NEW ISSUE - FULL BOOK-ENTRY

INSURED RATING: S&P: "AA"
INSURED RATING: KROLL: "AA+"
UNDERLYING RATING: S&P: "A+"
See "RATINGS" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$10,000,000
STANDARD SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2019

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

Authority and Purpose. The above-captioned General Obligation Bonds, 2016 Election, Series 2019 (the "Bonds"), are being issued by the Standard School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on February 12, 2019. The Bonds were authorized at an election of the registered voters of the District held on November 8, 2016, (the "2016 Authorization") which authorized the issuance of $33,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the second series of bonds to be issued under the 2016 Authorization. See "THE BONDS – Authority for Issuance" and "- Purpose of Issue" herein.

Security. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by Kern County (the "County"). The County Board of Supervisors is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has other series of general obligation bonds outstanding which are similarly secured by tax levies. See "SECURITY FOR THE BONDS."

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and APPENDIX F.

Payments. The Bonds are dated the date of delivery set forth below and accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2019. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "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 - Description of the Bonds."

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

Bond Insurance. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp ("AGM" or the "Bond Insurer"). See "BOND INSURANCE."

ASSURED GUARANTY® MUNICIPAL

MATURITY SCHEDULE
(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds were sold and awarded pursuant to a competitive bidding process held on Wednesday, February 27, 2019, as set forth in an Official Notice of Sale for the Bonds. The Bonds will be offered when, as and if issued, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about March 13, 2019.

The date of this Official Statement is February 27, 2019.

MATURITY SCHEDULE

$10,000,000
STANDARD SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2019

Base CUSIP†: 853207

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2020	$740,000	6.000%	1.500%	106.136	DB1
2021	85,000	6.000	1.510	110.470	DC9
2022	95,000	6.000	1.520	114.717	DD7
2023	160,000	6.000	1.570	118.692	DE5
2026	45,000	6.000	1.830	128.674	DH8
2027	65,000	5.000	1.930	123.655	DJ4
2028	85,000	5.000	2.020	125.353	DK1
2029	105,000	6.000	2.130	132.754 C	DL9
2030	130,000	5.000	2.250	123.142 C	DM7
2031	155,000	5.000	2.360	122.101 C	DN5
2032	180,000	5.000	2.450	121.258 C	DP0
2033	205,000	5.000	2.540	120.420 C	DQ8
2034	235,000	5.000	2.600	119.866 C	DR6
2035	270,000	5.000	2.660	119.315 C	DS4
2036	305,000	3.125	3.230	98.609	DT2
2037	340,000	3.250	3.290	99.449	DU9
2038	375,000	3.250	3.350	98.580	DV7
2039	410,000	3.250	3.410	97.660	DW5
2040	445,000	3.500	3.500	100.000	DX3
2041	490,000	3.500	3.530	99.535	DY1
2042	535,000	3.500	3.550	99.207	DZ8
2043	580,000	3.500	3.570	98.863	EA2
2044	630,000	3.500	3.590	98.506	EB0
2045	685,000	3.500	3.600	98.303	EC8
2046	740,000	3.500	3.630	97.753	ED6
2047	920,000	3.500	3.650	97.359	EE4
2048	990,000	4.000	3.560	103.480 C	EF1

C Priced to par call on the first optional redemption date of August 1, 2028.
† *CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Purchaser takes any responsibility for the accuracy of the CUSIP data.*

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. 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. This Official Statement is not a contract between any bond owner and the District or the Purchaser.

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

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may 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.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

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

Involvement of Purchaser. The Purchaser has provided the following statement for inclusion in this Official Statement: The Purchaser has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Purchaser may overallot or take other steps that stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market. If commenced, the Purchaser may discontinue such market stabilization at any time. The Purchaser may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Purchaser.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

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

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

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

STANDARD SCHOOL DISTRICT

BOARD OF TRUSTEES OF THE DISTRICT

Pamela J. Jacobsen, *President*
Carrie Freeman, *Clerk*
Vanessa Mazer, *Member*
Pam Neal, *Member*
Steven Ruettgers, *Member*

DISTRICT ADMINISTRATION

Paul Meyers, *Superintendent*
Karen Cox, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

U.S. Bank National Association
Los Angeles, California

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$10,000,000
STANDARD SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2019

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the general obligation bonds captioned above (the **"Bonds"**) by the District.

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 and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District is a K-8 public school district located in Kern County (the **"County"**) in the State of California (the **"State"**). The County is located approximately 100 miles north of Los Angeles County in south-central California. The District encompasses a total area of approximately 34 square miles in the City of Bakersfield (the "**City**"). The District currently operates three elementary schools and one middle school. The District does not sponsor any charter schools. Enrollment in the District is approximately 3,096 students in fiscal year 2018-19.

For more information regarding the District and its finances, see APPENDIX A and APPENDIX B attached hereto. See also APPENDIX C hereto for demographic and other statistical information regarding the City and County.

Purpose of Issue. The net proceeds of the Bonds will be used to finance construction and improvements to facilities of the District, as approved by voters in the District at an election held on November 8, 2016 (the **"Bond Election"**). See "THE BONDS - Purpose of Issue" herein.

Authority for Issuance of the Bonds. Issuance of the Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election and will be issued pursuant to certain provisions of the Government Code of the State, and pursuant to a resolution adopted by the Board of Trustees of the District on February 12, 2019 (the "**Bond Resolution**"). See "THE BONDS - Authority for Issuance" herein.

Description of the Bonds. The Bonds will be issued as current interest bonds. The Bonds will be dated their date of delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. The Bonds will mature on August 1 in the years indicated on the inside cover page hereof. The Bonds will accrue interest from the Dated Date, which is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019. See "THE BONDS – Description of the Bonds" herein.

Payment and Registration of the Bonds. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Bonds (the "**Beneficial Owners**") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC's book-entry only system ("**DTC Participants**") as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See APPENDIX F.

If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution. See "THE BONDS - Registration, Transfer and Exchange of Bonds" herein.

Security and Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the County. The County is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). The Bonds are the second series of bonds issued pursuant to the 2016 Authorization. See "SECURITY FOR THE BONDS."

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

Legal Matters. Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, to be delivered in substantially the form attached hereto as APPENDIX D. Jones Hall, A Professional Law Corporation, San Francisco, California, will serve as Disclosure Counsel to the District. Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.

Bond Insurance. Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp ("**AGM**" or the **"Bond Insurer"**) will issue its Municipal Bond Insurance Policy for the Bonds (the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due, as set forth in the form of the Policy included as an appendix to this Official Statement. See "BOND INSURANCE" and APPENDIX H.

Tax Matters. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the **"State"**) personal income taxes. See "TAX MATTERS" and APPENDIX D hereto for the form of Bond Counsel's opinion to be delivered concurrently with the Bonds.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of a continuing disclosure certificate (the "**Continuing Disclosure Certificate**"), the form of which is attached as APPENDIX E. See "CONTINUING DISCLOSURE" for additional information.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement, and information concerning the Bonds, are available from the District at 1200 North Chester Avenue, Bakersfield, California 93308, Telephone: (661) 392-2110. The District may impose a charge for copying, mailing and handling.

THE BONDS

Authority for Issuance

The Bonds will be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53506 thereof, and the Bond Resolution.

The District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of $33,000,000 (the "**2016 Authorization**").

On March 15, 2017, the District issued its $6,215,000 General Obligation Bonds, 2016 Election, Series 2017 (the "**Series 2017 Bonds**") pursuant to the 2016 Authorization. The Bonds are the second series of bonds issued pursuant to the 2016 Authorization. Following the issuance of the Bonds, there will be $16,785,000 in unissued principal remaining under the 2016 Authorization.

Purpose of Issue

Proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by the District's voters on November 8, 2016, the abbreviated text of which appeared on the ballot as follows:

> *"To repair and modernize local elementary classrooms and school facilities, including repairing deteriorated roofs, plumbing, electrical and ventilation systems; improve school safety; add new classrooms; and acquire, renovate, construct, equip classrooms, sites/facilities to reduce overcrowding and support student achievement in reading, math, science and technology, will Standard School District issue $33,000,000 in bonds at legal interest rates, with independent citizen oversight, no money for administrator salaries, and all funds dedicated locally to Standard School District neighborhood K-8 schools?"*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the **"Project List"**). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2016 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX F.

The Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on Bonds is payable semiannually on each February 1 and August

1, commencing August 1, 2019 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15^{th}) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2019, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Book-Entry Only System

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchasers of the Bonds will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or any other action premised on such notice. See APPENDIX F.

The Paying Agent, the District, and the Purchaser of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Redemption

Optional Redemption. The Bonds maturing prior to August 1, 2029 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2029 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as will be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2028, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date..

Whenever less than all of the outstanding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For the purpose of selection for optional redemption, Bonds will be deemed to consist of $5,000 portions (principal amount), and any such portion may be separately redeemed. The Bonds may all be separately redeemed.

Notice of Redemption

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District to be mailed, first class, postage prepaid, at least 20 but not more than 60 days prior to the date fixed for redemption, to the owners of the Bonds designated for redemption. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to said date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Neither the failure to receive or failure to send any notice of redemption nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds.

Partial Redemption of Bonds

Upon surrender of Bonds redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolution, other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Right to Rescind Notice of Redemption

The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. The District and the Paying Agent have no liability to the Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

Registration, Transfer and Exchange of Bonds

If the book entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds.

If the book entry system is discontinued, the person in whose name a Bond is registered on the Bond registration books shall be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided the Bond Resolution.

Bonds may be exchanged at the principal corporate trust office of the Paying Agent in Dallas, Texas for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

Defeasance and Discharge of Bonds

The Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the County and the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

"Federal Securities" means: United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

DEBT SERVICE SCHEDULES

The Bonds. The following table shows the annual debt service schedule with respect to the Bonds, assuming no optional redemptions.

Standard School District
General Obligation Bonds
2016 Election, Series 2019
Debt Service Schedule

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
2019	--	$153,953.85	$153,953.85
2020	$740,000.00	401,618.76	1,141,618.76
2021	85,000.00	357,218.76	442,218.76
2022	95,000.00	352,118.76	447,118.76
2023	160,000.00	346,418.76	506,418.76
2024	--	336,818.76	336,818.76
2025	--	336,818.76	336,818.76
2026	45,000.00	336,818.76	381,818.76
2027	65,000.00	334,118.76	399,118.76
2028	85,000.00	330,868.76	415,868.76
2029	105,000.00	326,618.76	431,618.76
2030	130,000.00	320,318.76	450,318.76
2031	155,000.00	313,818.76	468,818.76
2032	180,000.00	306,068.76	486,068.76
2033	205,000.00	297,068.76	502,068.76
2034	235,000.00	286,818.76	521,818.76
2035	270,000.00	275,068.76	545,068.76
2036	305,000.00	261,568.76	566,568.76
2037	340,000.00	252,037.50	592,037.50
2038	375,000.00	240,987.50	615,987.50
2039	410,000.00	228,800.00	638,800.00
2040	445,000.00	215,475.00	660,475.00
2041	490,000.00	199,900.00	689,900.00
2042	535,000.00	182,750.00	717,750.00
2043	580,000.00	164,025.00	744,025.00
2044	630,000.00	143,725.00	773,725.00
2045	685,000.00	121,675.00	806,675.00
2046	740,000.00	97,700.00	837,700.00
2047	920,000.00	71,800.00	991,800.00
2048	990,000.00	39,600.00	1,029,600.00
TOTAL	$10,000,000.00	$7,632,597.77	$17,632,597.77

Combined General Obligation Bonds. The following table shows the combined annual debt service schedule with respect to all outstanding general obligation bonds of the District secured by *ad valorem* taxes, assuming no optional redemptions. See APPENDIX A – "DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations" for additional information.

STANDARD SCHOOL DISTRICT
Combined Debt Service Schedule

Period Ending Aug. 1	Election of 2006, Series B	Election of 2012, Series A	2015 Refunding Bonds*	2016 Election, Series 2017	The Bonds	Total
2019	$354,675.00	$803,993.75	$549,050.00	$1,184,356.26	$153,953.85	$3,046,028.86
2020	356,875.00	806,593.75	582,050.00	280,856.26	1,141,618.76	3,167,993.77
2021	358,675.00	808,393.75	618,250.00	290,106.26	442,218.76	2,517,643.77
2022	355,075.00	804,643.75	652,450.00	298,606.26	447,118.76	2,557,893.77
2023	356,275.00	804,893.75	689,650.00	206,356.26	506,418.76	2,563,593.77
2024	359,375.00	804,093.75	724,650.00	213,356.26	336,818.76	2,438,293.77
2025	367,175.00	807,493.75	777,450.00	224,856.26	336,818.76	2,513,793.77
2026	369,525.00	815,543.75	807,250.00	175,606.26	381,818.76	2,549,743.77
2027	371,575.00	822,843.75	846,700.00	178,606.26	399,118.76	2,618,843.77
2028	378,325.00	833,625.00	894,350.00	186,356.26	415,868.76	2,708,525.02
2029	378,900.00	837,662.50	934,900.00	194,706.26	431,618.76	2,777,787.52
2030	383,400.00	845,050.00	978,500.00	202,756.26	450,318.76	2,860,025.02
2031	380,800.00	850,550.00	--	210,506.26	468,818.76	1,910,675.02
2032	382,800.00	859,087.50	--	217,106.26	486,068.76	1,945,062.52
2033	384,200.00	865,400.00	--	228,306.26	502,068.76	1,979,975.02
2034	390,000.00	868,400.00	--	238,906.26	521,818.76	2,019,125.02
2035	--	--	--	248,906.26	545,068.76	793,975.02
2036	--	--	--	258,306.26	566,568.76	824,875.02
2037	--	--	--	267,687.50	592,037.50	859,725.00
2038	--	--	--	276,312.50	615,987.50	892,300.00
2039	--	--	--	289,375.00	638,800.00	928,175.00
2040	--	--	--	301,687.50	660,475.00	962,162.50
2041	--	--	--	313,250.00	689,900.00	1,003,150.00
2042	--	--	--	324,062.50	717,750.00	1,041,812.50
2043	--	--	--	339,125.00	744,025.00	1,083,150.00
2044	--	--	--	353,250.00	773,725.00	1,126,975.00
2045	--	--	--	366,437.50	806,675.00	1,173,112.50
2046	--	--	--	378,687.50	837,700.00	1,216,387.50
2047	--	--	--	--	991,800.00	991,800.00
2048	--	--	--	--	1,029,600.00	1,029,600.00
TOTAL	$5,927,650.00	$13,238,268.75	$9,055,250.00	$8,248,437.68	$17,632,597.77	$54,102,204.20

* The 2015 Refunding Bonds mature on November 1.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

Sources of Funds	
Principal Amount of Bonds	$10,000,000.00
Net Original Issue Premium	364,056.95
Total Sources	$10,364,056.95
Uses of Funds	
Building Fund	$9,707,989.20
Debt Service Fund	364,056.95
Costs of Issuance (1)	292,010.80
Total Uses	$10,364,056.95

(1) All estimated costs of issuance including, but not limited to, Purchaser's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent, Policy premium, and the rating agency.

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates).

Other Debt Payable from Ad Valorem Property Taxes. In addition to the Bonds, there is other debt issued by the District and other entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Tax Rates" and "- Direct and Overlapping Debt" below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Natural Disasters. Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "- Assessed Valuation" for additional information about recent notable disasters in the State.

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Standard School District, 2016 Election, Series 2019 Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

Amounts to pay debt service on the Bonds will be held in the fund created and established in the Bond Resolution and known as the "Standard School District, 2016 Election, Series 2019 Debt Service Fund" (the "**Debt Service Fund**") for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same becomes due and payable.

If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the County shall transfer such amounts to the District's general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and real property, the taxes on which create a lien on such property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. 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 with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. However, Senate Bill 813 (enacted by Statutes of 1983, Chapter 498) (**"SB 813"**), provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. 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 record 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 or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Historic Assessed Valuations

The assessed valuation of property in the District is established by the respective assessors of the counties, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see APPENDIX A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Assessed Valuation

Assessed Valuation History. The table below shows a recent history of the District's assessed valuation.

STANDARD SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2010-11 through 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2010-11	$3,745,549,593	$1,037,967	$37,121,269	$3,783,708,829	--
2011-12	3,978,449,928	972,379	36,089,263	4,015,511,570	6.1%
2012-13	4,369,866,044	972,379	39,045,522	4,409,883,945	9.8
2013-14	5,480,239,045	972,379	35,444,205	5,516,655,629	25.1
2014-15	5,693,238,518	972,379	36,768,531	5,730,979,428	3.9
2015-16	4,705,609,938	972,379	64,307,090	4,770,889,407	(16.8)
2016-17	3,917,024,493	650,302	65,221,980	3,982,896,775	(16.5)
2017-18	4,233,189,413	650,302	62,747,205	4,296,586,920	7.9
2018-19	4,131,892,355	650,302	54,406,199	4,186,948,856	(2.6)

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts.

In addition, wildfires have occurred in recent years in different regions of the State, and related flooding and mudslides have also occurred. Although the recent natural disasters do not include territory within the District's boundaries, the District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the Improvement

District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

Assessed Valuation By Jurisdiction. The following table sets forth assessed valuation in the District by jurisdiction for fiscal year 2018-19.

STANDARD SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2018-19

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Bakersfield	$ 39,046,163	0.93%	$29,912,084,134	0.13%
Unincorporated Kern County	4,147,902,693	99.07	$52,504,608,247	7.90%
Total District	$4,186,948,856	100.00%		
Kern County	$4,186,948,856	100.00%	$91,615,665,706	4.57%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2018-19. As shown, the majority of the District's assessed valuation is represented by non-residential property.

STANDARD SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19

Non-Residential:	2018-19 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Agricultural	$ 11,131,330	0.27%	320	3.93%
Commercial	71,081,489	1.72	231	2.84
Vacant Commercial	3,451,794	0.08	35	0.43
Recreational	2,838,055	0.07	3	0.04
Oil & Gas/Mineral Rights	2,991,267,115	72.39	247	3.03
Other Industrial	159,133,995	3.85	94	1.15
Vacant Industrial	3,790,194	0.09	44	0.54
Government/Social/Institutional	955,678	0.02	129	1.58
Miscellaneous	100,795	0.00	12	0.15
Subtotal Non-Residential	$3,243,750,445	78.51%	1,115	13.70%
Residential:				
Single Family Residence	$663,731,896	16.06%	5,277	64.84%
Mobile Home	9,120,039	0.22	477	5.86
2-4 Residential Units	152,031,848	3.68	857	10.53
5+ Residential Units/Apartments	54,317,360	1.31	73	0.90
Vacant Residential	8,940,767	0.22	340	4.18
Subtotal Residential	$888,141,910	21.49%	7,024	86.30%
Total	$4,131,892,355	100.00%	8,139	100.00%

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

Assessed Valuation of Single Family Residential Parcels. The following table shows a breakdown of the assessed valuations of improved single-family residential parcels in the District for fiscal year 2018-19.

