon to the date of redemption, without premium.

The Bonds maturing on August 1, 20_, are subject to mandatory sinking fund redemption, in part by lot, on August 1 in each of the years and in the principal amounts set forth in the following schedule, at a redemption price of par, plus accrued interest to the date fixed for redemption:

The rights and obligations of the District and of the owners of the Bonds may be modified or amended at any time by a supplemental resolution adopted by the District with the written consent of owners of at least $60 \%$ in aggregate Bond Obligation of the Outstanding Bonds, exclusive of Bonds, if any, owned by the District; provided, however, that no such modification or amendment shall, without the express consent of the registered owner of each Bond affected, reduce the Principal Amount of any Bond, reduce the interest rate payable thereon, extend its maturity or the times for paying interest thereon or change the monetary medium in which the Principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification hereof.

A supplemental resolution of the District may be adopted, which, without the requirement of consent of the registered owners, shall be fully effective in accordance with its terms: (1) to add to the covenants and agreements of the District in the Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect; (2) to add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect; (3) to confirm as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under the Resolution; (4) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; (5) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds or (6) to amend or supplement the Resolution in any other respect, provided such supplemental resolution does not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the owners.

If this Bond is called for redemption and the Principal Amount of this Bond plus premium, if any, and accrued interest due with respect hereto are duly provided therefor as specified in the Resolution, then interest shall cease to accrue with respect hereto from and after the date fixed for redemption.

This Bond shall not become valid or obligatory for any purpose until the Certificate of Authentication hereon endorsed shall have been dated and executed manually by the Paying Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED, that an election was duly and legally called, held and conducted, and the notices thereof duly given, and the results thereof canvassed and declared in accordance with the provisions of the Education Code of the State and that all of the proceedings of the Board of Education of the District in the matter of the issuance of this Bond were regular and in strict accordance with the provisions of the Act and of the Constitution of the State of California, and that the total bonded indebtedness of the District, including the issue of which this Bond is a part, does not exceed any limit prescribed by law.

IN WITNESS WHEREOF, Gustine Unified School District has caused this Bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signature of the President of the Board of Education of the Gustine Unified School District, and to be countersigned by the manual or facsimile signature of the Secretary of the Board of Education of the Gustine Unified School District.

GUSTINE UNIFIED SCHOOL DISTRICT

By: $\qquad$
President of the Board of Education
Countersigned:

By:
Secretary of the Board of Education

## CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution of the Board of Education of the Gustine Unified School District.

DATED: $\qquad$ 2015

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By:
Authorized Officer

FOR VALUE RECEIVED, the undersigned registered owner hereby sells, assigns and transfers unto

Name of Transferee:
Address for Payment of Interest:
Social Security Number or other Tax Identification No.:
the within-mentioned Bond and hereby irrevocably constitutes and appoints attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

## Registered Owner

Dated:
NOTICE: The signature on this Assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

## Signature

guaranteed
[Bank, Trust Company or Firm]
By $\qquad$
Authorized Officer

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

## EXHIBIT B

FORM OF BOND PURCHASE AGREEMENT

# GUSTINE UNIFIED SCHOOL DISTRICT <br> Meeting of the Board of Trustees <br> MEETING DATE: <br> March 18, 2015 

AGENDA ITEM TITLE: Summer Maintenance Projects/Budget

## AGENDA SECTION:

PRESENTED BY: Russell Hazan, Director of Maintenance

## SUMMARY:

Attached for Board approval is the list of Summer 2015 Maintenance Projects.
I met with each site administrator to help compile the project list.