STANDARD SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2018-19

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	5,277	$663,731,896	$125,778	$122,076

2018-19 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	44	0.834%	0.834%	$ 860,787	0.130%	0.130%
$25,000 - $49,999	453	8.584	9.418	18,130,712	2.732	2.861
$50,000 - $74,999	703	13.322	22.740	44,349,512	6.682	9.543
$75,000 - $99,999	768	14.554	37.294	66,807,965	10.066	19.609
$100,000 - $124,999	763	14.459	51.753	86,011,209	12.959	32.567
$125,000 - $149,999	867	16.430	68.183	119,042,164	17.935	50.503
$150,000 - $174,999	613	11.616	79.799	99,432,480	14.981	65.483
$175,000 - $199,999	519	9.835	89.634	96,808,413	14.585	80.069
$200,000 - $224,999	294	5.571	95.206	62,221,531	9.374	89.443
$225,000 - $249,999	160	3.032	98.238	37,732,639	5.685	95.128
$250,000 - $274,999	46	0.872	99.109	11,994,619	1.807	96.936
$275,000 - $299,999	15	0.284	99.394	4,309,275	0.649	97.585
$300,000 - $324,999	3	0.057	99.450	921,557	0.139	97.724
$325,000 - $349,999	1	0.019	99.469	331,834	0.050	97.774
$350,000 - $374,999	1	0.019	99.488	358,000	0.054	97.828
$375,000 - $399,999	3	0.057	99.545	1,152,171	0.174	98.001
$400,000 - $424,999	2	0.038	99.583	815,679	0.123	98.124
$425,000 - $449,999	1	0.019	99.602	425,556	0.064	98.188
$450,000 - $474,999	3	0.057	99.659	1,383,585	0.208	98.397
$475,000 - $499,999	4	0.076	99.735	1,951,400	0.294	98.691
$500,000 and greater	14	0.265	100.000	8,690,808	1.309	100.000
Total	5,277	100.000%		$663,731,896	100.000%	

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

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" in APPENDIX A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the 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. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, 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.

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.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Levies and Delinquencies

The District's total secured tax collections and delinquencies are apportioned on a County-wide basis according to the District's designated tax rate amount. Therefore, the total secured tax levies, as well as collections and delinquencies reported, do not represent the actual secured tax levies, collections and delinquencies of tax payers within the tax areas of the District. In addition, the District's total secured tax levy does not include special assessments, supplemental taxes or other charges which have been assessed on property within the District or other tax rate areas of the County.

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**) as provided for in the State Revenue and Taxation Code, which requires the County to pay 100% of secured property taxes due to local agencies in the fiscal year such taxes are due. Under these provisions, each county operating under the Teeter Plan establishes a delinquency reserve and assumes responsibility for all secured delinquencies, assuming that certain conditions are met.

Because of this method of tax collection, the K-12 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their secured tax levies if the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties due on delinquent payments or in the interest which accrues on delinquent payments.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors has received a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is required to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The District is not aware of any plan for the discontinuation of the Teeter Plan in the County.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. In the event that the Teeter Plan was terminated, the amount of the levy of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

So long as the Teeter Plan remains in effect with respect to the District, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County.

Notwithstanding that the County is currently on the Teeter Plan, below is information regarding historical secured tax charges and delinquencies with respect to the levy for debt service on bonds.

STANDARD SCHOOL DISTRICT
Secured Tax Charges and Delinquencies (1)
Fiscal Years 2009-10 through 2017-18

Fiscal Year	Secured Tax Charge (2)	Amt. Del. June 30	% Del. June 30
2009-10	$950,727.95	$11,349.56	1.19%
2010-11	780,157.46	5,953.51	0.76
2011-12	783,232.64	3,809.53	0.49
2012-13	804,451.00	3,350.82	0.42
2013-14	853,277.60	2,515.48	0.29
2014-15	1,842,829.61	5,418.15	0.29
2015-16	1,694,360.95	5,676.48	0.34
2016-17	1,633,163.53	8,737.08	0.53
2017-18	3,329,163.63	11,801.13	0.35

(1) Kern County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.
(2) Debt Service Levy only.
Source: California Municipal Statistics, Inc.

Tax Rates

Below are historical typical tax rates in a typical tax rate area (Tax Rate Area 121-1) within the District for fiscal years 2014-15 through 2018-19.

STANDARD SCHOOL DISTRICT
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 121-1) [(1)]
Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
General	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Kern County Water Authority	.027754	.029725	.031521	.039039	.036028
Kern High School District	.036056	.032389	.025969	.076958	.060201
Standard School District	.031739	.035957	.040247	.053319	.051182
Kern Community College District SFID	--	--	--	.014412	.012338
Kern Community College District SRID	.010450	.013571	.013180	.021837	.021330
Total Tax Rate	$1.105999	$1.111642	$1.110917	$1.205565	$1.181079

(1) 2018-19 assessed valuation of TRA 121-1 is $2,938,781,892 which is 70.19% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

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Top 20 Property Owners

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2018-19. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

STANDARD SCHOOL DISTRICT
Top 20 Secured Property Taxpayers
Fiscal Year 2018-19

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total (1)
1.	Chevron USA Inc.	Oil & Gas Production	$2,606,044,073	63.07%
2.	California Resources Petroleum Corp.	Oil & Gas Production	426,490,290	10.32
3.	Kern River Holdings Inc.	Oil & Gas Production	65,891,833	1.59
4.	Tricor Refining LLC	Industrial	14,688,342	0.36
5.	Autumn Glen Apartments LLC	Apartments	13,013,630	0.31
6.	Bel Court Apartments LLC	Apartments	10,600,000	0.26
7.	Monterey Bakersfield LP	Apartments	10,322,697	0.25
8.	West Day LLC	Apartments	8,194,263	0.20
9.	Asphalt Terminals LLC	Industrial	6,713,002	0.16
10.	Wal Mart Real Estate Business Trust	Commercial	6,261,935	0.15
11.	Taksbak LP	Industrial	5,696,013	0.14
12.	JJBF LLC	Apartments	5,457,000	0.13
13.	Bakersfield Holdings LLC	Commercial	5,015,093	0.12
14.	Secure Self Storage LLC	Industrial	3,893,851	0.09
15.	TRB Oilfield Leasing LLC	Industrial	3,855,209	0.09
16.	Martinov Highland Knolls LLC	Mobile Home Park	3,820,866	0.09
17.	Chester Ave. Properties	Office Building	3,643,198	0.09
18.	Gebhard Partners LP	Industrial	3,542,934	0.09
19.	Moniem & Maria Shaaban	Commercial	3,400,359	0.08
20.	13418 Livingston Trust	Apartments	2,731,050	0.07
			$3,209,275,638	77.67%

(1) 2018-19 Local Secured Assessed Valuation: $4,131,892,355.
Source: California Municipal Statistics, Inc.

Concentration of Ownership; Oil and Gas Properties. The District derives a portion of its revenues from its share of the one percent levy for general purposes. The top twenty property owners in the District account for 77.67% of the assessed valuation in the District, with the top two secured taxpayers, Chevron USA Inc. and California Resources Petroleum Corp., accounting for approximately 73.39% of the District's secured assessed valuation. Non-payment of property taxes by a large owner in the District could reduce the District's share of local property taxes, although so long as the County participates in the Teeter Plan described above, the District will receive its share of such taxes, notwithstanding delinquencies.

Decline in Oil Prices. The assessed valuations of oil and gas properties are subject to fluctuation from year to year, in part to reflect current market conditions. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS –

Oil and Gas Producing Properties" in Appendix A to this Official Statement. Historically, the District has experienced fluctuations in assessed value from oil and gas properties as a result of lower oil prices. The District cannot predict whether assessed valuations will decline in the future as a result of fluctuations in oil prices.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of January 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

STANDARD SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of January 1, 2019)

2018-19 Assessed Valuation: $4,186,948,856

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/19
Kern Community College District SFID No. 1	4.705%	$ 4,451,165
Kern Community College District SFRD	4.734	5,704,995
Kern High School District	7.419	22,119,838
Standard School District	**100.000**	**26,650,000**[1]
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$58,925,998
OVERLAPPING GENERAL FUND DEBT:		
Kern County Certificates of Participation	4.570%	$ 4,311,693
Kern County Pension Obligation Bonds	4.570	9,450,411
Kern County Board of Education Certificates of Participation	4.570	1,699,583
Kern County Community College District Certificates of Participation	4.251	1,280,189
Kern Community College District Benefit Obligation Bonds	4.251	3,307,703
Kern High School District Certificates of Participation	7.419	7,394,146
City of Bakersfield General Fund Obligations	0.131	14,770
TOTAL OVERLAPPING GENERAL FUND DEBT		$27,458,495
COMBINED TOTAL DEBT		$86,384,493[2]

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($26,650,000).. 0.64%
Total Direct and Overlapping Tax and Assessment Debt 1.41%
Combined Total Debt 2.06%

(1) Excludes the Bonds offered for sale hereunder.
(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. No representation is made as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX H for a specimen of the Policy.

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At December 31, 2018:

- The policyholders' surplus of AGM was approximately $2,533 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (**"MAC"**) (as described below) were approximately $1,034 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,873 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("**AGE**"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019).

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

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

Miscellaneous Matters

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

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

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

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or cause the Bonds to not be "qualified tax-exempt obligations," or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX D.

CERTAIN LEGAL MATTERS

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 bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

Absence of Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a 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 that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Bonds.

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, and Fieldman, Rolapp, & Associates, Inc., as Municipal Advisor to the District, are contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

The District will execute the Continuing Disclosure Certificate in connection with the issuance of the Bonds, and covenant therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an **"Annual Report"**) not later than nine months after the end of the District's fiscal year (which currently is June 30), commencing March 31, 2020 with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX E. These covenants have been made in order to assist the Purchaser of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has existing undertakings pursuant to the Rule in connection with the delivery of prior general obligation bonds. See APPENDIX A under the heading "DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations." During the previous five years, specific instances of non-compliance with prior undertakings are (i) the failure to include certain required operating information in its Annual Report for fiscal year 2013-14 and (ii) the failure to timely file required notices of insured and underlying rating changes. Identification of the above instances of non-compliance shall not be construed as an acknowledgment that any such non-compliance was material.

The District has engaged Fieldman, Rolapp & Associates, Inc. doing business as Applied Best Practices to serve as its dissemination agent in connection the undertaking to be entered into for the Bonds. Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") and Kroll Bond Rating Agency, Inc. ("**KBRA**") are expected to assign their ratings of "AA" and "AA+", respectively, to the Bonds, based on the understanding that the Bond Insurer will deliver its Policy with respect to the Bonds at the time of delivery of the Bonds. See "BOND INSURANCE."

Additionally, S&P has assigned an underlying rating of "A+" to the Bonds. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement to the extent deemed not material for investment purposes). Such ratings reflect only the view of S&P and an explanation of the significance of such ratings and outlook may be obtained only from S&P. There is no assurance that any credit ratings given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of ratings may have an adverse effect on the market price of the Bonds.

COMPETITIVE SALE OF BONDS

The Bonds were purchased by Raymond James & Associates, Inc. (the "**Purchaser**") as the winner of a competitive bid conducted on February 27, 2019. The Purchaser has agreed to purchase the Bonds at a price of $10,231,846.15 which is equal to the initial principal amount of the Bonds of $10,00,000.00, plus net original issue premium of $364,056.95 less a Purchaser's discount of $132,210.80.

The Purchaser may offer and sell the Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page of this Official Statement. The public offering prices may be changed from time to time by the Purchaser.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the Purchaser and following delivery of the Bonds will be on file at the offices of the Paying Agent in Los Angeles, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

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 to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

EXECUTION

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

STANDARD SCHOOL DISTRICT

By: *\/s/ Paul Meyers*
Superintendent

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the Official Statement.

General Information

The District is a K-8 public school district located in Kern County (the **"County"**) in the State of California (the **"State"**). The County is located approximately 100 miles north of Los Angeles County in south-central California. The District encompasses a total area of approximately 34 square miles in the City of Bakersfield (the "**City**"). The District currently operates three elementary schools and one middle school. The District does not sponsor any charter schools. Enrollment in the District is approximately 3,096 students in fiscal year 2018-19.

See also APPENDIX C hereto for demographic and other statistical information regarding the City and County.

Administration

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below.

Name	Office	Term Expires
Pamela J. Jacobsen	President	December 2020
Carrie Freeman	Clerk	December 2022
Vanessa Mazer	Member	December 2022
Pam Neal	Member	December 2022
Steven Ruettgers	Member	December 2020

Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Paul Meyers is currently the Superintendent of the District and Karen Cox is the Assistant Superintendent, Business Services.

Recent Enrollment Trends

The following table shows a recent history and budgeted enrollment for the District.

ANNUAL ENROLLMENT
Fiscal Years 2005-06 through 2018-19
Standard School District

Fiscal Year	Student Enrollment	% Change
2005-06	2,875	--
2006-07	2,900	0.9%
2007-08	2,944	1.5
2008-09	2,890	(1.8)
2009-10	2,847	(1.5)
2010-11	2,930	2.9
2011-12	2,906	(0.8)
2012-13	2,979	2.5
2013-14	2,947	(1.1)
2014-15	3,121	5.9
2015-16	3,068	(1.7)
2016-17	3,130	2.0
2017-18	3,115	(0.5)
2018-19(1)	3,043	(2.3)

(1) Budgeted.
Source: California Department of Education for 2005-06 through 2017-18; Standard School District for 2018-19.

Employee Relations

The District has 160.0 certificated full-time equivalent ("**FTE**") employees, 120.3 classified FTE employees, and 26.0 management/supervisor/confidential FTE employees.

The certificated and classified employees of the District are represented by two bargaining units, as set forth in the following table.

BARGAINING UNITS
Standard School District

Employee Group	Representation	Contract Expiration Date
Certificated	CTA-Standard Teachers Association	June 30, 2019
Classified	Service Employees International Union 521	June 30, 2019

Source: Standard School District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the ADA for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts which had local property tax revenues which exceeded its revenue limit entitlement were deemed "Basic Aid Districts" and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded its revenue limit funding entitlement.

The fiscal year 2013-14 State budget package (the "**2013-14 State Budget**") replaced the previous K-12 finance system with a formula known as the Local Control Funding Formula (the **"LCFF"**). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, 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 grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and is being phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**"), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, 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.

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 2017-18 are set forth in the following table. Most school districts will receive less than the targeted amount while LCFF is being phased in. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

Funding levels used in the LCFF "Target Entitlement" calculations for fiscal year 2018-19 are set forth in the following table.

Fiscal Year 2018-19 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)

Grade Span	2018-19 Base Grant Per ADA	2018-19 COLA (3.70%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2017-18 Base Grant/Adjusted Base Grant Per ADA
K-3	$7,193	$266	$776	$8,235
4-6	7,301	270	n/a	7,571
7-8	7,518	278	n/a	7,796
9-12	8,712	322	235	9,269

*Does not include supplemental and concentration grant funding entitlements.
Source: California Department of Education.

The new legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 State Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

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

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. 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. The District's June 30, 2018 Audited Financial Statements were prepared by Daniells Phillips Vaughan & Bock, Bakersfield, California and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent, Business Services of the District, Standard School District, 1200 N. Chester Avenue, Bakersfield, California 93308, Telephone: (661) 392-2110. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for the fiscal years 2013-14 through 2017-18.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2013-14 through 2017-18 (Audited)
Standard School District [(1)]

Revenues	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18
LCFF sources	$18,205,136	$19,629,250	$22,407,360	$23,853,101	$27,683,122
Federal Revenues	1,408,014	1,714,718	2,266,111	1,620,702	1,990,745
Other state revenues	5,954,240	5,978,230	7,338,226	6,466,199	4,078,681
Other local revenues	359,261	175,632	443,675	375,641	480,738
Total Revenues	25,926,651	27,497,830	32,455,372	32,316,438	34,233,286
Expenditures					
Instruction	16,012,099	16,632,871	19,972,914	18,824,328	19,241,093
Instruction-related services:					
Supervision of instruction	868,525	972,698	1,092,814	1,145,699	1,158,352
Library, media and technology	166,957	286,118	247,294	255,787	263,962
School site administration	1,145,112	1,174,448	1,213,726	1,232,256	1,263,299
Pupil services:					
Home-to-school transportation	428,607	581,621	584,229	649,096	972,620
All other pupil services	1,140,142	1,350,725	1,569,749	1,724,677	1,768,527
General administration					
Data processing	352,895	480,139	488,583	470,643	632,097
All other general administration	888,233	1,002,967	1,221,371	1,374,061	1,256,670
Plant services/Maintenance and operations	2,185,266	2,517,262	2,903,003	2,815,620	2,986,331
Facility acquisition and construction	35,687	24,525	142,844	95,185	67,140
Ancillary Services	5,748	6,472	6,320	4,985	5,173
Community services	--		72,891	4,915	18,081
Other outgo	1,062,822	1,079,775	926,670	968,306	1,528,404
Debt service: Principal	8,314	162,974	--	--	--
Debt service: Interest	1,636	--	--	--	--
Total Expenditures	24,302,043	26,272,595	30,442,373	29,565,558	31,161,749
Excess of Revenues Over/(Under) Expenditures	1,624,608	1,225,235	2,012,999	2,750,880	3,071,537
Total Other Financing Sources (Uses)	(1,496,179)	(260,186)	(2,251,812)	(404,180)	(5,550,000) [(2)]
Net change in fund balance	128,429	965,049	(238,813)	2,346,700	(2,478,463)
Fund Balance, July 1	11,571,225	11,699,654	12,664,703	12,425,890	14,772,590
Fund Balance, June 30	$11,699,654	$12,664,703	$12,425,890	$14,772,590	$12,294,127

(1) Totals may not foot due to rounding.
(2) Of such transfer, $5,000,000 accounts for the Standard Middle School gym modernization project, and the remaining amounts account for cafeteria supplies, portable lease payments and ongoing maintenance projects.
Source: Standard School District Audit Reports

District Budget and Interim Financial Reporting

Budgeting and Interim Reporting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Kern County Superintendent of Schools (the **"County Superintendent"**).

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The County Superintendent 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 is deemed 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 two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at 1200 N. Chester Avenue, Bakersfield, California 93308, Telephone: (661) 392-2110. The District may impose charges for copying, mailing and handling.

District's General Fund. The following table shows the general fund figures for the District for fiscal year 2018-19 (adopted budget and first interim projections).

STANDARD SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2018-19 (Adopted Budget and First Interim Projections)

Revenues	**Adopted Budget 2018-19**	**First Interim 2018-19**
Total LCFF Sources	$29,835,500	$30,430,086
Federal Revenues	1,909,855	1,909,855
Other state revenues	1,823,261	1,749,311
Other local revenues	1,906,340	1,904,340
Total Revenues	35,274,956	35,993,592
Expenditures		
Certificated Salaries	14,823,366	14,833,258
Classified Salaries	4,777,131	4,777,131
Employee Benefits	8,235,545	8,237,504
Books and Supplies	2,213,947	2,168,881
Contract Services & Operating Exp.	3,177,171	3,213,755
Capital Outlay	408,157	565,863
Other Outgo (excluding indirect costs)	1,312,378	1,312,378
Other Outgo – Transfers of Indirect Costs	--	--
Total Expenditures	34,947,695	35,108,770
Excess of Revenues Over/(Under) Expenditures	327,261,	884,822
Other Financing Sources (Uses)		
Operating transfers in	--	--
Operating transfers out	(350,000)	(350,000)
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	(350,000)	(350,000)
Net change in fund balance	(22,739)	534,822
Fund Balance, July 1	12,288,338	12,288,338
Fund Balance, June 30	$12,265,599	$12,823,160

Source: Standard School District Adopted Budget for fiscal year 2018-19 and First Interim Report for fiscal year 2018-19.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve which meets the State's minimum requirements.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget (**"SB 858"**), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

On October 11, 2017, the Governor signed new legislation ("**SB 751**") amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district's combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts and small districts with 2,500 or fewer ADA are exempt from the reserve cap.

Attendance - Revenue Limit and LCFF Funding

Funding Trends under LCFF. As described herein, prior to fiscal year 2013-14, school districts in California received State funding based on a formula which considered a revenue limit per unit of average daily attendance (**"ADA"**). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth recent LCFF funding per ADA for the District for fiscal years 2013-14 through 2018-19 (budgeted).

STANDARD SCHOOL DISTRICT
ADA and LCFF Funding
Fiscal Years 2013-14 through 2018-19 (Budgeted)

Fiscal Year	ADA	LCFF Funding Per ADA
2013-14	2,763	$7,457
2014-15	2,885	7,986
2015-16	2,884	8,895
2016-17	2,883	9,354
2017-18	2,906	9,526
2018-19 (1)	2,915	10,439

(1) First Interim Projections.
Source: California Department of Education; Standard School District.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 78% for purposes of calculating supplemental and concentration grant funding under LCFF.

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

***LCFF Sources*.** District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

For school districts which were Community Supported Districts prior to implementation of the LCFF, provided that the per pupil funding targets under LCFF, including economic recovery targets, are met or exceeded by local property tax revenues, such districts are entitled to retain their status as Community Supported and keep their full local property tax revenue entitlement. The threshold for Basic Aid status under the LCFF, however, is higher than under the prior funding formula, resulting in some districts falling out of Community Supported status as the result of the implementation of the LCFF. Accountability measures contained in the LCFF must be implemented by all districts, including Community Supported Districts.

***Federal Revenues*.** The federal government provides funding for several District programs, including special education programs, programs under Every Student Succeeds Act, the Individuals with Disabilities Education Act, and specialized programs such as Drug Free Schools.

***Other State Revenues*.** As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

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

For additional discussion of State aid to school districts, see "-Education Funding Generally."

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings, leases and rentals.

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS 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 Purchaser.*

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years are set forth in the following table.

STRS Contributions
Standard School District
Fiscal Years 2013-14 through 2018-19 (Projected)

Fiscal Year	Amount
2013-14	$932,131
2014-15	1,064,732
2015-16	1,374,833
2016-17	1,653,202
2017-18	1,887,006
2018-19 (1)	2,398,966

(1) First Interim Projections.
Source: Standard School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $107.3 billion as of June 30, 2017 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 10.73%, 12.58%, 14.43% and 16.28% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2019-20 through 2022-23

Fiscal Year	Employer Contribution Rate[(1)]
2019-20	18.13%
2020-21	19.10
2021-22[(2)]	18.60
2022-23[(2)]	18.10

(1) Expressed as a percentage of covered payroll.
(2) The employer contribution rate is projected to decrease in fiscal years 2021-22 and 2022-23. Projections may change based on actual experience.
Source: AB 1469

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

PERS Contributions
Standard School District
Fiscal Years 2013-14 through 2018-19 (Projected)

Fiscal Year	Amount
2013-14	$330,218
2014-15	365,981
2015-16	420,635
2016-17	537,915
2017-18	625,519
2018-19 [(1)]	750,841

(1) First Interim Projections.
Source: Standard School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $23.6 billion as of June 30, 2017 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

PERS Discount Rate
Fiscal Years 2018-19 through 2020-21

Fiscal Year	Amount
2018-19	7.375%
2019-20	7.250
2020-21	7.000

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 11.847%, 13.888%, 15.531%, and 18.062% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2019-20 through 2022-23(1)

Fiscal Year	Employer Contribution Rate(2)
2019-20	20.800%
2020-21	23.500
2021-22	24.600
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll.
Source: PERS

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information. Additional information regarding the District's retirement programs is available in Note 12 to the District's audited financial statements attached to the Official Statement as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Purchaser for accuracy or completeness.*

Other Post-Employment Retirement Benefits

Plan Description. The District administers a single-employer, defined benefit healthcare plan administered by Self-Insured Schools of California ("**SISC**") and PFM Asset Management LLC ("**PFM**") (the "**Plan**"). The Plan provides medical insurance benefits to eligible employees and their spouses (not surviving spouse). The District's Board of Trustees has the authority to establish and amend benefit provisions. The Plan is included in the financial report of Self-Insured Schools of California GASB 45 Trust which can be obtained by contacting the District office at 1200 North Chester Avenue, Bakersfield, CA 93308.

Eligibility. Certificated and classified employees (including management and administration), hired on or after December 18, 1990 and retiring on or after July 1, 2005 will be eligible to receive District-paid retiree health benefits according to the following provisions: Employees retiring after the later of age 55 and completing 15 years of continuous full-time service with the District immediately prior to retirement will receive a District contribution equal to 50% of the cost of the medical and prescription drug (but not dental or vision) premiums for the retiree only. The District percentage will be increased by 10% of the premium for each additional year of service, to a maximum of 100% of the premium with 20 or more years of service. Furthermore, retirees will earn 100% District-paid spousal healthcare coverage upon completing 20 years of service. Benefits for the retiree (and spouse, if applicable, but no surviving spouse) continue until the retiree reaches age 65, at which the District contributions cease. There were 40 retirees who met these eligibility requirements at June 30, 2018.

Contributions. The contribution requirements of plan members and the District are established by the District's Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District's Board of Trustees. For the fiscal year ended June 30, 2018, the District contributed $346,117 for current premiums.

Investment Policy. The plan's policy in regard to the allocation of invested assets is established and may be amended by the Governing Board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the Governing Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	SISC Target Allocation	PFM Target Allocation
U.S Large Cap	40%	n/a%
U.S Small Cap	20	n/a
Long-Term Corporate Bond	25	n/a
Long-Term Government Bond	10	n/a
Short-Term Government Fixed	5	n/a
Equities	n/a	63
Fixed Income	n/a	37

Source: District Audited Financial Statement.

Rate of Return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 5.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB (Asset) of the District. The District's net OPEB asset of $3,685,040, was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017 were as follows:

Total OPEB Liability	**Certificated**	**Classified**	**Total**
Active Employees	$3,170,093	$1,479,431	$4,649,524
Current Retirees	658,423	1,406,207	2,064,630
Total	$3,828,516	$2,885,638	6,714,154
Plan fiduciary net position			10,399,194
District's net OPEB (asset) liability			$(3,685,040)
Plan fiduciary net position as a percentage of the total OPEB (asset) liability			154.88%

Source: District Audited Financial Statement.

Actuarial Assumptions and Other Inputs. The District's total OPEB asset of $3,685,040 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.75%, salary increases 2.75%, Investment rate of return, net of expenses 6.30%, healthcare cost trend rates 4.00%. The discount rate of 6.3% was based on Bond Buyer 20-Bond Index. Mortality rates are based on the most recent rates used by PERS and STRS for pension valuations.

The mortality assumptions are based upon the following tables. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation:

• Mortality rates were based on the 2009 STRS Mortality table created by STRS. STRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on STRS analysis.

• The mortality assumptions are based on the 2014 PERS Retiree Mortality for Miscellaneous Employees table created by PERS. PERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on PERS analysis.

• The mortality assumptions are based on the 2014 PERS Active Mortality for Miscellaneous Employees table created by PERS. PERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on PERS analysis.

Changes in Net OPEB Asset of the District. The changes in net OPEB asset of the District as of June 30, 2018, is shown in the following table:

CHANGES IN TOTAL OPEB LIABILITY
Standard School District

Balance at June 30, 2016	$3,093,149
Changes for the year	
Service Cost	(393,622)
Interest	(404,709)
Contributions	656,823
Net Investment Income	733,483
Changes of assumptions or other inputs	--
Benefit payments	--
Administrative Expense	(84)
Net changes	591,891
Balance at June 30, 2017	$3,685,040

Source: District Audited Financial Statement.

For the year ended June 30, 2018, the District recognized an OPEB expense of $64,932. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $346,117 which will be recognized as an addition to the net OPEB asset during the fiscal year ending June 30, 2019.

Insurance – Joint Powers Agreement

The District participates in five joint ventures under joint powers agreements (collectively the "**JPA's**"); three with SISC, one with Partners in Nutrition Cooperative ("**PinCo**"), and one with School District Facility Services ("**SDFS**"). The relationships between the District and the JPA's are such that the JPA's are not component units of the District for financial reporting purposes.

SISC arranges for and provides health, workers' compensation and property and liability insurance for its member school districts in California. SISC is governed by a board consisting of representatives from member districts. The board controls the operations of SISC, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SISC.

PinCo coordinates the acquisition, storage and distribution of commodities and other related food product to member districts of California. An advisory committee consisting of representatives from member districts governs PinCo. The advisory committee controls the operations of PinCo including the review of performance of the lead district; and the review and approval of the monthly service fee to be paid by the member districts to the lead district. The advisory committee functions independently of any influence by the member districts beyond their representation on the committee. Each member district establishes a revolving fund approximately equal to 2.5 times the average monthly purchases, plus some additional expenses.

SDFS provides administrative services to member districts pursuant to various statutory provisions related to the collection of school facilities fees levied on new construction and/or other school facilities issues pertinent to school construction funding. Member districts are limited to public school districts or other public educational entities within the County of Kern and the Kern County Superintendent of Schools. SDFS advisory board members include small and large school districts, both urban and rural, with the governing board structured to ensure input from each. The Kern County Superintendent of Schools acts as the administrative agent for SDFS.

Existing Debt Obligations

General Obligation Bonds. The District has general obligation bonds secured by *ad valorem* taxes levied and collected within the District, on a parity basis with the Bonds, as described below. The following table shows the outstanding principal amount of general obligation bonded debt of the District as of February 1, 2019.

Summary of Outstanding General Obligation Bond Indebtedness
Standard School District

Issue Date	Issue Name	Original Principal Amount	Outstanding Principal as of 02/01/2019
03/27/2014	General Obligation Bonds, Election of 2006, Series B	$5,000,000	$4,400,000
03/27/2014	General Obligation Bonds Election of 2012, Series A	11,200,000	9,835,000
11/05/2015	2015 General Obligation Refunding Bonds	8,135,000	7,245,000
03/01/2017	General Obligation Bonds, 2016 Election, Series 2017	6,215,000	5,170,000
Total		$35,550,000	$26,650,000

<u>The 2006 General Obligation Bond Authorization.</u> The District received authorization at an election held on June 6, 2006, by more than the requisite 55% of the qualified electors to issue general obligation bonds in a principal amount not to exceed $28,000,000 (the "**2006 Authorization**"). On September 26, 2006, the District issued its General Obligation Bonds, Election of 2006, Series A in the aggregate principal amount of $11,800,000 (the "**2006A Bonds**"). The 2006A Bonds were refunded in 2015 and are no longer outstanding. On March 27, 2014 the District issued its General Obligation Bonds, Election of 2006, Series B in the aggregate principal amount of $5,000,000. There is $11,200,000 unused authorization under the 2006 Authorization.

<u>The 2012 General Obligation Bond Authorization.</u> The District received authorization at an election held on November 6, 2012, by more than the requisite 55% of the qualified electors to issue general obligation bonds in a principal amount not to exceed $11,200,000 (the "**2012 Authorization**"). On March 27, 2014, the District issued its $11,200,000 General Obligation Bonds 2012 Election, Series A. There is no remaining unused authorization under the 2012 Authorization.

<u>The 2016 General Obligation Bond Authorization.</u> The District received authorization at an election held on November 8, 2016, by more than the requisite 55% of the qualified electors to issue general obligation bonds in a principal amount not to exceed $33,000,000 (the "**2016 Authorization**"). On March 15, 2017, the District issued its $6,215,000 General Obligation Bonds 2016 Election, Series 2017. Following the issuance of the Bonds as described herein, there will be $16,785,000 in unissued principal remaining under the 2016 Authorization.

General Obligation Refunding Bonds. On November 5, 2015, the District issued its 2015 General Obligation Refunding Bonds in the aggregate principal amount of $8,135,000 to refund the 2006A Bonds described above.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See APPENDIX G to the Official Statement for the County's current investment policy and recent investment report.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—Education Funding Generally" above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State's general fund, and (2) a locally funded portion, being a district's share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). School districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. None of the District, the Purchaser or the Counties is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State budgets.

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2018-19 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Significant Change in Education Funding*.* As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2018-19 State Budget

On June 27, 2018, the Governor signed the 2018-19 State budget (the "**2018-19 State Budget**") into law. The 2018-19 State Budget calls for total spending of $199.7 billion, with $137.7 billion in general fund spending. The 2018-19 State Budget provides for $78.4 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of $3.9 billion, or 5.2%, from the 2017-18 State budget. Of that $78.4 billion, $61.0 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2018-19, restoring every school district in the State to at least pre-recession funding levels.

The 2018-19 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to $13.8 billion by the end of the budget year, its constitutional maximum. Additionally, revenues have been set aside in new savings funds, including a $200 million reserve for safety net programs. Other significant features of the 2018-19 State Budget include:

- $640 million in Proposition 51 State bond authority for school facilities;

- $1 billion in federal and state funds, over four years, for early childhood programs, including the addition of placement for 13,400 child-care and 2,947 preschool children, and $450 million to reduce the number of children living in deep poverty;

- one-time funding for K-12 school districts to fund various programs, including $300 million for the lowest-performing student subgroups, $125 million to address the shortage of special education teachers, and $100 million to expand facilities for kindergarten and transitional kindergarten;

- $54 million for county offices of education to support school districts needing additional assistance, as determined based on multiple performance indicators;

- $100 million for local fire response, including $32.9 million to backfill property tax revenue losses that cities, counties and districts incurred in fiscal year 2017-18 and will incur in fiscal year 2018-19 from wildfires, mudslides and other natural disasters, and a hold harmless provision allowing local education agencies to recoup revenue that has been lost due to declines in average daily attendance that are directly associated with these disasters;

- $185.4 million to multiple state agencies for the first year of implementation of a $4 billion parks and water bond measure approved by voters in 2018; and

- one-time funding of $500 million to support local governments in addressing homelessness, to be used for emergency shelters, bridge housing, motel vouchers, and supportive housing.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2018-19 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2018-19 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Purchaser or the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Purchaser assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

Availability of State Budgets. The complete 2018-19 State Budget is available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures, or possible future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the Counties for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for the payment of the Bonds falls within the exception described in (iii) of the immediately preceding sentence. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

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

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.

Inflationary Adjustment of Assessed Valuation*.* As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the Counties, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The SBE has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

Article XIIIB ("**Article XIIIB**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. 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 under 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 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. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

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 under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

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

Articles XIIIC and 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 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.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC 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.

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.

While 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), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

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

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.

Proposition 111

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

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

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.

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

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

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.

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 (the "**third test**"). 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. Constitutional amendments may be changed only with another statewide vote. 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 Proposition 39 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. Prior to the approval of Proposition 39, 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 acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 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 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district or high school district), or $25 (for a community college district), per $100,000 of taxable property value. 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.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended 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-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. 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 amended 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, a constitutional initiative entitled the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **“Proposition 30”**), temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

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 "Proposition 98" and "Proposition 111" above. 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 ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales tax increases of Proposition 30.

California Senate Bill 222

Senate Bill 222 ("**SB 222**") was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Oil and Gas Producing Properties

On June 29, 1979, the State Board of Equalization adopted Rule 468 ("**Rule 468**") to establish valuation principles for oil and gas interests. The right to remove petroleum and natural gas from the earth is considered a taxable real property interest. Rule 468 provides that increases in recoverable amounts of such minerals caused by changed physical or economic conditions constitute additions to such a property interest and that a reduction in recoverable amounts of minerals caused by production or changes in the expectation of future production capabilities constitute a reduction in the interest.

Rule 468 provides that the unique nature of oil and gas mineral property interests requires the application of specialized appraisal techniques designed to satisfy the requirements of Article XIIIA. Rule 468 uses an appraisal unit valuation consisting of four components: (i) proved reserves, (ii) wells, casings and parts thereof, (iii) land (and other mineral interests), and (iv) improvements.

The market value of an oil and gas mineral property interest is determined by estimating the value of the volumes of proved reserves. Proved reserves are those which geological and engineering information indicate with reasonable certainty to be recoverable in the future, taking into account reasonably projected physical and economic conditions. Present and projected economic conditions are determined by reference to all economic factors considered by knowledgeable and informed persons engaged in the operation and buying or selling of such properties, e.g. capitalization rates, product prices and operation expenses.

Rule 468 provides that the base year value of the property is estimated as of lien date 1975 or as of the date a change in ownership occurs subsequent to lien date 1975. Newly constructed improvements and additions in reserves are valued as of the lien date of the year for which the roll is being prepared. Improvements removed from the site are deducted from taxable value. The base year values are determined using factual market data such as prices and expenses ordinarily considered by knowledgeable and informed persons engaged in the operation, buying, and selling of oil, gas and other mineral-producing properties and the production therefrom. Once determined, a base year value may be increased no more than 2% per year. However, the base year reserve values must be adjusted annually for the value of depleted reserves caused by production or changes in the expectation of future production and additions to reserves established in a given year by discovery, construction or improvements, or changes in economic conditions.

Approximately 73.39% of the District's assessed valuation in fiscal year 2018-19 is derived from oil and gas properties. See "PROPERTY TAXATION – Major Taxpayers."

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under 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.

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APPENDIX B

STANDARD SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2017-18

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STANDARD school district

COUNTY OF KERN
BAKERSFIELD, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

STANDARD SCHOOL DISTRICT

COUNTY OF KERN
BAKERSFIELD, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

INTRODUCTORY SECTION

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FINANCIAL SECTION

FINANCIAL SECTION

DANIELLS PHILLIPS
VAUGHAN & BOCK
CPAs and Advisors

An independently owned member RSM US Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

PATRICK W. PAGGI

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Standard School District
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Standard School District**, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

300 New Stine Road – Bakersfield, CA 93309 – Tel. 661.834.7411 – Fax.661.834.4389 – www. dpvb.com

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Standard School District**, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 14 to the financial statements, in 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedules of proportionate share of the net pension liability, schedule of changes in the net OPEB (asset)liability and related ratios, schedules of pension contributions, and schedule of OPEB contributions and OPEB investment returns on pages 4-10 and 51-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financials statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Standard School District**'s basic financial statements. The supplementary information on pages 62-69, including the schedule of expenditures of federal awards, as required by Title 2, *U.S. Code of Federal Regulations (CFR) Part 200*, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 62-69 is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2019 on our consideration of **Standard School District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Standard School District's** internal control over financial reporting and compliance.

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 8, 2019

Standard School District

Management's Discussion and Analysis
Year Ended June 30, 2018

This section of Standard School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2017-18) and the prior year (2016-17) is required to be presented in the MD&A.

Financial Highlights:

- The District is financially sound and continues to maintain current state and Board of Trustees reserve levels.

- Overall revenues for <u>all</u> governmental funds including the general fund, building fund, cafeteria fund, retiree benefit fund, special reserve fund for capital outlay, special reserve fund for post-employment benefits, child development fund, deferred maintenance fund, capital facilities fund and County school facilities fund were $39,040,502. Of this amount $34,233,286 was in the General Fund. Expenditures for all funds were $40,470,532, for an overall operating decrease in fund balance of $1,430,030, mainly due to the completion of Standard Middle School modernization.