FISCAL IMPACT: \$82,100 (approximately)
BUDGET CATEGORY: Measure P; Deferred Maintenance
RECOMMENDED ACTION: Approve

## 2015 Summer Maintenance Projects

1. Replace carpet in the E wing (Outside contractor)
2. Install vinyl flooring in the nurses office (Outside contractor)
3. Remove dead shrubs in front of E wing and replace with concrete
4. Replace blinds in classrooms
5. Remove oleanders behind cafeteria
6. Clear storm drains \$800
7. Clean all camera lenses
8. Replace all HVAC filters
9. Test all HVAC units
10. Trim trees behind C wing
11. Fertilize all turf $\$ 1,500$
12. Replace damaged or stained ceiling tiles

## Gustine Elementary School

1. Touch up paint throughout site
2. Replace damaged or stained ceiling tiles
3. Seal and stripe asphalt areas (Outside contractor) $\$ 8,500$
4. Add thermostats to the cafeteria and library $\$ 450$
5. Clean all camera lenses
6. Replace all HVAC filters
7. Test all HVAC units
8. Touch up paint exterior of buildings

## Gusting Middle School

1. Repair asphalt in the bus driveway (Outside contractor)
2. Seal and stripe asphalt area inside the fence (Outside contractor
3. Replace damaged or stained ceiling tiles
4. Paint bathrooms
5. Clean all camera lenses
6. Replace all HVAC filters
7. Test all HVAC units
8. Install concrete near cafeteria \$850

## 2015 Summer Maintenance Projects

9. Add keypad entry to administration building \$700
10. Paint exterior of buildings (dark lower portion)
$\$ 2,200$

## 2015 Summer Maintenance Projects

## Gustine High School

Estimated Cost

1. Repaint floor in junior hall
\$150
2. Paint Ag metal shop
$\$ 600$
3. Resurface gym floor (Outside contractor)
\$3,400
4. Grade track
5. Paint restrooms
6. Replace all HVAC filters
7. Test all HVAC units
8. Replace damaged or stained ceiling tiles
9. Clean all camera lenses
10. Replace 45 ton HVAC units (Outside contractor)
\$28,000
11. Replace environmental management system (Outside contractor) \$10,500
12. Repair asphalt (Outside contractor)
\$750
13. Paint exterior of buildings where needed
14. Paint softball shed $\$ 450$
15. Reseed and fertilize playing fields (Outside contractor)
\$2,700

Total
\$82,100

# GUSTINE UNIFIED SCHOOL DISTRICT <br> Meeting of the Board of Education <br> MEETING DATE: March 18, 2015 

AGENDA ITEM TITLE: BP/AR 1240, Volunteer Assistance Board Policy Revision
AGENDA SECTION: Action/First Reading
PRESENTED BY: Dr. Ron Estes, Superintendent

## SUMMARY

This is the First Reading of the revised Volunteer Assistance Board Policy. Changes/Revisions are highlighted/bold type.

FISCAL IMPACT: None

BUDGET CATEGORY: None
RECOMMENDED ACTION: Approve First Reading

# GUSTINE UNIFIED SCHOOL DISTRICT 

 Board Policy
## AR 1240(a)

## Community Relations

## VOLUNTEER ASSISTANCE

## Duties of Volunteers

Volunteers may assist certificated personnel in the performance of their duties, in the supervision of students, and in instructional tasks which, in the judgment of the certificated personnel to which the volunteer is assigned, may be performed by a person not licensed as a classroom teacher. These duties shall not include assignment of grades to students. (Education Code 45343, 45344, 45349)
(cf. 4222 - Teacher Aides/Paraprofessionals)
(cf. 5148 - Child Care and Development)
(cf. 5148.2 - Before/After School Programs)
Volunteers may supervise students during lunch, breakfast, or other nutritional periods or may serve as nonteaching aides under the immediate supervision and direction of certificated personnel to perform noninstructional work which assists certificated personnel in the performance of teaching and administrative responsibilities. (Education Code 35021, 44814, .44815)

Volunteers may work on short-term facilities projects pursuant to Board policy and the section below entitled "Volunteer Facilities Projects."