- The general fund's ending fund balance decreased by $2,478,463.

- The District decreased its net outstanding bonds by $975,000.

- District educated Average Daily Attendance (ADA) for 2017-18 increased by 13 students, ADA in 2018-19 is expected to increase by 27.

Overview of Financial Statements

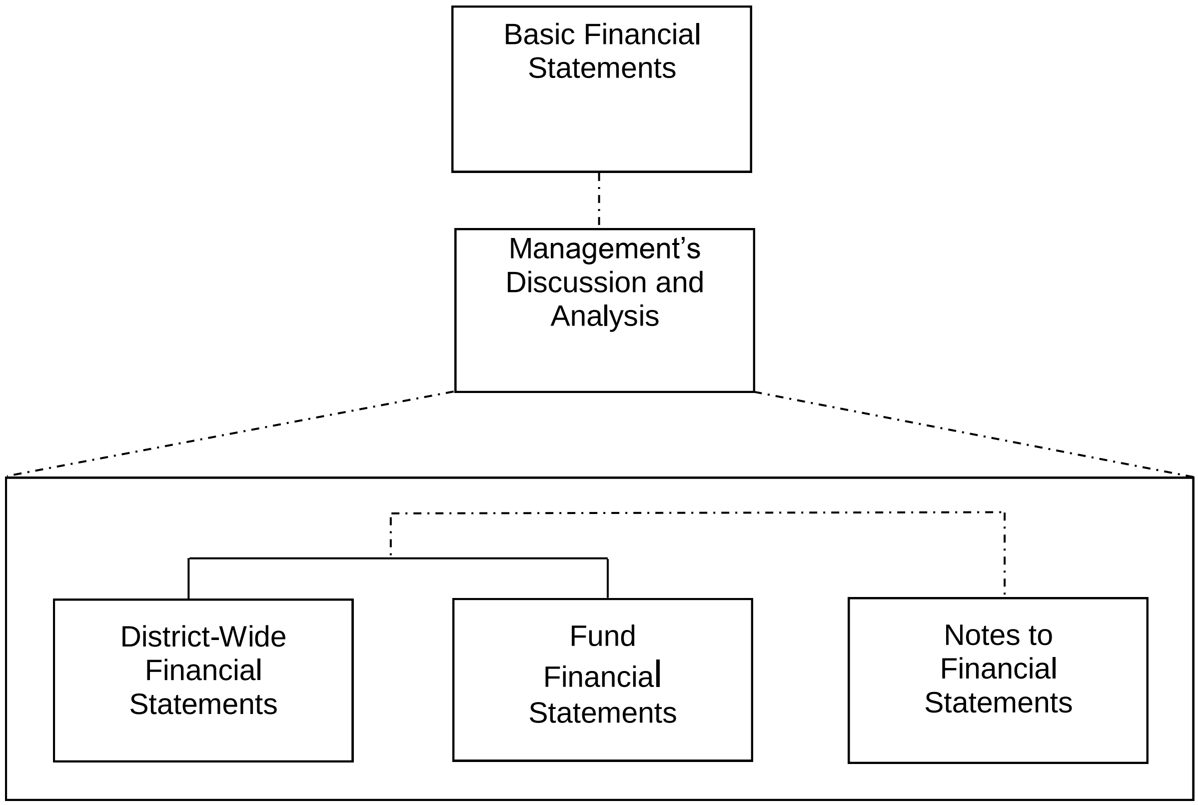
This annual report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements.

The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the district–wide statements.
- The governmental fund statements explain how basic services like regular and special education as well as the retiree benefits were financed in the short term, as well as what remains for future spending.
- The fiduciary fund statement is for student body funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1 Organization of Standard School District's Annual Financial Report



District-Wide Statements

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

The two district-wide statements report the District's net position. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. The district's compliance with the GASB 34 reports over time increases or decreases in the District's net assets is an indicator of whether its financial position is improving or deteriorating respectively.

The District-Wide Financial Statement includes the Governmental activities of the District, which includes the basic services such as regular and special education, transportation and administration. Property taxes, Federal and State Aid along with interest income finance most activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes.

Financial Analysis of the District as a Whole:

Net Position. The District's combined net position was $29,602,672 at June 30, 2018. This table is for reporting both the current year and prior year net position as required by GASB 34. Table A-1 below identifies the total assets, total liabilities and the total net position as of June 30, 2018 and 2017, respectively.

Table A-1
Standard School District
Net Position - Governmental Activities
As of June 30, 2018 and 2017

	June 30, 2018	June 30, 2017
Current and Other Assets	$ 40,599,108	$ 36,989,316
Capital Assets	46,755,669	42,805,069
Total Assets	87,354,777	79,794,385
Deferred Outflows of Resources	4,497,164	3,982,697
Long-term Liabilities	28,925,935	29,963,030
Net Pension Liability	29,464,585	26,626,254
Other Liabilities	3,724,354	2,184,369
Total Liabilities	62,114,874	58,773,653
Deferred Inflows of Resources	134,395	781,125
Net Position		
Invested in capital assets, net of related debt	17,985,293	13,999,887
Restricted		
Capital Projects	17,096,991	16,191,430
Debt Service	3,255,941	2,895,675
Educational Programs	12,288,338	14,772,590
Other Purposes (Expendable)	565,781	485,546
Other Purposes (Non Expendable)	34,718	57,418
Unrestricted (deficit)	(21,624,390)	(24,180,242)
Total Net Assets	$ 29,602,672	$ 24,222,304

Changes in Net Position. Table A-2 identifies the net position beginning balance and identifies the revenues and expenses for the years ended June 30, 2018 and 2017, respectively as well as end of the year net position. Property taxes and State formula aid account for most of the District's revenue. The next largest revenue source is from State and Federal aid for specific programs, and the remainder from miscellaneous sources.

Table A-2
Standard School District
Change in Net Position
For the years ended June 30, 2018 and 2017

	June 30, 2018	June 30, 2017
Net Position - beginning, as originally reported	$ 24,222,304	$ 31,354,671
Prior period adjustment	3,564,769	(6,705,365)
Net position - beginning, as restated	27,787,073	24,649,306
Revenues		
General revenues		
Taxes and Subventions:		
Taxes Levied	19,091,982	6,615,120
Federal & State Aid Not Restricted to Specific Purposes	14,373,745	23,309,963
Interest and Investment Earnings	599,087	391,223
Miscellaneous	105,067	132,458
Total General Revenues	34,169,881	30,448,764
Expenses, net of program revenues		
Instruction	20,083,292	17,952,743
Instruction-related services	2,645,593	2,867,962
Pupil services	2,749,743	2,745,287
General administration	1,959,667	2,563,735
Plant services	2,831,877	3,294,911
Ancillary services	5,948	5,439
Community services	12,661	(1,713)
Interest on long-term debt	1,067,053	871,944
Other outgo	998,448	575,458
Total Expenses, net of program revenues	32,354,282	30,875,766
Increase (decrease) in net position	1,815,599	(427,002)
End of Year Net Position	$ 29,602,672	$ 24,222,304

Table A-3 presents the cost of the major District activities: Instruction, Pupil Services, General Administration, Plant Services, Ancillary Services, Community Services Interest on Long-term Debt and Other Outgo. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on other sources of funding.

Table A-3
Standard School District
Net Cost of Governmental Activities
For the Year Ended June 30, 2018

	Total Cost of Services	Net Cost of Services
Instruction	$ 22,887,905	$ 20,083,292
Instruction-related services	3,078,846	2,645,593
Pupil Services	5,201,478	2,749,743
General Administration	2,024,709	1,959,667
Plant services	3,551,275	2,831,877
Ancillary services	5,948	5,948
Community service	20,873	12,661
Interest on long-term debt	1,067,053	1,067,053
Other Outgo	1,645,817	998,448
	$ 39,483,904	$ 32,354,282

Financial Analysis of the District's Funds:

The financial performance of the District as a whole is reflected in its statement of net position. As the District completed the year, its governmental activities reported combined net position of $29,602,672. The District continues to maintain a sound financial picture.

Over the course of any fiscal year, the District's general fund budget was and will be revised several times. These amendments fall into the following categories:

- Final amounts for State and Federal grants and entitlement become available and budgets are revised mid-year.
- Budgets are revised when negotiations are completed.
- Final budget revisions are made to cover all areas of expenditures.

Capital Assets and Long-Term Debt:

Capital Assets

Since the first year of identifying capital assets, an appraiser was contracted to identify and assign a value to all capital assets. A new accounting system was set up to account for identified items. The District has established a $5,000 threshold for identifying capital assets. Land, buildings and improvements, equipment and work in progress categorize as capital assets. Table A-4 presents these categories (at cost) and the amounts associated less accumulated depreciation. The total assets for governmental activities net of depreciation are $46,755,669.

Table A-4
Standard School District
Capital Assets - Governmental Activities
As of June 30, 2018 and 2017

	2018	2017	Change 2017-18
Land	$ 780,320	$ 780,320	$ -
Buildings and Improvements	53,773,070	41,920,586	11,852,484
Equipment	4,085,952	3,744,841	341,111
Work in Progress	4,860,712	11,790,209	(6,929,497)
Less: Accumulated Depreciation	(16,744,385)	(15,430,887)	(1,313,498)
Total	$ 46,755,669	$ 42,805,069	$ 3,950,600

Long-term Debt

At year-end, the District's most significant long-term debt was 2006B, 2012A, 2015A, and 2017A General Obligation bonds issuance debt of $28,925,935 as shown in Table A-5.

Table A-5
Standard School District
Outstanding Long-Term Debt
As of June 30, 2018 and 2017

	Total - School District		**Total Percentage Change**
	2018	2017	
Compensated Absences	$ 155,559	$ 215,317	-27.75%
General Obligation Bonds	28,770,376	29,747,713	-3.29%
	$ 28,925,935	$ 29,963,030	-3.46%

The District's Future

The Local Control Funding Formula (LCFF) was funded in total in the 2018-19 fiscal year so beginning with 2019-20 fiscal year we will be in a COLA only environment. The fiscal goals as outlined in the strategic plan continue comprehensive budget planning and development to support the plan, yet maintain adequate fiscal reserve to promote district long-term stability.

The District continues to invest significant resources in technology hardware and software to support student utilization of technology. We continue to provide professional development for new and returning certificated staff in curriculum, small group instruction and classroom management. We have also restored Camp KEEP to a full week, implemented Circle of Friends and Safe School Ambassadors along with district field trips to support the social emotional programs in the LCAP. The goal is to make kids feel good about attending school and hope that it reflects in academic success. These and other initiatives are reflective of the State Priorities for School Districts.

Facility Improvements continued in the 2018-19 fiscal year with the modernization of the Standard Middle School Gymnasium and the seven surrounding classrooms. The completion of the gymnasium and classrooms will bring to an end the modernization of the Middle School and next we will embark on modernization of Standard Elementary School. The Standard Elementary school staff and administration are excited about working with the newly selected architect to redesign the school, cafeteria, playground and drop-off areas into a 21st Century Learning facility to meet the needs of students. This along with several other projects to improve playground areas and other facilities will be in the development stages over the next 12 months.

The Standard Board of Trustees is looking continuing to utilize the State Dashboard as a tool to guide the educational program. The investigation of best practices utilized by neighboring districts and experts in the field of Multi-Tiered systems of Supports and strategic interventions will be a focus for this and the coming fiscal year. This focus and goal will help improve academic outcomes for all students' kindergarten through 8th grade because ***learning today builds a better tomorrow.***

Contacting District's Fiscal Management

This financial report is designed to provide our citizens, taxpayers, constituents, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional financial information please contact Standard School District, Business Services Department, 1200 North Chester Avenue, Bakersfield, CA 93308.

Standard School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash in county treasury (Note 2)	$ 29,857,604
Cash in banks (Note 2)	19,506
Cash in revolving fund (Note 2)	10,000
Investments (Notes 2 and 3)	5,654,671
Accounts receivable (Note 5)	1,248,214
Stores inventory	54,407
Prepaid expenditures	69,666
Net OPEB asset (Note 13)	3,685,040
Capital assets: (Note 7)	
Land	780,320
Buildings and improvements	53,773,070
Equipment	4,085,952
Work in progress	4,860,712
Less accumulated depreciation	(16,744,385)
Total assets	87,354,777
Deferred Outflows of Resources	
Pensions (Note 12)	4,151,047
OPEB (Note 13)	346,117
Total deferred outflows of resources	4,497,164
Liabilities	
Accounts payable and other accrued liabilities	3,667,439
Unearned revenue	56,915
Net pension liability (Note 12)	29,464,585
Long-term liabilities: (Notes 8 and 9)	
Due within one year	
Compensated absences payable	155,559
General obligation bonds payable	2,092,337
Due after one year	
General obligation bonds payable	26,678,039
Total liabilities	62,114,874
Commitments and Contingencies (Note 11)	
Deferred Inflows of Resources	
Pensions (Note 12)	134,395
Net position	
Net investment in capital assets	17,985,293
Restricted for:	
Capital projects	17,096,991
Debt service	3,255,941
Educational programs	12,288,338
Other purposes (expendable)	565,781
Other purposes (nonexpendable)	34,718
Unrestricted (deficit)	(21,624,390)
Total net position	$ 29,602,672

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

Standard School District
Statement of Activities
Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	$ 22,887,905	$ 1,512	$ 2,803,101	$ -	$ (20,083,292)
Instruction - related services:					
Supervision of instruction	1,302,710	-	368,466	-	(934,244)
Instructional library, media and technology	291,408	-	-	-	(291,408)
School site administration	1,484,728	-	64,787	-	(1,419,941)
Pupil services:					
Home-to-school transportation	865,318	-	25,447	-	(839,871)
Food services	2,332,858	37,824	2,032,245	-	(262,789)
All other pupil services	2,003,302	-	356,219	-	(1,647,083)
General administration					
Data processing	634,137	-	-	-	(634,137)
All other general administration	1,390,572	-	65,042	-	(1,325,530)
Plant services	3,551,275	1,736	717,662	-	(2,831,877)
Ancillary services	5,948	-	-	-	(5,948)
Community services	20,873	8,212	-	-	(12,661)
Interest on long-term debt	1,067,053	-	-	-	(1,067,053)
Other outgo	1,645,817	-	647,369	-	(998,448)
Total governmental activities	$ 39,483,904	$ 49,284	$ 7,080,338	$ -	(32,354,282)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	16,711,428
Taxes levied for debt service	2,380,366
Taxes levied for other specific purposes	188
Federal and state aid not restricted to specific purposes	14,373,745
Interest and investment earnings	599,087
Miscellaneous	105,067
Total general revenues	34,169,881
Change in net position	1,815,599
Net position - beginning, as originally reported	24,222,304
Prior period adjustment (Note 14)	3,564,769
Net position - beginning, as restated	27,787,073
Net position - ending	$ 29,602,672

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

Standard School District
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Building Fund	Retiree Benefit Fund	Special Reserve Fund for Capital Outlay	Other Governmental Funds	Total Governmental Funds
Assets						
Cash in county treasury	$ 13,678,655	$ 6,032,876	$ 108,322	$ 5,617,314	$ 4,420,437	$ 29,857,604
Cash in banks	2,500	-	-	-	17,006	19,506
Cash in revolving fund	10,000	-	-	-	-	10,000
Investments	-	-	-	5,654,671	-	5,654,671
Accounts receivable	877,540	25,507	4,428	25,552	315,187	1,248,214
Due from other funds	-	-	-	-	18,064	18,064
Stores inventory	45,265	-	-	-	9,142	54,407
Prepaid expenditures	11,454	-	-	-	58,212	69,666
Total Assets	$ 14,625,414	$ 6,058,383	$ 112,750	$ 11,297,537	$ 4,838,048	$ 36,932,132
Liabilities and fund balances						
Liabilities:						
Accounts payable	$ 2,326,517	$ 34,184	$ 117	$ 1,262,248	$ 44,373	$ 3,667,439
Unearned revenue	1,136	-	-	-	55,779	56,915
Due to other funds	3,634	-	14,430	-	-	18,064
Total Liabilities	2,331,287	34,184	14,547	1,262,248	100,152	3,742,418
Fund balances:						
Nonspendable						
Revolving fund	10,000	-	-	-	-	10,000
Stores inventory	45,265	-	-	-	9,142	54,407
Prepaid expenditures	11,454	-	-	-	58,212	69,666
Restricted for:						
State and Federal grants	1,313,932	-	-	-	-	1,313,932
Committed to:						
Designated for economic uncertainties	1,058,931	-	-	-	-	1,058,931
Stabilization arrangements	2,260,840	-	-	-	-	2,260,840
Debt service - Fund 51	-	-	-	-	3,255,941	3,255,941
Spec reserve - Trust	-	-	98,203	-	-	98,203
Assigned to:						
Cirriculum materials	500,000	-	-	-	-	500,000
New bus purchase	250,000	-	-	-	-	250,000
Modernization	400,000	-	-	-	-	400,000
Technology infrastructure	428,000	-	-	-	-	428,000
Enrichment activities & equip.	600,000	-	-	-	-	600,000
Spec Reserve - Fund 13	-	-	-	-	485,212	485,212
Spec Reserve - Fund 40	-	-	-	10,035,289	-	10,035,289
Spec Reserve - Fund 20	-	-	-	-	34,718	34,718
Spec Reserve - Fund 21	-	6,024,199	-	-	-	6,024,199
Spec Reserve - Fund 25	-	-	-	-	50,973	50,973
Spec Reserve - Fund 14	-	-	-	-	843,698	843,698
Unassigned/Unappropriated	5,415,705	-	-	-	-	5,415,705
Total fund balances	12,294,127	6,024,199	98,203	10,035,289	4,737,896	33,189,714
Total liabilities and fund balances	$ 14,625,414	$ 6,058,383	$ 112,750	$ 11,297,537	$ 4,838,048	$ 36,932,132

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

Standard School District
Reconciliation of the Governmental
Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds			$	33,189,714
Amounts reported for capital assets for governmental activities are not short-term financial resources and therefore are not reported as assets in governmental funds. The historical acquisition cost of the assets is $63,500,054 and the accumulated depreciation is ($16,744,385):				46,755,669
Other post employment benefits (OPEB): In governmental funds, net OPEB obligations are reported for benefit payments to retirees only if due and payable at year-end. In the statement of net assets, net OPEB obligations are reported as a liability or asset on the full accrual basis. The balance of net OPEB asset was:				3,685,040
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:				
General obligation bonds payable	$	(28,770,376)		
Net pension liability		(29,464,585)		
Compensated absences payable		(155,559)		
Total				(58,390,520)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:				
Deferred outflows of resources relating to pensions				4,151,047
Deferred inflows of resources relating to pensions				(134,395)
Deferred outflows of resources relating to other postemployment benefits (OPEB): In governmental funds, deferred outflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources relating to OPEB are reported:				
Deferred outflows of resources relating to OPEB				346,117
Total net position, governmental activities			$	29,602,672

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

Standard School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2018

	General Fund	Building Fund	Retiree Benefit Fund	Special Reserve Fund for Capital Outlay	Other Governmental Funds	Total Governmental Funds
Revenues:						
LCFF-state	$ 9,754,002	$ -	$ -	$ -	$ -	$ 9,754,002
LCFF-local	17,929,120	-	-	-	-	17,929,120
Federal revenues	1,990,745	-	-	-	1,974,487	3,965,232
Other state revenues	4,078,681	-	-	-	162,649	4,241,330
Other local revenues	480,738	89,125	-	122,289	2,458,666	3,150,818
Total revenues	34,233,286	89,125	-	122,289	4,595,802	39,040,502
Expenditures:						
Instruction	19,241,093	-	-	-	-	19,241,093
Supervision of instruction	1,158,352	-	-	-	-	1,158,352
Instructional library, media, and technology	263,962	-	-	-	-	263,962
School site administration	1,263,299	-	-	-	-	1,263,299
Home-to-school transportation	972,620	-	-	-	-	972,620
Food services	-	-	-	-	2,198,217	2,198,217
All other pupil services	1,768,527	-	-	-	-	1,768,527
Data processing	632,097	-	-	-	-	632,097
All other general administration	1,256,670	-	-	-	8	1,256,678
Plant services	2,986,331	-	-	-	144,394	3,130,725
Facility acquisition and construction	67,140	103,943	-	4,543,413	157,002	4,871,498
Ancillary services	5,173	-	-	-	-	5,173
Community services	18,081	-	-	-	-	18,081
Other outgo	1,528,404	-	117,416	-	-	1,645,820
Debt service:						
Principal	-	-	-	-	975,000	975,000
Interest	-	-	-	-	1,069,390	1,069,390
Total expenditures	31,161,749	103,943	117,416	4,543,413	4,544,011	40,470,532
Excess (deficiency) of revenues over (under) expenditures	3,071,537	(14,818)	(117,416)	(4,421,124)	51,791	(1,430,030)
Other financing sources (uses):						
Transfers in (Note 6)	-	14,430	24,668	5,000,000	550,000	5,589,098
Transfers out (Note 6)	(5,550,000)	-	(14,430)	-	(24,668)	(5,589,098)
Total other financing sources (uses)	(5,550,000)	14,430	10,238	5,000,000	525,332	-
Excess (deficiency) of revenues over (under) expenditures and other sources (uses)	(2,478,463)	(388)	(107,178)	578,876	577,123	(1,430,030)
Fund balances, July 1, 2017	14,772,590	6,024,587	205,381	9,456,413	4,160,773	34,619,744
Fund balances, June 30, 2018	$ 12,294,127	$ 6,024,199	$ 98,203	$ 10,035,289	$ 4,737,896	$ 33,189,714

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

Standard School District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2018

Total net change in fund balances - governmental funds	$	(1,430,030)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of $5,264,098, are more than depreciation expense of ($1,313,498) in the period.		3,950,600
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of the long-term debt were:		975,000
Amortization of bond premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period is:		2,337
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(2,023,251)
Other post-employment benefits (OPEB): In governmental funds, OPEB expense is reported for benefit payments to retirees during the year and those due and payable at year-end. In the statement of activities, OPEB expense is the Annual Required Contribution (ARC) less employer contributions. The difference between employer OPEB contributions and the Annual Required Contribution was:		281,185
Compensated absences: In governmental funds, compensated absences are measured by the amount paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned was:		59,758
Change in net position - governmental activities	$	1,815,599

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

Standard School District
Statement of Net Position
Fiduciary Funds
June 30, 2018

	Agency Fund Student Body Fund
Assets:	
Cash in banks (Note 2)	$ 72,234
Total assets	$ 72,234
Liabilities:	
Due to student groups	$ 72,234
Total liabilities	$ 72,234

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

NOTE 1 ---- SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees.

GASB Statement No. 14, The Financial Reporting Entity, defines the reporting entity for governmental organizations. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as a part of the other. There are no agencies, organizations or activities meeting the criteria under GASB Statement No. 14 which would require inclusion as a component unit of the District.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District and its component units.

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

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

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

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

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

Major Governmental Funds:

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

The *Building Fund* is used to account for bond proceeds and related capital expenditures.

The *Retiree Benefit Fund* is a special revenue fund that is used to accumulate and account for monies reserved to pre-fund the District's other post-employment benefits liability.

The *Special Reserve Fund for Capital Outlay* is used to account for the funds set aside to provide for future capital projects.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains four non-major special revenue funds:

- The *Special Reserve Fund for Post-employment Benefits* is used to provide health and welfare benefits to retired employees of the District.
- The *Child Development Fund* is used to account for resources committed to child development programs maintained by the District.
- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.
- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's cafeterias.

Capital Projects Funds are used for the acquisition and construction of all major governmental general fixed assets. The District maintains two non-major capital projects funds:

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
- The *County School Facilities Fund* is used to account for resources received from the state on new school facility projects within the District.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

F. Budgets and Budgetary Accounting

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

The District's governing board and District superintendent revise these budgets during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and major Special Revenue Funds in the financial statements.

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

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

2. Stores Inventories and Prepaid Expenditures

   Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

   The District's central warehouse and cafeteria inventories are valued at a moving average cost for presentation. The cafeteria inventory valuation is first-in-first-out (FIFO).

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

3. <u>Capital Assets</u>

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & tools	Shop & maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science & engineering	Lab equipment, scientific apparatus	10
Furniture & accessories	Classroom & other furniture	20
Business machines	Fax, duplicating & printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PCs, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still & digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

4. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on these specific projects and programs, exceeds qualified expenditures.

5. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bonds payable are reported net of applicable bond premium or discount.

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

7. Fund Balances

Fund balances of governmental funds are classified based on the level of constraint placed on the resources of the funds as follows:

a. Nonspendable fund balance includes amounts that are not expected to be converted to cash, such as resources that are not in a spendable form (e.g., inventories and prepaids) or that are legally or contractually required to be maintained intact.

b. Restricted fund balance includes amounts constrained to specific purposes by their providers or by law.

c. Committed fund balance includes amounts constrained to specific purposes by the Board. For this purpose, all commitments of funds shall be approved by a majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period of June 30, although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.

d. Assigned fund balance includes amounts which the Board or its designee intends to use for a specific purpose. The Board delegates authority to assign funds to the assigned fund balance to the Superintendent or designee and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements.

e. Unassigned fund balance includes amounts that are available for any purpose.

When multiple types of funds are available for an expenditure, the District shall first utilize funds from the restricted fund balance as appropriate, then from the committed fund balance, then from the unassigned fund balance, and lastly from the unassigned fund balance.

8. Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of capital assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

The District's policy is to first apply restricted resources when an expense is incurred for the purpose for which both restricted and unrestricted net assets are available.

9. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB (asset)liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deletions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounting principles generally accepted in the United States of America require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2017
Measurement Period:	July 1, 2016 to June 30, 2017

10. Local Control Funding Formula (LCFF)/Property Tax

The District's LCFF is received from a combination of local property taxes, state apportionments, and other local sources.

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 15 and March 15, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1) and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code.* This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund and is known as the State Apportionment.

The District's Base LCFF is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

I. Significant Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related revenues and expenditures for the financial statement reporting period. Actual results may differ from those estimates.

Significant estimates with respect to these financial statements include the OPEB liability, net pension liability, and the amount receivable from the State of California, as further discussed in Notes 11, 12 and 13.

J. Subsequent Events

The District has evaluated subsequent events through February 8, 2019, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

K. Changes in Accounting Principles

The District has adopted all current Statements of Governmental Accounting Standards Board (GASB) that are applicable. For the year ended June 30, 2018, the District implemented the following new standards issued by GASB:

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

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

Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a thirty party, if the government controls the present service capacity of the beneficial interests.

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and “negative” goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus; Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple employer defined benefit OPEB plans.

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

L. Authoritative Pronouncements Not Yet Adopted:

The following statements issued by the Governmental Accounting Standards Board (GASB) are effective for year ends after June 30, 2018 and management is evaluating the impact of the implementation of these statements on their financial statements.

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this Statement.

- This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs;
- This Statement requires that recognition occur when the liability is both incurred and reasonably estimable;
- This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred;
- This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement;

- This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually; This Statement requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays;
- This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

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

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

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

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

NOTE 2 ---- CASH AND INVESTMENTS

A summary of deposits as of June 30, 2018, is as follows:

	Bank Balance	Carrying Amount
Deposits:		
Cash in County treasury	$ 29,857,604	$ 29,857,604
Cash in bank	19,506	19,506
Cash in revolving fund	6,323	10,000
Total governmental activities	29,883,433	29,887,110
Cash in banks - fiduciary funds: Student body agency fund	72,234	72,234
Total	$ 29,955,667	$ 29,959,344

Investments

Investments as of June 30, 2018 are presented below:

	Fair Value
U.S. government securities	$ 4,674,718
Other securities	979,953
Total investments	$ 5,654,671

Investments Authorized by the District's Investment Policy

In accordance with its investment policy, **Standard School District** manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to five years or less.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments held by the District are rated AAA by Standard and Poors.

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. However, **Standard School District**'s investment policy limits its corporate debt investments to 'A' by both Moody's Investors Service and Standard & Poor's. If a security drops below 'A,' the security is evaluated by the District's Finance Department for continuance in the portfolio. A report of the downgrade and the course of action taken is presented to the board.

Concentration of Credit Risk

State law and **Standard School District**'s investment policy limits investments in bankers acceptances to no more than forty percent of the portfolio, investments in commercial paper to no more than twenty-five percent of the portfolio and investments in corporate bonds to no more than thirty percent of the portfolio.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the common investment pool, which totaled $29,857,604 as of June 30, 2018. The fair market value of this pool as of that date, as provided by the pool sponsor, was $29,857,604. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

NOTE 3---FAIR VALUE MEASUREMENTS

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

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

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

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

The District's fair value measurements are as follows at June 30, 2018:

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S. Government Securities	$ 4,674,718	$ 4,674,718	$ -	$ -
Certificates of Deposit	979,953	979,953	-	-
	$ 5,654,671	$ 5,654,671	$ -	$ -

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of deposit: Valued based on amortized cost or original cost plus accrued interest.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 4---EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2018, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
Major Funds	
General fund	
Tuition	$ 139,853
Special reserve capital outlay	
Services and other operating expenses	462
Capital outlay	1,039,826
Retiree Benefit Fund	
Services and other operating expenses	117,416
Non-Major Funds	
Cafeteria fund	
Books and supplies	138,376
Services and other operating expenses	13,448
Capital facilities fund	
Services and other operating expenses	3,458

NOTE 5---ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 consist of the following:

	General Fund	Building Fund	Retiree Benefit Fund	Special Reserve Fund for Capital Outlay	All Other Governmental Funds	Total
Federal Government: Categorical aid-programs	$ 611,516	$ -	$ -	$ -	$ 297,714	$ 909,230
State Government - Other	82,532	25,507	4,428	25,552	17,473	155,492
Local Government - Interest	183,492	-	-	-	-	183,492
Total accounts receivable	$ 877,540	$ 25,507	$ 4,428	$ 25,552	$ 315,187	$ 1,248,214

NOTE 6---INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2018, interfund receivables and payables were as follows:

Funds	Interfund Receivables	Interfund Payables
General fund	$ -	$ 3,634
Special reserve fund for post employment benefits	14,430	-
Cafeteria fund	3,634	-
Retiree benefit fund	-	14,430
Total governmental activities	$ 18,064	$ 18,064

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2018 were as follows:

Funds	Transfers In	Transfers Out
General fund	$ -	$ 5,550,000
Building fund	14,430	
Retiree benefit fund	24,668	14,430
Special reserve fund for capital outlay	5,000,000	-
Other governmental funds:		
Cafeteria fund	200,000	-
Capital facilities fund	50,000	-
Deferred maintenance fund	300,000	-
Special reserve fund for post-employment benefits	-	24,668
Total governmental activities	$ 5,589,098	$ 5,589,098

Of the $5,550,000 transferred out of the General Fund, $5,000,000 was transferred into the Special Reserve Fund for Capital Outlay for the Standard Middle School gym modernization project, $200,000 was transferred into the Cafeteria Fund for supplies, $50,000 was transferred into the Capital Facilities Fund for portable lease payments for leased portables at Highland Elementary School, and $300,000 was transferred into the Deferred Maintenance Fund for ongoing maintenance projects.

The $14,430 transferred out of the Retiree Benefit Fund into the Building Fund was for the correction of an error.

The $24,668 transferred out of the Special Reserve Fund for Post-employment Benefits into the Retiree Benefit Fund is related to investments from the OPEB asset.

NOTE 7---CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018 is shown below:

	Balance July 1, 2017	WIP Transfer	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 780,320	$ -	$ -	$ -	$ 780,320
Work in progress	11,790,209	(11,006,488)	4,076,991	-	4,860,712
Total capital assets not being depreciated	12,570,529	(11,006,488)	4,076,991	-	5,641,032
Capital assets being depreciated:					
Buildings and improvements	41,920,586	11,006,488	845,996	-	53,773,070
Equipment	3,744,841	-	341,111	-	4,085,952
Total capital assets being depreciated	45,665,427	11,006,488	1,187,107	-	57,859,022
Accumulated depreciation for:					
Buildings and improvements	(12,411,611)	-	(1,110,188)	-	(13,521,799)
Equipment	(3,019,276)	-	(203,310)	-	(3,222,586)
Total accumulated depreciation	(15,430,887)	-	(1,313,498)	-	(16,744,385)
Total capital assets being depreciated, net	30,234,540	11,006,488	(126,391)	-	41,114,637
Governmental activity capital assets, net	$ 42,805,069	$ -	$ 3,950,600	$ -	$ 46,755,669

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Instruction	$ 749,565
Plant services	294,859
Home-to-school transportation	97,340
Centralized data processing	58,910
Food services	56,038
Site administration	32,303
All other general administration	24,483
Total depreciation expense	$ 1,313,498

NOTE 8---BONDS

The District issued general obligation bonds in September 2006 in the amount of $11,800,000 for the purposes of acquiring, constructing, improving, furnishing and equipping school facilities. Principal of $8,590,000 was due in annual installments ranging from $305,000 to $550,000 from November 2015 through November 2030 at rates ranging from 4% to 5%. In November 2016 the District paid off this bond with 2015 Refunding. Principal of $8,135,000 is due in annual installments ranging from $55,000 to $950,000 from November 2016 through November 2030 at rates ranging from 4% to 5%.

The District issued general obligation bonds in February 2014 in the amount of $16,200,000 for the purposes of acquiring, constructing, improving, furnishing and equipping school facilities. Principal of $16,200,000 is due in annual installments ranging from $65,000 to $835,000 from August 2015 through August 2034 at rates ranging from 2% to 4%.

The District issued general obligation bonds in March 2017 in the amount of $6,215,000 for the purposes of acquiring, constructing, improving, furnishing and equipping school facilities. Principal of $6,215,000 is due in annual installments ranging from $40,000 to $1,045,000 from August 2018 through August 2046 at rates ranging from 3% to 4%.

The outstanding General Obligation Bond debt of the District as of June 30, 2018 is as follows:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Bonds Outstanding July 1, 2017	Bonds Issued During Year	Redeemed During Year	Bonds Outstanding June 30, 2018	Current Portion Due Within One Year
2/11/14	2.0-4.0	8/1/2034	$ 11,200,000	$ 10,655,000	$ -	$ 400,000	$ 10,255,000	$ 420,000
2/11/14	3.0-4.0	8/1/2034	5,000,000	4,765,000	-	180,000	4,585,000	185,000
11/1/16	4.0-5.0	11/1/2030	8,135,000	8,080,000	-	395,000	7,685,000	440,000
6/1/17	3.0-5.0	8/1/2046	6,215,000	6,215,000	-	-	6,215,000	1,045,000
	Add: Bond Premium		56,083	32,713	-	2,337	30,376	2,337
Total General Obligation Bonds			$ 30,606,083	$ 29,747,713	$ -	$ 977,337	$ 28,770,376	$ 2,092,337

The annual requirements to amortize the General Obligation Bonds payable, outstanding as of June 30, 2018, are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 2,090,000	$ 1,073,100	$ 3,163,100
2020	1,900,000	979,475	2,879,475
2021	1,120,000	893,175	2,013,175
2022	1,215,000	844,250	2,059,250
2023	1,305,000	789,000	2,094,000
2024-2028	7,510,000	3,146,165	10,656,165
2029-2033	8,100,000	1,758,207	9,858,207
2034-2038	3,065,000	637,813	3,702,813
2039-2043	1,125,000	379,688	1,504,688
2044-2047	1,310,000	127,500	1,437,500
Total	$ 28,740,000	$ 10,628,373	$ 39,368,373

NOTE 9---LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2018 is shown below:

	Balance July 1, 2017	Additions	Deductions	Redeemed During Year	Balance June 30, 2018	Due Within One Year
General obligation bond series 2006B, net	$ 4,797,713	$ -	$ (182,337)	$ -	$ 4,615,376	$ 187,337
General obligation bond series 2012A, net	10,655,000	-	(400,000)	-	10,255,000	420,000
General obligation bond series 2015A, net	8,080,000	-	(395,000)	-	7,685,000	440,000
General obligation bond series 2017A, net	6,215,000	-	-	-	6,215,000	1,045,000
Compensated absences	215,317	-	(59,758)	-	155,559	155,559
Totals	$ 29,963,030	$ -	$ (1,037,095)	$ -	$ 28,925,935	$ 2,247,896

NOTE 10---JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in five joint ventures under joint powers agreements (JPA's); three with the Self-Insured Schools of California (SISC), one with Partners in Nutrition Cooperative (PinCo), and one with School District Facility Services. The relationships between the District and the JPA's are such that the JPA's are not component units of the District for financial reporting purposes.

Self-Insured Schools of California (SISC) arranges for and provides health (SISC III), workers' compensation (SISC I), and property and liability (SISC II) insurance for its member school districts in California. SISC is governed by a board consisting of representatives from member districts. The board controls the operations of SISC, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SISC.

Partners in Nutrition Cooperative (PinCo) coordinates the acquisition, storage and distribution of commodities and other related food product to member districts of California. An advisory committee consisting of representatives from member districts governs PinCo. The advisory committee controls the operations of PinCo including the review of performance of the lead district; and the review and approval of the monthly service fee to be paid by the member districts to the lead district. The advisory committee functions independently of any influence by the member districts beyond their representation on the committee. Each member district establishes a revolving fund approximately equal to 2.5 times the average monthly purchases, plus some additional expenses.

School District Facility Services (SDFS), established in 1994, provides administrative services to member districts pursuant to various statutory provisions related to the collection of School Facilities Fees (formerly Developer Fees) levied on new construction and/or other school facilities issues pertinent to school construction funding. Member districts are limited to public school districts or other public educational entities within the County of Kern and the Kern County Superintendent of Schools. The SDFS Advisory Board is comprised of fifteen elected officials from member districts and the agency if funded through an assessment of 1.5% of the fees collected on behalf of each member district. Advisory Board members include small and large school districts, both urban and rural, with the governing board structured to ensure input from each. The Kern County Superintendent of Schools acts as the administrative agent for the SDFS JPA.

NOTE 11--COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

The District's financial statements include revenues apportioned from the State of California that are considered continuously appropriated under State Education Code. Continuously Appropriated means the State does not specifically appropriate the apportionment year after year in its budget approval process under this guidance. Due to the continued shortfall in the state budget, the apportionment amounts to the District are greatly at risk and management expects the apportionment to continue to be received on a deferred payment schedule set by the state in the future which will have a significant effect on the District's future cash flow and budgetary needs.