## Qualifications of Volunteers

Volunteers providing supervision or instruction of students pursuant to Education Code 45349 shall give evidence of basic skills proficiency. (Education Code 45344.5, 45349)
(cf. 4212 - Appointment and Conditions of Employment)
Beginning July 1, 2010, any volunteer who supervises, directs, or coaches a student activity program shall be required to obtain an Activity Supervisor Clearance Certificate from the Commission on Teacher Credentialing. Student activity programs include, but are not limited to, scholastic programs, interscholastic programs, and extracurricular activities sponsored by the district or a school booster club, such as cheer team, drill team, dance team, and marching band. This requirement shall not apply to volunteer supervisors for breakfast, lunch, or other nutritional
periods or to volunteer nonteaching aides under the immediate supervision and direction of certificated personnel pursuant to Education Code 35021. (Education Code 49024)
(cf. 4127/4227/4327-Temporary Athletic Team Coaches)
(cf. 6145 - Extracurricular and Cocurricular Activities
Effective March 18, 2015, any volunteer (in any capacity) who has contact with students must be fingerprinted. With respect to fingerprinting, no convictions of any type by the volunteer are allowed.

The Superintendent or designee shall not assign any person required to register as a sex offender pursuant to Penal Code 290 as a volunteer who assists certificated personnel in the performance of their duties; supervises students during lunch, breakfast, or other nutritional period; or serves as a nonteaching aide to perform noninstructional tasks. In addition, a person who is required to register as a sex offender because of a conviction for a crime where the victim was a minor under age 16 shall not serve as a volunteer in any capacity in which he/she would be working directly and in an unaccompanied setting with minors on more than an incidental and occasional basis or have supervision or disciplinary power over minors. (Education Code 35021, 45349; Penal Code 290.95)
(cf. 3515.5-Sex Offender Notification)
The Superintendent or designee may require all volunteers to disclose their status as a registered sex offender and/or provide the district with sufficient information in order to allow verification of this status on the Department of Justice's Megan's Law web site.

No volunteer shall be assigned to supervise or instruct students unless he/she has submitted evidence of an examination within the past 60 days to determine that he/she is free of active tuberculosis. Volunteers who test negative shall thereafter be required to take a tuberculosis test every four years in accordance with Education Code 49406. (Education Code 45106, 45347, 45349, 49406)
(cf. 4112.4/4212.4/4312.4 - Health Examinations)

## EXCEPTIONS

Fingerprints Clearance Appeal: Should a volunteer be rejected for any reason including the fingerprints check, they may appeal this to the School Board. The School Board, on a case-by-case basis, may hear an appeal of any volunteer rejection. Should the volunteer ask for an appeal, the School Board may set up a two person sub-committee that will make a recommendation to the full Board for action. This is not a standing committee of the Board. The Board's decision shall be final.

## Volunteer Facilities Projects

All volunteer facilities projects shall have approximate start and completion dates and shall be approved by the principal in advance.

Projects approved by the principal shall also be approved in advance by the Superintendent or designee if they involve the following types of work:

1. Alterations, additions, or repairs to buildings and grounds
2. Construction involving wall or roof penetration, drilling, or nailing
3. Structural modifications
4. Electrical, electronic, plumbing, or heating and cooling work
5. Painting
6. Installation of carpet
7. Installation of playground equipment and benches
8. Installation of sprinkler systems
9. Paving
10. Installation of marquees and signs
11. Tree planting, pruning, or removal

The Superintendent or designee shall ensure that volunteers possess the appropriate license and/or have sufficient expertise appropriate to the project. He/she shall also ensure that such projects comply with building and safety codes and other applicable laws and collective bargaining agreements. The district shall provide on-site assistance and supervision for such projects as necessary. Projects shall be inspected upon completion to ensure that the work was done satisfactorily.
(cf. 3514 - Environmental Safety)
(cf. 3514.1 - Hazardous Substances)
(cf. 7111 - Evaluating Existing Buildings)
(cf. 7140 - Architectural and Engineering Services)
Regulation
approved: 9/29/10; 2/12/14; 4/15/15