Property Taxes

The County of Kern and its related municipal entities have been subjected to continuing taxpayer litigation suits asserting over assessments of property taxes. The Auditor-Controller of Kern County has advised the District that it would be prudent to impound funds in anticipation of possible adverse findings by the courts. The District authorized the Auditor-Controller of the County of Kern to impound approximately $9,233,625 of funds through June 30, 2018. The balance in the District's impound account was $142,224 at June 30, 2018 for a net liability of $9,091,401.

Construction Commitments

As of June 30, 2018, the District had $4,709,338 of construction commitments relating to Standard Middle School Modernization.

NOTE 12---EMPLOYEE RETIREMENT SYSTEMS

A. General Information about the Pension Plans

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California and the Kern County Superintendent of Schools. Certificated employees are members of the State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). Part-time temporary and seasonal (PTS) employees may elect to become members of SISC (see Note 10) Defined Benefit Plan (SDBP).

The District implemented GASB Statements No. 68 and No. 71 during the fiscal year ended June 30, 2015. As a result, the District now reports its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Proportionate Share of Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 22,237,000	$ 1,904,062	$ 126	$ 1,264,388
CalPERS	7,197,000	2,183,496	84,732	775,608
SDBP	30,585	63,489	49,537	11,526
Total	$ 29,464,585	$ 4,151,047	$ 134,395	$ 2,051,522

The details of each plan are as follows:

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. State statutes, as legislatively amended, within the Public Employees' Retirement Law, establish benefit provisions. CalPERS issue a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Benefits Provided

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

The CalPERS plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

Eligibility (Hire) date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits, as a % of eligible compensation	1.1% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.00%
Required employer contribution rates	13.888%	15.531%

Contributions

Section 20814 (c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan members contribution requirements are classified as plan member contributions. Estimated rate increases based on actuarial information for CalPERS are as follows:

July 1, 2017, by 4.83 percent
July 1, 2018, by 6.43 percent
July 1, 2019, by 8.13 percent
July 1, 2020, by 8.63 percent

For the year ended June 30, 2018, the contributions recognized as part of the pension expense for the Plan were as follows:

	CalPERS
Contributions - employer	$ 625,519
Contributions - employee (paid by employer)	$ -

California State Teacher's Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The CalSTRS plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

Eligibility (Hire) date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.0% to 2.4%
Required employee contribution rates	8.00%	9.21%
Required employer contribution rates	8.25%	12.58%
Required state contribution rates	8.83%	9.33%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. Commencing July 1, 2014, the amount of contributions will increase by the following percentages of the creditable compensation upon which members’ contributions under the Defined Benefit Program are based:

July 1, 2017, by 6.18 percent
July 1, 2018, by 8.03 percent
July 1, 2019, by 9.88 percent
July 1, 2020, by 10.85 percent

For fiscal year 2021-22 and each fiscal year thereafter, the STRS board shall increase or decrease the percentages paid from the percentage paid in during the prior year to reflect the contribution required to eliminate by the June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2015, as determined by the STRS board based on a recommendation from its actuary.

For the year ended June 30, 2018, the contributions recognized as part of the pension expense for the Plan were as follows:

	CalSTRS
Contributions - employer	$ 1,887,006
Contributions - employee (paid by employer)	$ -

SISC Defined Benefit Plan (SDBP)

Plan Description

The District contributes to the Self-Insured Schools of California (SISC) Defined Benefit Plan (SDBP), a cost-sharing, multiple employer public employee retirement plan. The District is part of a "cost-sharing" pool with SDBP. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each. The plan provides for retirement benefits established by California Government Code Section 6507, which created Self-Insured Schools of California (SISC), a Joint Powers Agency with the authority to establish and amend the benefit provisions of the plan. SDBP issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the SDBP annual financial report may be obtained from the SDBP, 1300 17th Street, Bakersfield, CA 93301.

Funding Policy

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the SISC III Board of Directors. The required employer contribution rate was 3.7% of the annual payroll for 2018, 3.7% of the annual payroll for 2017, and 3.2% of the annual payroll for 2016. The contribution requirements of the plan members are established by Self-Insured Schools of California (SISC) actuary. The District's contributions to SDBP for the fiscal years ending June 30, 2018, 2017, and 2016 were $20,859, $23,696 and $21,783, respectively, with total payroll of $841,659, $909,022 and $651,224, respectively, and were equal to the required contributions for each year.

The SISC Defined Benefit Plan provisions and benefits in effect at June 30, 2018 are summarized as follows:

Eligibility (Hire) date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	1.5% at 65	1.5% at 65
Benefit vesting schedule	Beginning date of participation	Beginning date of participation
Benefit payments	Monthly for life	Monthly for life
Retirement age	65+	65+
Monthly benefits, as a % of eligible compensation	1.50%	1.50%
Required employee contribution rates	0.00%	1.60%
Required employer contribution rates	2.10%	3.70%

Contributions

The Omnibus Budget Reconciliation Act of 1990 required governmental agencies to cover their part-time, temporary, and seasonal employees under a retirement plan. This legislation allows governmental agencies to satisfy this requirement by utilizing either Social Security, a Defined Contribution Plan, or Defined Benefit Plan (such as the SISC plan). The rate for the SISC plan is established on an annual basis as approved from the SISC board. The SISC board relies on data from their actuary to establish annual contribution rates.

For the year ended June 30, 2018, the contributions recognized as part of the pension expense for the Plan were as follows:

	SDBP
Contributions - employer	$ 20,859
Contributions - employee (paid by employer)	$ 10,915

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of each Plan as follows:

Pension Plan	Proportionate Share of Net Pension Liability
CalSTRS	$ 22,237,000
CalPERS	7,197,000
SDBP	30,585
Total Net Pension Liability	$ 29,464,585

The District's net pension liability for each plan is measured as a proportionate share of the net pension liability. Both CalPERS and CalSTRS plans were measured as of June 30, 2017 and the SISC Defined Benefit Plan was measured as of December 31, 2017. For the CalPERS and CalSTRS plans, the total liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using standard update procedures. Likewise, the total liability for the SISC Defined Benefit Plan was determined by an actuarial valuation as of December 31, 2017. The District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each plan was as follows:

	CalPERS	CalSTRS	SDBP
Proportion - June 30, 2016	0.030%	0.026%	0.815%
Proportion - June 30, 2017	0.030%	0.024%	0.790%
Change - Increase (Decrease)	0.000%	(0.002%)	(0.025%)

For the year ended June 30, 2018, the District recognized pension expense of $2,051,522. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,544,059	$ -
Changes of assumptions	1,053,097	(84,732)
Differences between expected and actual experiences	294,321	(18,142)
Net differences between projected and actual earnings on plan investments	259,570	(31,521)
	$ 4,151,047	$ (134,395)

$2,544,059 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,		
2019	$	406,546
2020		702,168
2021		487,170
2022		(143,631)
2023		16,877
Thereafter		3,463
Total	$	1,472,593

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

	CalPERS	CalSTRS	SDBP
Valuation Date	June 30, 2016	June 30, 2016	December 31, 2017
Measurement Date	June 30, 2017	June 30, 2017	December 31, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method	Projected, Unit Credit
Actuarial Assumptions:			
Discount Rate	7.15%	7.10%	7.00%
Inflation	2.75%	2.75%	3.00%
Payroll Growth	Varies by Entry Age and Service	3.50%	3.00%
Projected Salary Increase	(1)	3.50%	3.50%
Investment Rate of Return	7.15% (2)	7.10%	7.00% (2)
Mortality	RP 2000 Derived using CalPERS Membership Data for all Funds (3)	RP 2000 Adjusted to fit CalSTRS experience (4)	RP 2014 Employee and Healthy Annuitant Mortality, without projection.

(1) Depending on age, service, type of employment
(2) Net of pension plan investment expense, including inflation
(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 CalPERS Experience Study and Review of Actuary Assumptions
(4) CalSTRS changed its mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patters of mortality amount its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the society of actuaries

Discount Rate

CalPERS – The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for the plan, CalPERS stress tested plans that would more likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15% is applied to all plans in the Public Employees' Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and round down to the nearest one quarter of one percent.

The tables below reflect the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the board effective on July 1, 2014.

CalPERS

Asset Class	Current Target Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%

(1) An expected inflation of 2.5% was used for this period
(2) An expected inflation of 3.0% was used for this period

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the period ended June 30, 2017, are summarized in the following table:

CalSTRS

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%

SDPB – The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from member districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using the "Building-Block Method", in which bests-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017 are summarized in the following table:

SDBP

Asset Class	Estimated Real Rate of Return
Fixed Income/Money Market	2.00%
Equity	5.00%
Cash/Other	1.00%

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

	CalPERS	CalSTRS	SDBP
1% Decrease	6.15%	6.10%	6.00%
Net Pension Liability	$ 10,588,655	$ 32,650,426	$ 65,617
Current Discount Rate	7.15%	7.10%	7.00%
Net Pension Liability	$ 7,197,000	$ 22,237,000	$ 30,585
1% Increase	8.15%	8.10%	8.00%
Net Pension Liability	$ 4,382,793	$ 13,785,121	$ (236)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in each of the Plan's financial reports.

NOTE 13---POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description: The Standard School District Postemployment Benefits Plan (the Plan) is a single-employer, defined benefit healthcare plan administered by Self-Insured Schools of California (SISC) and PFM Asset Management LLC (PFM). The Plan provides medical insurance benefits to eligible employees and their spouses (not surviving spouse). The District's Board of Trustees has the authority to establish and amend benefit provisions. The Plan is included in the financial report of Self-Insured Schools of California GASB 45 Trust which can be obtained by contacting the District office at 1200 North Chester Avenue, Bakersfield, CA 93308.

Eligibility: Certificated and classified employees (including management and administration), hired on or after December 18, 1990 and retiring on or after July 1, 2005 will be eligible to receive District-paid retiree health benefits according to the following provisions: Employees retiring after the later of age 55 and completing 15 years of continuous full-time service with the District immediately prior to retirement will receive a District contribution equal to 50% of the cost of the medical and prescription drug (but not dental or vision) premiums for the retiree only. The District percentage will be increased by 10% of the premium for each additional year of service, to a maximum of 100% of the premium with 20 or more years of service. Furthermore, retirees will earn 100% District-paid spousal healthcare coverage upon completing 20 years of service. Benefits for the retiree (and spouse, if applicable, but no surviving spouse) continue until the retiree reaches age 65, at which the District contributions cease. There were 40 retirees who met these eligibility requirements at June 30, 2018.

Employees Covered: As of the June 30, 2016 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

	Certificated	Classified	All Groups
Eligible active employees	164	67	231
Inactive employees receiving benefits	23	17	40
Inactive employees entitled to but not receiving benefits	-	-	-
	187	84	271

Contributions: The contribution requirements of plan members and the District are established by the District's Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District's Board of Trustees. For the fiscal year ended June 30, 2018, the District contributed $346,117 for current premiums.

Investments

Investment policy: The plan's policy in regard to the allocation of invested assets is established and may be amended by the Governing Board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the Governing Board's adopted asset allocation policy as of June 30, 2017:

	SISC Trust A	PFM
Asset Class	Target Allocation	
U.S Large Cap	40%	N/A
U.S. Small Cap	20%	N/A
Long-Term Corporate Bond	25%	N/A
Long-Term Government Bond	10%	N/A
Short-Term Government Fixed	5%	N/A
Equities	N/A	63%
Fixed Income	N/A	37%

Rate of Return: For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 5.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB (Asset) of the District

The District's net OPEB asset of $3,685,040, was measured as of June 30, 2017, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017 were as follows:

	Certificated	Classified	Total
Total OPEB Liability			
Active employees	$ 3,170,093	$ 1,479,431	$ 4,649,524
Current retirees	658,423	1,406,207	2,064,630
Total	3,828,516	2,885,638	6,714,154
Plan fiduciary net position			10,399,194
District's net OPEB (asset)liability			$ (3,685,040)
Plan fiduciary net position as a percentage of the total OPEB (asset)liability			154.88%

Actuarial Assumptions: The total OPEB asset in the June 30, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%
Investment rate of return, net of expenses	6.30%
Healthcare cost trend rates	4.00%

The discount rate was based on the Bond Buyer 20 Bond Index.

The mortality assumptions are based upon the following tables. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation:

- Mortality rates were based on the 2009 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalSTRS analysis.
- The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
- The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, (see the discussion of the Plan's investment policy) are summarized in the following table:

	SISC Trust A	PFM
	Long-Term Expected	
Asset Class	Real Rate of Return	
U.S Large Cap	7.795%	N/A
U.S. Small Cap	7.795%	N/A
Long-Term Corporate Bond	5.295%	N/A
Long-Term Government Bond	4.500%	N/A
Short-Term Government Fixed	3.250%	N/A
Equities	N/A	7.795%
Fixed Income	N/A	5.100%

Discount Rate: The discount rate used to measure the OPEB asset was 6.3%. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Changes in the Net OPEB Asset

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balance at June 30, 2016	$ 6,549,281	$ 9,642,430	$ (3,093,149)
Service cost	393,622	-	393,622
Interest	404,709	-	404,709
Difference between expected and actual experience	-	-	-
Contributions-employer	-	656,823	(656,823)
Net investment income	-	733,483	(733,483)
Changes of assumptions or other inputs	-	-	-
Benefit payments	(633,458)	(633,458)	-
Administrative expense	-	(84)	84
Net change in total OPEB (asset)liability	164,873	756,764	(591,891)
Balance at June 30, 2017	$ 6,714,154	$ 10,399,194	$ (3,685,040)

Sensitivity of the Net OPEB (Asset) to Changes in the Discount Rate: The following presents the net OPEB (asset) of the District, as well as what the District's net OPEB (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.3 percent) or 1-percentage point higher (7.3 percent) than the current discount rate:

1% Decrease	5.30%
Net OPEB (Asset)	$ (4,018,890)
Current Discount Rate	6.30%
Net OPEB (Asset)	$ (3,685,040)
1% Increase	7.30%
Net OPEB (Asset)	$ (3,373,479)

Sensitivity of the Net OPEB (Asset) to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB (asset) of the District, as well as what the District's net OPEB (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3 percent) or 1-percentage-point higher (5 percent) than the current healthcare costs trend rates:

1% Decrease	3.00%
Net OPEB (Asset)	$ (3,299,605)
Current healthcare cost trend rate	4.00%
Net OPEB (Asset)	$ (3,685,040)
1% Increase	5.00%
Net OPEB (Asset)	$ (4,049,799)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $64,932. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $346,117 which will be recognized as an addition to the net OPEB asset during the fiscal year ending June 30, 2019.

NOTE 14---PRIOR PERIOD ADJUSTMENT

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* in the current year. As a result, beginning net position was increased as required by GASB 75 as follows:

Inclusion of net OPEB liability	$ 2,907,946
Inclusion of deferred outflows of resources related to OPEB	656,823
Prior period adjustment	$ 3,564,769

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Standard School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP)
General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	(GAAP Basis)	Positive (Negative)
Revenues:				
LCFF - state	$ 18,718,027	$ 9,774,514	$ 9,754,002	$ (20,512)
LCFF - local	8,890,191	18,035,091	17,929,120	(105,971)
Federal revenues	1,714,630	2,308,774	1,990,745	(318,029)
Other state revenues	922,944	2,196,113	4,078,681	1,882,568
Other local revenues	1,511,076	1,573,897	480,738	(1,093,159)
Total revenues	31,756,868	33,888,389	34,233,286	344,897
Expenditures:				
Certificated salaries	13,800,525	13,843,829	13,320,068	523,761
Classified salaries	4,420,925	4,459,882	4,209,591	250,291
Employee benefits	7,953,745	7,982,129	7,355,026	627,103
Books and supplies	1,807,403	2,296,445	1,323,493	972,952
Services and other operating expenditures	2,921,330	3,295,228	2,920,801	374,427
Capital outlay	547,896	673,839	512,374	161,465
Other outgo	1,154,357	1,380,543	1,520,396	(139,853)
Total expenditures	32,606,181	33,931,895	31,161,749	2,770,146
Excess (deficiency) of revenues over expenditures	(849,313)	(43,506)	3,071,537	3,115,043
Other financing (uses):				
Transfers out	(465,000)	(5,515,000)	(5,550,000)	(35,000)
Total other financing (uses)	(465,000)	(5,515,000)	(5,550,000)	(35,000)
Excess (deficiency) of revenues over expenditures and other (uses)	(1,314,313)	(5,558,506)	(2,478,463)	3,080,043
Fund balances, July 1, 2017	14,772,590	14,772,590	14,772,590	-
Fund balances, June 30, 2018	$ 13,458,277	$ 9,214,084	$ 12,294,127	$ 3,080,043

Standard School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP)
Building Fund
Year Ended June 30, 2018

	Budget Amount		Actual	Variance With Final Budget
	Original	Final	(GAAP Basis)	Positive (Negative)
Revenues:				
Other local revenues	$ 12,500	$ 12,500	$ 89,125	$ 76,625
Expenditures:				
Capital outlay	5,198,000	5,198,000	103,943	5,094,057
(Deficiency) of revenues over expenditures	(5,185,500)	(5,185,500)	(14,818)	5,170,682
Other financing sources:				
Transfers in	-	-	14,430	14,430
Total other financing sources	-	-	14,430	14,430
Excess (deficiency) of revenues over expenditures and other sources	(5,185,500)	(5,185,500)	(388)	5,185,112
Fund balances, July 1, 2017	6,024,587	6,024,587	6,024,587	-
Fund balances, June 30, 2018	$ 839,087	$ 839,087	$ 6,024,199	$ 5,185,112

Standard School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP)
Retiree Benefit Fund
Year Ended June 30, 2018

	Budget Amount		Actual	Variance With Final Budget
	Original	Final	(GAAP Basis)	Positive (Negative)
Revenues:	$ -	$ -	$ -	$ -
Expenditures	-	-	117,416	(117,416)
(Deficiency) of revenues over expenditures	-	-	(117,416)	(117,416)
Other financing sources (uses):				
Transfers in	-	-	24,668	24,668
Transfers out	-	-	(14,430)	(14,430)
Total other financing sources (uses)	-	-	10,238	10,238
(Deficiency) of revenues over expenditures and other sources	-	-	(107,178)	(107,178)
Fund balances, July 1, 2017	205,381	205,381	205,381	-
Fund balances, June 30, 2018	$ 205,381	$ 205,381	$ 98,203	$ (107,178)

Standard School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (GAAP)
Special Reserve Fund for Capital Outlay
Year Ended June 30, 2018

	Budget Amount		Actual	Variance With Final Budget
	Original	Final	(GAAP Basis)	Positive (Negative)
Revenues:				
Other local revenues	$ 89,200	$ 89,200	$ 122,289	$ 33,089
Expenditures:				
Services and other operating expenditures	13,660	13,660	14,122	(462)
Capital outlay	2,980,600	3,489,465	4,529,291	(1,039,826)
Total expenditures	2,994,260	3,503,125	4,543,413	(1,040,288)
Excess (deficiency) of revenues over expenditures	(2,905,060)	(3,413,925)	(4,421,124)	(1,007,199)
Other financing sources:				
Transfers in	-	5,000,000	5,000,000	-
Total other financing sources	-	5,000,000	5,000,000	-
Excess (deficiency) of revenues over expenditures and other sources	(2,905,060)	1,586,075	578,876	(1,007,199)
Fund balances, July 1, 2017	9,456,413	9,456,413	9,456,413	-
Fund balances, June 30, 2018	$ 6,551,353	$ 11,042,488	$ 10,035,289	$ (1,007,199)