# Gustine USD 

# Board Policy 

Volunteer Assistance
BP 1240
Community Relations

The Governing Board recognizes that volunteer assistance in schools can enrich the educational program, increase supervision of students, and contribute to school safety while strengthening the schools' relationships with the community. The Board encourages parents/guardians and other members of the community to share their time, knowledge, and abilities with students. The Board also encourages community members to serve as mentors providing support and motivation to students.
(cf. 1000 - Concepts and Roles)
(cf. 1700 - Relations Between Private Industry and the Schools)
(cf. 4127/4227/4327 -Temporary Athletic Team Coaches)
(cf. 4222 - Teacher Aides/Paraprofessionals)
(cf. 5020 - Parent Rights and Responsibilities)
(cf. 5148 - Child Care and Development)
(cf. 5148.2 - Before/After School Programs)
(cf. 6020 - Parent Involvement)
(cf. 6171 - Title I Programs)
The Superintendent or designee shall develop and implement a plan for recruiting, screening, and placing volunteers, including strategies for reaching underrepresented groups of parents/guardians and community members. He/she may also recruit community members to serve as mentors and/or make appropriate referrals to community organizations.
(cf. 1020 - Youth Services)
(cf. 1400 - Relations Between Other Governmental Agencies and the Schools)
The Superintendent or designee shall establish procedures for determining whether volunteers possess the qualifications, if any, required by law and administrative regulation for the types of duties they will perform.

As appropriate, the Superintendent or designee shall provide volunteers with information about school goals, programs, and practices and an orientation or other training related to their specific responsibilities. Employees who supervise volunteers shall ensure that volunteers are assigned meaningful responsibilities that utilize their skills and expertise and maximize their contribution to the educational program.

Volunteer maintenance work shall be limited to those projects that do not replace the normal maintenance duties of classified staff. The Board nevertheless encourages volunteers to work on
short-term projects to the extent that they enhance the classroom or school, do not significantly increase maintenance workloads, and comply with employee negotiated agreements.

Volunteer aides shall not be used to assist certificated staff in performing teaching or administrative responsibilities in place of regularly authorized classified employees who have been laid off. (Education Code 35021)

Volunteers shall act in accordance with district policies, regulations, and school rules. The Superintendent or designee shall be responsible for investigating and resolving complaints regarding volunteers.
(cf. 0410 - Nondiscrimination in District Programs and Activities)
(cf. 3515.2 - Disruptions)
The Board encourages principals to develop a means for recognizing the contributions of each school's volunteers.
(cf. 1150 - Commendations and Awards)
The Superintendent or designee shall periodically report to the Board regarding the district's volunteer assistance program.

## Legal Reference:

EDUCATION CODE
8482-8484.6 After School Education and Safety program
8484.7-8484.9 21st Century Community Learning Center program

35021 Volunteer aides
35021.1 Automated records check
35021.3 Registry of volunteers for before/after school programs

44010 Sex offense; definition
44227.5 Classroom participation by college methodology faculty

44814-44815 Supervision of students during lunch and other nutrition periods
45125 Fingerprinting requirements
45340-45349 Instructional aides
45360-45367 Teacher aides
49024 Activity Supervisor Clearance Certificate
49406 Examination for tuberculosis
GOVERNMENT CODE
3543.5 Prohibited interference with employees' rights

HEALTH AND SAFETY CODE
1596.871 Fingerprints of individuals in contact with child day care facility clients LABOR CODE
1720.4 Public works; exclusion of volunteers from prevailing wage law
3364.5 Persons performing voluntary services for school districts

PENAL CODE
290 Registration of sex offenders
290.4 Information re: sex offenders
290.95 Disclosure by person required to register as sex offender

CODE OF REGULATIONS, TITLE 22
101170 Criminal record clearance
101216 Health screening, volunteers in child care centers
UNITED STATES CODE, TITLE 20
6319 Qualifications and duties of paraprofessionals, Title I programs
ATTORNEY GENERAL OPINIONS
62 Ops. Cal. Atty. Gen. 325 (1979)
COURT DECISIONS
Whisman Elementary School District, (1991) PERB Decision No. 868
Management Resources:
WEB SITES
CSBA: http://www.csba.org
California Department of Education, Parents/Family and Community:
http://www.cde.ca.gov/ls/pf
California Department of Justice, Megan's Law: http://www.meganslaw.ca.gov
California Parent Teacher Association: http://www.capta.org
National Coalition for Parent Involvement in Education: http://www.ncpie.org
National Parent Teacher Association: http://www.pta.org

Policy GUSTINE UNIFIED SCHOOL DISTRICT
adopted: September 29, 2010 Gustine, California
revised: 4/15/15

# GUSTINE UNIFIED SCHOOL DISTRICT 

Meeting of the Board of Education
MEETING DATE: March 18, 2015

AGENDA ITEM TITLE: Superintendent Job Description
AGENDA SECTION: Action
PRESENTED BY: Dr. Ron Estes, Superintendent

## SUMMARY

Board approval is requested for the updated Superintendent Job Description.

FISCAL IMPACT: None

## GUSTINE UNIFIED SCHOOL DISTRICT

## SUPERINTENDENT

## GENERAL SUMMARY:

As the Chief Administrative Officer of the District, assumes general responsibility for organization, administration, coordination, and supervision of the entire school system, Kindergarten through Adult Education, and assumes other authority and responsibility as directed by the Board of Education.

## QUALIFICATIONS

Education:

1. Valid California Administrative Services Credential
2. Master's Degree and/or Doctorate Degree from an accredited college or university is desired

## ESSENTIAL FUNCTIONS:

1. Serves as the Secretary to the Board of Education and acts as a professional advisor to the Board on programs, policies, rules and procedures.
2. Enforces board policies and establishes rules and procedures necessary to make board policies effective.
3. Provide leadership and guidance for the establishment, maintenance, and continuous improvement of education for pupils of the District, Kindergarten through Adult Education.
4. Prepares and distributes the Board Agenda.
5. Coordinates the establishment of necessary elections pertaining to school matters, including tax and bond elections and election of Board members.
6. Assumes responsibility for the District's public information program.
7. Signs documents for the Board of Education when specifically authorized or directed to do so.
8. Provides the direction for and participates in the recruitment, selection, employment, assignment, and orientation of certificated and classified personnel.
9. Reviews and evaluates all staff recommendations prior to submission to the Board of Education.
10. Prepares necessary reports for the Board.
11. Maintains professional competence through in-service education activities provided by the District and/or self-selected professional growth activities.
12. Represents the Board in the collective bargaining process with the GRTA and CSEA.
13. Performs reasonable additional duties as assigned by the Board of Education.

SUPERVISION: Works under the immediate direction of the Board of Education.


[^0]:    *Preliminary; subject to change.

[^1]:    *Preliminary; subject to change.

[^2]:    * Preliminary; subjet to change.

[^3]:    ${ }^{(1)}$ Local secured assessed valuation, excluding tax-exempt property. Source: California Municipal Statistics, Inc.

[^4]:    ${ }^{(1)}$ 2014-15 local secured assessed valuation: \$ Source: California Municipal Statistics, Inc.

[^5]:    Source: California Municipal Statistics Inc.

[^6]:    ${ }^{(1)}$ Amounts may not add due to rounding.
    Source: PERS State \& Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

[^7]:    ${ }^{*}$ Preliminary; subject to change.

[^8]:    (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.

[^9]:    Source: California State Employment Development Department.

[^10]:    * In thousands.

    Source: California Board of Equalization Taxable Sales in California.

[^11]:    "Moody's" shall mean Moody's Investors Service, its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.
    "Nominee" shall mean the nominee of the Depository which may be the Depository, as determined from time to time by the Depository.