Standard School District
Schedules of Proportionate Share of the Net Pension Liability
As of June 30, 2018

CalPERS - Last 10 Years*

	2018	2017	2016	2015
Proportion of the net pension liability	0.030%	0.030%	0.028%	0.028%
Proportionate share of the net pension liability	$7,197,000	$5,843,000	$4,129,000	$3,117,000
Covered - employee payroll	$4,027,551	$3,873,229	$3,550,563	$3,109,176
Proportionate share of the net pension liability as percentage of covered-employee payroll	178.69%	150.86%	116.29%	100.25%
Plan's fiduciary net position	$60,998,386,333	$55,912,964,588	$56,911,065,643	$56,940,364,500
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%

CalSTRS - Last 10 Years*

	2018	2017	2016	2015
Proportion of the net pension liability	0.024%	0.026%	0.026%	0.023%
Proportionate share of the net pension liability	$22,237,000	$20,752,000	$17,352,000	$13,347,000
Covered - employee payroll	$15,000,048	$15,407,288	$15,623,102	$11,985,845
Proportionate share of the net pension liability as percentage of covered-employee payroll	148.25%	134.69%	111.07%	111.36%
Plan's fiduciary net position	$210,289,900,000	$189,113,487,000	$191,822,336,000	$190,474,016,000
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%

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

Standard School District
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2018

SDBP - Last 10 Years*

	2018	2017	2016	2015
Proportion of the net pension liability	0.790%	0.815%	0.826%	0.822%
Proportionate share of the net pension liability	$30,585	$31,254	$40,868	$6,406
Covered - employee payroll	$841,659	$909,022	$651,224	$563,938
Proportionate share of the net pension liability as percentage of covered-employee payroll	3.63%	3.44%	6.28%	1.14%
Plan's fiduciary net position	$50,742,881	$42,905,365	$38,934,357	$39,114,739
Plan fiduciary net position as a percentage of the total pension liability	92.94%	91.80%	88.73%	98.05%

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

Standard School District
Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios
As of June 30, 2018

Fiscal Year Ending	June 30, 2018
Measurement Period Ending	June 30, 2017
Total OPEB Liability	
Service cost	$ 393,622
Interest	404,709
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(633,458)
Net change in total OPEB (asset)	164,873
Total OPEB liability - beginning	6,549,281
Total OPEB liability - ending (a)	$ 6,714,154
Plan Fiduciary Net Position	
Contributions - employer	$ 656,823
Net investment income	733,483
Benefit payments	(633,458)
Administrative expense	(84)
Net change in plan fiduciary net position	756,764
Plan fiduciary net position - beginning	9,642,430
Plan fiduciary net position - ending (b)	$ 10,399,194
District's net OPEB (asset) - ending (a) - (b)	$ (3,685,040)
Plan fiduciary net position as a percentage of the total OPEB (asset)	154.88%
Covered-employee payroll	$ 874,511
District's net OPEB (asset) as a percentage of covered-employee payroll	-421.38%

Notes to Schedule:

Changes in assumptions: The discount rate was unchanged at 6.30% (net of administrative expense) for the measurement period ended June 30, 2017.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Standard School District
Schedule of Pension Contributions
As of June 30, 2018

CalPERS - Last 10 Years*

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 625,519	$ 537,915	$ 420,635	$ 365,981
Contributions in relation to the actuary determined contributions	625,519	537,915	420,635	365,981
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 4,027,551	$ 3,873,229	$ 3,550,563	$ 3,109,176
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%
Notes to schedule:				
Valuation date:	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Methods and assumptions used to determine contributions rates:				
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	17 years	18 years	19 years	15 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation	2.75%	2.75%	2.75%	3.50%
Salary increases	Varies by entry age and service	Varies by entry age and service	4.5%, average, including inflation of 3.0%	4.5%, average, including inflation of 3.0%
Investment rate of return	7.15%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation	7.75%, net of pension plan investment expense, including inflation
Retirement age	57 yrs.	57 yrs.	57 yrs.	57 yrs.
Mortality	Derived using CalPERS' Membership Data for all Funds	RP-2000 Healthy Annuitant Mortality Table	RP-2000 Healthy Annuitant Mortality Table	RP-2000 Healthy Annuitant Mortality Table

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

Standard School District
Schedule of Pension Contributions
As of June 30, 2018

CalSTRS - Last 10 Years*

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 1,887,006	$ 1,653,202	$ 1,374,833	$ 1,064,732
Contributions in relation to the actuary determined contributions	1,887,006	1,653,202	1,374,833	1,064,732
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 15,000,048	$ 15,407,288	$ 15,623,102	$ 11,985,845
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.80%	8.88%
Notes to schedule:				
Valuation date:	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Methods and assumptions used to determine contributions rates:				
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level dollar basis	Level dollar basis	Level dollar basis	Level dollar basis
Remaining amortization period	21 years	22 years	23 years	24 years
Asset valuation method	Fair value of net assets	Fair value of net assets	Fair value of net assets	Fair value of net assets
Inflation	2.75%	3.00%	3.00%	3.00%
Salary increases	3.5%, average, including inflation of 3.75%	3.75%, average, including inflation of 3.0%	3.75%, average, including inflation of 3.0%	3.5%, average, including inflation of 3.0%
Investment rate of return	7.10%, net of pension plan investment expense, including inflation	7.60%, net of pension plan investment expense, including inflation	7.60%, net of pension plan investment expense, including inflation	7.50%, net of pension plan investment expense, including inflation
Retirement age	60 yrs.	60 yrs.	60 yrs.	60 yrs.
Mortality	110 percent of ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries	RP-2000 Healthy Annuitant Mortality Table	RP-2000 Healthy Annuitant Mortality Table	RP-2000 Healthy Annuitant Mortality Table

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

Standard School District
Schedule of Pension Contributions
As of June 30, 2018

SDBP - Last 10 Years*

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 20,859	$ 22,234	$ 29,873	$ 17,475
Contributions in relation to the actuary determined contributions	20,859	22,234	29,873	17,475
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 841,659	$ 909,022	$ 651,224	$ 563,938
Contributions as a percentage of covered-employee payroll	2.48%	2.45%	4.59%	3.10%
Notes to schedule:				
Valuation date:	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Methods and assumptions used to determine contributions rates:				
Actuarial cost method	Projected Unit Credit	Entry age	Entry age	Entry age
Amortization method	Level dollar, open period	Level percent of pay	Level dollar, open period	Level dollar, open period
Remaining amortization period	7 years	7 years	7 years	7 years
Asset valuation method	Fair market value, projected from preceding September 30 with expected contributions, distributions and earnings on investments	Fair market value, projected from preceding September 30 with expected contributions, distributions and earnings on investments	Fair market value, projected from preceding September 30 with expected contributions, distributions and earnings on investments	Fair market value, projected from preceding September 30 with expected contributions, distributions and earnings on investments
Inflation	3.00%	3.00%	3.00%	3.00%
Salary increases	3.50%	3.50%	3.50%	3.50%
Investment rate of return	7.0%, net of investment expense, including inflation	7.0%, net of investment expense, including inflation	7.0%, net of investment expense, including inflation	7.0%, net of investment expense, including inflation
Retirement age	70 yrs.	70 yrs.	70 yrs.	70 yrs.
Mortality	RP-2014 Employee and Healthy Annuitant Mortality without projection	RP-2014 Employee and Healthy Annuitant Mortality without projection	RP-2000 Combined Mortality, static projection to 2012 by scale AA (Male and Female tables)	RP-2000 Combined Mortality, static projection to 2012 by scale AA (Male and Female tables)

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

Standard School District
Schedule of OPEB Contributions and OPEB Investment Returns
As of June 30, 2018

OPEB Contributions

		2018
Actuarially determined contributions	$	-
Contributions in relation to the actuarially determined contribution		656,823
Contribution deficiency (excess)	$	(656,823)
Covered-employee payroll	$	874,511
Contributions as a percentage of covered-employee payroll		75.11%

Notes to Schedule:

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018 were from the June 30, 2016 actuarial valuation.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

OPEB Investment Returns

	2018
Annual money-weighted rate of return, net of investment expense	5.73%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

OTHER
SUPPLEMENTARY INFORMATION SECTION

Standard School District
Organization
June 30, 2018

The Standard School District was formed in February 1909. The District maintains four elementary schools for grades kindergarten through eighth located on four campuses within the County of Kern.

GOVERNING BOARD

Name	Office	Term Expires
Steven Napier	President	December 2018
Pamela J. Jacobsen	Clerk	December 2018
Vanessa Mazer	Member	December 2020
Pam Neal	Member	December 2018
Steven Ruettgers	Member	December 2020

ADMINISTRATION

Paul Meyers
Superintendent

Glynda Martin
Director, Educational Services

Karen K. Cox
Assistant Superintendent, Business Services

Jocelyn Hively, Ed.D., BCBA
Director, Student Support Services

Standard School District
Schedule of Average Daily Attendance
Year Ended June 30, 2018

Elementary:	Second Period Report	Audit Adjustment	Adjusted Second Period Report	Annual Report	Audit Adjustment	Adjusted Annual Report
Regular ADA:						
Kindergarten through Grade three	1,328.45	-	1,328.45	1,336.68	-	1,336.68
Grades four through six	972.10	-	972.10	972.93	-	972.93
Grades seven and eight	597.75	-	597.75	595.92	-	595.92
Regular ADA Totals	2,898.30	-	2,898.30	2,905.53		2,905.53
Extended Year Special Education:						
Kindergarten through Grade three	-	-	-	1.75	-	1.75
Grades four through six	-	-	-	0.43	-	0.43
Grades seven and eight	-	-	-	0.11	-	0.11
Extended Year Special Education Totals	-	-	-	2.29	-	2.29
Full-Time Independent Study:						
Kindergarten through Grade 3	-	0.87	0.87	-	1.01	1.01
Grades four through six	-	0.59	0.59	-	0.63	0.63
Grades seven and eight	-	0.32	0.32	-	0.49	0.49
Full-Time Independent Study Totals	-	1.78	1.78	-	2.13	2.13
Transitional Kindergarten	81.92	-	81.92	-	87.11	87.11

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

Standard School District
Schedule of Instructional Time
Year Ended June 30, 2018

Grade Level	1986-87 Minutes Requirements	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	35,100	180	N/A	Non-Compliance
First Grade	50,400	50,445	180	N/A	Complied
Second Grade	50,400	50,445	180	N/A	Complied
Third Grade	50,400	53,865	180	N/A	Complied
Fourth Grade	54,000	54,720	180	N/A	Complied
Fifth Grade	54,000	54,720	180	N/A	Complied
Sixth Grade	54,000	59,064	180	N/A	Complied
Seventh Grade	54,000	59,064	180	N/A	Complied
Eighth Grade	54,000	59,064	180	N/A	Complied

Districts must maintain their instructional minutes at the 1986-87 requirement as required by Education Code Section 46201. EC Section 46207 requires that beginning in 2016-17 all school districts once funded at their LCFF target must offer at least the following number of instructional minutes by grade span:

Kindergarten, 36,000 minutes
Grades 1 to 3, inclusive, 50,400 minutes
Grades 4 to 8, inclusive, 54,000 minutes

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District complied with the provision of Education Code Sections 46200 through 46207 and has exceeded the Local Control Funding Formula target for instructional minutes.

Standard School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2018

General Fund	(Budget) 2019	2018	2017	2016
Revenues, other financial, and transfers in	$ 35,274,956	$ 34,233,286	$ 32,316,438	$ 32,455,372
Expenditures	34,947,695	31,161,749	29,565,558	30,442,373
Other uses and transfers out	350,000	5,550,000	404,180	2,251,812
Total outgo	35,297,695	36,711,749	29,969,738	32,694,185
Change in fund balance	$ (22,739)	$ (2,478,463)	$ 2,346,700	$ (238,813)
Ending fund balance	$ 12,271,388	$ 12,294,127	$ 14,772,590	$ 12,425,890
Available reserves	$ 8,623,109	$ 8,646,848	$ 11,515,173	$ 9,181,398
Available reserves as a percentage of total outgo	24.43%	23.55%	38.42%	28.08%
Total long-term debt	$ 26,678,039	$ 28,925,935	$ 29,963,030	$ 24,810,497
Average daily attendance at P-2	2,925	2,898	2,885	2,888

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

The General Fund balance decreased by $131,763 over the past two years. The fiscal year 2018-2019 budget projects a decrease of $22,739. For a district of this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years. Total long-term debt has increased by $4,115,438 over the past two years.

Average daily attendance has increased by 10 over the past two years. The District anticipates a slight increase in ADA during fiscal year 2018-2019.

Standard School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Passed through California Department of Education (CDE):			
Special Education Cluster:			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	$ 706,062
IDEA Preschool Grants, Part B, Section 619	84.173	13430	368,517
IDEA Preschool Local Entitlement, Part B, Section 611	84.027	13682	150,386
Subtotal Special Education Cluster			1,224,965
I.S.I.A. - Title I	84.010*	13797	1,106,064
Title II - Teacher Quality	84.367	14341	128,404
Safe School Healthy Students	84.184L	N/A	5,253
Total U.S. Department of Education			2,464,686
U.S. Department of Agriculture:			
Passed through CDE:			
National School Lunch	10.555*	13391	2,274,351
Fresh Fruit and Vegetable Program	10.582	13391	10,774
Fair market value of commodities	10.555*	N/A	30,718
Total U.S. Department of Agriculture			2,315,843
U.S. Department of Health Care Services:			
Dept. Health Service: Medi-Cal Billing Option	93.778	10013	89,106
Total expenditures of federal awards			$ 4,869,635

* Audited as a major program

The accompanying notes are an integral part of this schedule.

Standard School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompany schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Standard School District under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Standard School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Standard School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Standard School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Standard School District
Reconciliation of Annual Financial and Budget Report (SACS) with Audited Financial Statements
Year Ended June 30, 2018

	General Fund
June 30, 2018, Annual Financial and Budget Report (SACS) Fund Balance	$ 12,288,339
Adjustments and Reclassifications:	
Net overstatement of accounts payable	5,788
June 30, 2018 audited financial statement fund balance	$ 12,294,127

	Building Fund
June 30, 2018, Annual Financial and Budget Report (SACS) Fund Balance	$ 6,009,769
Adjustments and Reclassifications:	
Overstatement of due to other funds	14,430
June 30, 2018 audited financial statement fund balance	$ 6,024,199

	Retiree Benefit Fund
June 30, 2018, Annual Financial and Budget Report (SACS) Fund Balance	$ 205,381
Adjustments and Reclassifications:	
Understatement of due to other funds	(14,430)
Overstatement of investments	(92,748)
June 30, 2018 audited financial statement fund balance	$ 98,203

	Special Reserve Fund for Capital Outlay
June 30, 2018, Annual Financial and Budget Report (SACS) Fund Balance	$ 10,217,471
Adjustments and Reclassifications:	
Understatement of accounts payable	(182,182)
June 30, 2018 audited financial statement fund balance	$ 10,035,289

	Child Development Fund
June 30, 2018, Annual Financial and Budget Report (SACS) Fund Balance	$ 28,098
Adjustments and Reclassifications:	
Overstatement of cash	(3,000)
June 30, 2018 audited financial statement fund balance	$ 25,098

	Cafeteria Fund
June 30, 2018, Annual Financial and Budget Report (SACS) Fund Balance	$ 537,684
Adjustments and Reclassifications:	
Understatement of cash	14,706
June 30, 2018 audited financial statement fund balance	$ 552,390

There were no adjustments proposed to any other funds of the District.

This schedule provides the information necessary to reconcile governmental funds as reported on the SACS to the audited financial statements.

Standard School District
Notes to State and Federal
Compliance Information
Year Ended June 30, 2018

1. The District does not sponsor any charter schools.

2. Early Retirement Incentive Program

   Education Code Section 14503 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2018, the District did not adopt this program.

OTHER INDEPENDENT AUDITOR'S REPORTS

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PATRICK W. PAGGI

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

Board of Trustees
Standard School District
Bakersfield, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Standard School District**, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise **Standard School District**'s basic financial statements, and have issued our report thereon dated February 8, 2019.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 8, 2019

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PATRICK W. PAGGI

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

Board of Trustees
Standard School District
Bakersfield, California

Report on Compliance for Each Major Federal Program

We have audited **Standard School District**'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on **Standard School District**'s major federal programs for the year ended June 30, 2018. **Standard School District**'s major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of audit findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, **Standard School District** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 8, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Standard School District
Bakersfield, California

Report on State Compliance

We have audited **Standard School District**'s compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of **Standard School District**'s State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of **Standard School District**'s State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the applicable government programs noted below occurred. An audit includes examining, on a test basis, evidence about **Standard School District**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of **Standard School District**'s compliance.

Unmodified Opinion

In our opinion, **Standard School District** complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items SA-2018-001, SA-2018-002 and SA-2018-003. Our opinion on the financial statements is not modified with respect to these matters.

Standard School District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **Standard School District**'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Not applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not applicable[1]
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not applicable
Middle or Early College High Schools	Not applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	Not applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study-Course Based	Not applicable
Charter Schools:	
Attendance	Not applicable
Mode of Instruction	Not applicable
Nonclassroom-based Instruction/Independent Study	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	Not applicable
Annual Instructional Minutes – Classroom Based	Not applicable
Charter School Facility Grant Program	Not applicable

[1] The District's Early Retirement Incentive does not meet the definition of the Early Retirement Incentive program under STRS.

Daniells Phillips Vaughan & Bock

Bakersfield, California
February 8, 2019

FINDINGS AND RECOMMENDATIONS SECTION

Standard School District
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2018
(Page 1 of 4)

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified?	___ Yes	X None reported
Noncompliance material to financial statements noted?	___ Yes	X No

Federal Awards

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

Identification of major programs:

CDFA Number	Name of Federal Program or Cluster
10.555	National School Lunch
84.010	I.S.I.A. – Title I

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? X Yes ___ No

State Awards

Internal control over major programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified?	___ Yes	X None reported
Any audit findings disclosed that are required to be reported in accordance with *Local Educational Agencies K-12 Audit Guide*	X Yes	___ No
Type of auditor's report issued on compliance for state programs:		Unmodified

Standard School District
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2018
(Page 2 of 4)

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

SA-2018-001 70000 Instructional Minutes

Criteria:

Education Code Section 46207 requires that beginning in 2015-16 all school districts once funded at their LCFF target must offer at least 36,000 instructional minutes for Kindergarten.

Condition:

One of three elementary schools in the District did not meet the minimum instructional minutes for its AM Kindergarten class.

Effect:

The effect of the condition resulted in a penalty for not offering required instructional minutes of $5,620.45 calculated as the total apportionment for the affected grade level (AM Kindergarten) multiplied by the percentage of instructional time the District failed to offer (570/36,000 = 1.58%) as defined by the California Department of Education.

Cause:

The error occurred due to the District incorrectly calculating the number of minimum minutes of instruction for one school site for AM kindergarten only. This was a clerical error made by the District.

Recommendation:

We recommend that the District adhere to the minimum instructional minutes policy as required by Education Code Section 46207. The District should have all instructional minutes calculated by one individual and recalculated and reviewed by an individual independent of the original calculation to ensure the District meets all required instructional minutes.

Management's Response:

Management and Site Administration will review the Bell Schedules at the beginning of each year for compliance with at least 36,000 instructional minutes for Kindergarten regardless of AM or PM kindergarten classes. Additionally, site staff will be attending CASBO Attendance Accounting workshop to review the number of instructional minutes by grade level.

SA-2018-002 40000 State Compliance

Criteria:

Education Code Section 8483(B) requires the Local Education Agency (LEA) establish a policy regarding reasonable early daily release of pupils from the After School Education Safety (ASES) Program. Additionally, Education Code Section 8483(2) notes it is the intent of the Legislature that elementary and middle school pupils participate in the full day of the ASES Program every day during which pupils participate, except as allowed by the early release policy. Lastly, Education Code Section 41020 requires LEAs who operate ASES Programs to report attendance to the California Department of Education. The number of students served must be supported by written records that document the pupil's participation.

Condition:

The records maintained by the District for the ASES program for two schools and three months selected for attendance testing did not agree with the documentation reported to the California Department of Education. Various errors were noted such as no documentation provided for early pickup or absence, sign-in sheets marked as absent but pupil was marked present on the attendance sheet, sign-in sheet marked as present but pupil was marked as absent on the attendance sheet, etc.

For two schools and two of three months selected for testing twenty of 50 students were released improperly according to the District's early release policy. The District's early release policy states, "Students who are walkers and have a signed "Walkers" release on file will be released to walk home 20 minutes before sunset." However, students were released earlier than 20 minutes prior to sunset during the spring/summer months as sunset is well after 6pm, the time the program ends.

These are violations of the District and the California Department of Education's policies and procedures for maintaining written records for the pupil's participation in the ASES program.

Effect:

The effect of the errors is the misreporting of attendance. The LEA did not maintain proper documentation regarding the policies and procedures established by the District and the California Department of Education in relation to the ASES Program. Since it could not be determined which of the records were accurate, there is no way to conclude if there was any financial impact.

Cause:

The error occurred due to a lack of review and knowledge of program requirements at the program level to ensure that all documentation is complete and accurate.

Recommendation:

We recommend that the LEA follow their current policies and procedures in place to ensure that attendance records are complete and accurate and in compliance with their established early release policy.

Management's Response:

Management and Site Administration will review Education Code Section 8483(B) to reaffirm the policy regarding reasonable early daily release policy of pupils in the After School Education (ASES) Program. Administration will continue to communicate the intent of Education Code Section 8483(2) is for elementary and middle school pupils to participate in the full 3 hour ASES program on a daily basis. Finally, District and Site Administration will update practices and audit to ensure the number of students served in the program be supported by written or electronic records to support the pupil's participation.

SA-2018-003 10000 Attendance

Criteria:

Education Code Section 46300 discusses the calculation and reporting of Average Daily Attendance (ADA) of a School District.

Condition:

The P-2 and Annual Attendance Reports prepared by the District and filed with the California Department of Education failed to report the information on line item B-1 Full-Time Traditional Independent Study ADA, pursuant to EC 51747, including Section A or in the Attendance Supplement School District, Attendance Basic Aid Choice/Court-Ordered Voluntary Pupil Transfer, and Attendance Basic Aid Open Enrollment entry screens.

Effect:

The effect of the condition resulted in the District misreporting the required information on line item B-1. For the P-2 Report TK/K-3 was understated by 0.87; Grades 4-6 was understated by 0.59; and Grades 7-8 was understated by 0.32 for a total understatement of 1.78. For the Annual Report TK/K-3 was understated by 1.01; Grades 4-6 was understated by 0.63; and Grades 7-8 was understated by 0.49 for a total understatement of 2.13. This information is included in Section A line item A-1 of the P-2 and Annual Reports but is required to be also recorded on line item B-1 for informational purposes. Since the information was correct in Section A of the report, there was no dollar impact as a result of this error.

Cause:

The error occurred due to a lack of review of the final P-2 and Annual Reports prior to the District filing the reports with the California Department of Education (CDE).

Recommendation:

We recommend the District review and revised their current policy regarding a review of the P-2 and Annual Attendance reports prior to submission to the CDE to ensure the report is completed properly.

Management's Response:

Management and Site Administration will review Education Code Section 51747 Section A line B-1 to properly record Full-Time Traditional Independent Study ADA. This will include Section A for Supplemental Attendance for students on Independent Study on a temporary basis and who are in compliance with the District's Independent Study policy.

Standard School District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Findings/Recommendations	Current Status	Client Response If Not Implemented
FA-2017-001 – Title I Grants to Local Educational Agencies: The District did not retain the "2016-17 CAASPP Test Security Affidavit for Test Examiners, Test Administrators, Proctors, Translators, Scribes, and Any Other Person Having Access to CAASPP Tests for all CAASPP assessments, Including field tests"	Corrective action taken during 2017-18	N/A

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE CITY OF BAKERSFIELD AND KERN COUNTY

The Bonds are not a debt of the City of Bakersfield (the ***"City"****) or Kern County (the* ***"County"****). The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Bonds at the time such payment is due.*

General Information

The City. The City of Bakersfield (the "**City**") is located in Kern County, California (the "**County**"), at the southern end of the San Joaquin Valley, approximately 110 miles north of Los Angeles and 290 miles south of San Francisco. The City maintains an incorporated area of approximately 148 square miles, with an additional 170 square miles of land located within the City's sphere of influence.

The City was incorporated on January 11, 1898, under the general laws of the State. The City is a charter city with a council/manager form of government. The City Council is comprised of seven council members, elected by ward on a staggered basis for a term of four years. The mayor is directly elected for a four-year term. The council appoints the City Attorney and the City Manager, who also serves as the Executive Director of the Bakersfield Redevelopment Agency.

The City is a regional center for industry, government, transportation, retail trade, medical services, and oil field operations. Major manufacturing activities include iron and steel fabrication, plastic foam products, food products, petroleum refining, and textiles. The City is one of the leading convention centers in the State and is the commercial hub of the County. As the County seat, it is the location of many county, state, and federal offices.

The County. The County is located approximately 100 miles north of Los Angeles County in south-central California. The County is the third largest county in California, covering 8,073 square miles. Surrounded by three major mountain ranges, the County has three climatic zones: valley, mountain and high desert. Bordered on the west by San Luis Obispo and Santa Barbara Counties, to the east by San Bernardino County and on the north by Kings, Tulare and Inyo Counties, the County measures 120 miles east to west and 67 miles north to south.

The County's economy is heavily linked to agriculture and to petroleum extraction. There is also a strong aviation, space, and military presence, such as Edwards Air Force Base, the China Lake Naval Air Weapons Station, and the Mojave Air and Space Port.

Population

The following table lists population estimates for the City and County for the last five calendar years, as of January 1.

KERN COUNTY
Population Estimates
Calendar Years 2014 through 2018

	2014	2015	2016	2017	2018
Arvin	20,488	20,673	21,179	21,312	21,696
Bakersfield	**368,249**	**373,456**	**377,791**	**382,570**	**386,839**
California City	13,614	14,495	14,307	14,619	14,875
Delano	52,422	52,399	52,576	52,953	53,276
Maricopa	1,137	1,106	1,106	1,131	1,156
McFarland	13,702	14,098	14,503	14,826	15,105
Ridgecrest	28,202	28,127	28,171	28,427	28,822
Shafter	16,977	17,448	17,546	18,516	19,271
Taft	8,933	9,504	9,388	9,446	9,482
Tehachapi	13,056	12,707	12,119	12,325	12,299
Wasco	26,185	26,371	26,521	27,056	27,691
Total Unincorporated	308,838	309,962	310,946	312,920	315,289
Total County	**871,803**	**880,346**	**886,153**	**896,101**	**905,801**

Source: State Department of Finance estimates (as of January 1).

Principal Employers

The following table shows the principal employers in the City, as shown in the City's Comprehensive Annual Financial Report for fiscal year ending June 30, 2017.

CITY OF BAKERSFIELD
PRINCIPAL EMPLOYERS
June 30, 2017

Employer	Employees	Rank	% of Total County Employment
County of Kern [(1)]	7,274	1	4.12%
Kern High School District [(1)]	4,279	2	2.42
Bakersfield City School District	3,673	3	2.08
Dignity Health	3,398	4	1.92
Adventist Health Bakersfield	2,718	5	1.54
Panama-Buena Vista Union School District	2,312	6	1.31
Wm Bolthouse Farms	1,802	7	1.02
Kern Medical Center	1,796	8	1.02
Kern County Superintendent of Schools	1,623	9	0.92
City of Bakersfield	1,443	10	0.82
Others	146,282		82.83
Total	**176,600**		100.00%

[(1)] Not all employees are employed within the Bakersfield city limits.
Source: City of Bakersfield, Comprehensive Annual Financial Report, For Fiscal Year Ended June 30, 2017

Largest Employers

The table below lists the largest employers in the County as of February 2019, listed alphabetically.

KERN COUNTY
Major Employers (Listed Alphabetically)
As of February 2019

Employer Name	Location	Industry
Bakersfield Memorial Hospital	Bakersfield	Hospitals
Chevron Corp	Bakersfield	Management Services
Edwards Afb	Edwards	Government Offices-Us
Ensign United States Drilling	Bakersfield	Energy Management Systems & Products
Foster Care Human Svc	Not Available	Mental Health Services
Frito-Lay Inc	Bakersfield	Potato Chips (whls)
Giumarra Farms Inc	Bakersfield	Farms
Golden Empire Transit	Bakersfield	Business Services NEC
Grimmway Farms	Arvin	Farms
Kern County Human Svc Dept	Bakersfield	Government Offices-County
Marko Zaninovich Inc	Mc Farland	Fruits & Vegetables-Growers & Shippers
Mercy Hospitals of Bakersfield	Bakersfield	Hospitals
Nabors Completion-Production	Bakersfield	Oil Field Service
Nasa/Dryden Flight Research	Edwards	Research Service
NAVAL Air Warfare Ctr	Ridgecrest	Military Bases
Paramount Farms Huller 4	Lost Hills	Farms
Ridgecrest Regional Hospital	Ridgecrest	Hospitals
Robertson’s Ready Mix	California City	Concrete-Ready Mixed
San Joaquin Community Hospital	Bakersfield	Hospitals
US Department of the Navy	Ridgecrest	Federal Government-National Security
US Naval Air Weapons Station	Ridgecrest	Federal Government-National Security
US Navy Public Affairs Office	Not Available	Government Offices-Us
Wasco State Prison Fire Dept	Wasco	Government Offices-State
Wm Bolthouse Farms Inc	Bakersfield	Agricultural Consultants
Wonderful Citrus LLC	Delano	Citrus Growers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

Employment and Industry

The City is included in the Bakersfield Metropolitan Statistical Area (the "**MSA**"), which consists of the County. The unemployment rate in the County was 7.6% in December 2018, up from a revised 6.6% in November 2018, and below the year-ago estimate of 8.4%. This compares with an unadjusted unemployment rate of 4.1% for California and 3.7% for the nation during the same period.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2013 through 2017.

BAKERSFIELD MSA
(County of Kern)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2017 Benchmark)

	2013	2014	2015	2016	2017
Civilian Labor Force (1)	393,400	393,500	390,900	388,400	385,300
Employment	347,200	352,500	350,900	348,000	349,700
Unemployment	46,200	41,000	39,900	40,400	35,600
Unemployment Rate	11.7%	10.4%	10.2%	10.4%	9.2%
Wage and Salary Employment: (2)					
Agriculture	59,600	60,100	59,300	62,700	62,200
Mining and Logging	12,300	12,700	11,200	8,800	8,500
Construction	17,200	18,200	16,500	14,500	15,000
Manufacturing	14,000	14,600	14,100	13,500	13,500
Wholesale Trade	8,700	9,000	8,700	8,500	8,600
Retail Trade	28,900	30,300	31,600	32,600	32,700
Transportation, Warehousing, Utilities	9,900	10,200	10,500	10,100	10,300
Information	2,500	2,400	2,700	2,200	2,000
Finance and Insurance	5,600	5,500	5,400	5,200	5,200
Real Estate and Rental and Leasing	3,300	3,200	3,200	3,100	3,000
Professional and Business Services	26,900	26,600	26,300	26,000	25,800
Educational and Health Services	32,300	32,600	33,400	34,800	36,500
Leisure and Hospitality	22,800	23,700	25,000	25,500	25,700
Other Services	7,500	7,800	7,700	7,700	7,700
Federal Government	10,000	9,600	9,900	10,200	10,400
State Government	8,800	9,200	9,600	9,900	10,100
Local Government	39,600	40,800	42,100	43,000	42,700
Total all Industries (3)	310,000	316,400	317,000	318,300	319,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Agriculture

The County is part of the San Joaquin Valley, one of the most agriculturally productive areas on a per acre basis in the world. The top five commodities for 2017 were grapes, almonds, citrus, milk and pistachios, which make up more than $4.5 billion (63%) of the total value; with the top twenty commodities making up more than 75% of the total value. The table below lists the value of various agricultural products from 2013 through 2017.

KERN COUNTY
Gross Value of Agricultural Production
(Dollars in Thousands)

Agricultural Product	2013	2014	2015	2016	2017
Fruit and Nut Crops	$4,133,389	$4,769,213	$4,670,622	$4,900,990	4,802,164
Field Crops	522,365	507,302	340,618	304,712	303,075
Vegetable Crops	686,789	648,857	654,165	836,670	916,636
Livestock & Poultry	418,926	443,650	370,376	326,508	332,978
Livestock & Poultry Products	819,880	980,756	652,917	609,513	666,421
Nursery Crops	111,271	93,720	83,265	102,318	113,705
Industrial Crops	14,176	18,498	12,838	9,045	10,764
Seed Crops & Other	5,305	6,591	11,251	9,410	14,932
Apiary Products	57,755	83,737	82,772	88,778	93,493
Total	**$6,769,856**	**$7,552,324**	**$6,878,824**	**$7,187,944**	**7,254,168**

Source: Kern County Department of Agriculture, 2017 Agricultural Crop Report.

Commercial Activity

Total taxable sales during the calendar year 2016 in the City were reported to be $5.738 billion, a 3.04% decrease over the total taxable sales of $5.918 billion reported during the calendar year 2015. Annual figures are not yet available for calendar year 2017.

CITY OF BAKERSFIELD
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2012 through 2016 (Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2012	5,416	$4,492,248	7,520	$5,954,794
2013	5,712	4,605,514	7,790	6,046,533
2014	6,013	4,769,788	8,096	6,284,932
2015 (1)	6,345	4,711,732	9,223	5,917,676
2016	6,348	4,673,367	9,338	5,737,514

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State of California, Board of Equalization.

Total taxable sales during calendar year 2016 in the County were reported to be $13.885 billion, a 3.27% decrease over the total taxable sales of $14.322 billion reported during calendar year 2015. Annual figures for calendar year 2017 are not available.

KERN COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2012 through 2016 (Dollars in Thousands)

	Retail Stores		Total Outlets	
Year	Permits on July 1	Taxable Transactions	Permits on July 1	Taxable Transactions
2012	10,915	$7,856,031	15,812	$14,666,473
2013	11,242	8,134,147	16,077	15,199,124
2014	11,519	8,589,322	16,336	15,722,694
2015(1)	6,303	8,549,819	18,455	14,322,101
2016	12,097	8,566,623	18,556	13,885,643

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State of California, Board of Equalization.

Construction Trends

Provided below are the building permits and valuations for the City and the County for calendar years 2013 through 2017.

CITY OF BAKERSFIELD
Total Building Permit Valuations
Calendar Years 2013 through 2017
(dollars in thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$274,203.6	$338,145.2	$360,611.5	$359,121.7	$256,061.5
New Multi-family	20,195.2	43,633.1	23,571.4	11,824.0	1,869.0
Res. Alterations/Additions	11,533.3	14,497.3	12,662.6	14,445.0	26,715.7
Total Residential	305,932.1	396,305.6	396,845.5	385,390.7	284,646.2
New Commercial	18,984.8	37,682.3	36,895.9	40,325.3	48,251.1
New Industrial	0.0	0.0	0.0	2,380.8	0.0
New Other	3,397.7	19,206.3	16,223.4	12,430.8	31,361.4
Com. Alterations/Additions	86,942.8	70,783.3	74,256.1	86,915.8	75,846.0
Total Nonresidential	109,325.3	127,671.9	127,375.4	142,052.7	155,458.5
New Dwelling Units					
Single Family	1,313	1,340	1,333	1,338	930
Multiple Family	185	326	198	56	6
TOTAL	1,498	1666	1,531	1,394	936

Source: Construction Industry Research Board, Building Permit Summary

KERN COUNTY
Total Building Permit Valuations
Calendar Years 2013 through 2017
(dollars in thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$363,561.4	$444,592.4	$496,973.6	$489,908.4	$398,464.2
New Multi-family	44,545.8	51,730.1	28,017.3	12,501.0	1,869.0
Res. Alterations/Additions	30,414.3	32,193.6	27,705.0	30,119.6	44,908.3
Total Residential	438,521.4	528,516.1	552,695.9	532,529.0	445,241.5
New Commercial	267,395.0	148,418.5	116,726.1	121,385.2	105,869.2
New Industrial	23,706.3	19,876.5	11,396.1	5,469.5	16,971.2
New Other	1,319,217.8	627,586.8	646,808.6	89,364.6	125,642.4
Com. Alterations/Additions	132,961.5	165,036.0	144,820.5	132,775.7	119,587.6
Total Nonresidential	1,743,280.6	960,917.8	919,751.3	348,995.0	368,070.4
New Dwelling Units					
Single Family	1,952	2,047	2,184	2,181	1,872
Multiple Family	520	380	270	66	6
TOTAL	2,472	2,427	2,454	2,247	1,878

Source: Construction Industry Research Board, Building Permit Summary

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and non-tax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), non-tax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income and median household effective buying income for the City, the County, the State and the United States for the period 2015 through 2019.

CITY OF BAKERSFIELD, COUNTY OF KERN, STATE OF CALIFORNIA
AND UNITED STATES
Effective Buying Income
2015 through 2019

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	City of Bakersfield	$6,858,305	$46,143
	Kern County	14,323,958	42,189
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	City of Bakersfield	$7,285,428	$48,732
	Kern County	15,083,625	43,795
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Bakersfield	$7,593,751	$50,066
	Kern County	15,494,594	44,716
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Bakersfield	$8,150,194	$53,692
	Kern County	16,598,425	47,525
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Bakersfield	$7,798,290	$49,880
	Kern County	15,778,809	44,937
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Nielsen Company (US), Inc.

Transportation Systems

Well-developed surface and air transportation facilities are available to residents and business firms. Main lines of both the Union Pacific and the Burlington Northern Santa Fe railroads traverse the area. Amtrak service is available.

State Highway 99, is the main north-south artery serving the most populous communities along the east side of the Central Valley. State Highway 58 provides east-west linkage between Interstate 5, 20 miles west, and Interstate 15 at Barstow, to the east. Highway 178, heading northeast, is the major route along the Kern River Valley. Highway 65, to the north, provides access to communities east of Highway 99 and to Sequoia National Park.

Interurban motor transportation is made available by Orange Belt Stages, Greyhound, and Trailways. Golden Empire Transit provides local bus transportation.

The Meadows Field Airport is located on the north side of Bakersfield. Regularly scheduled passenger and air cargo service is available, as well as charter service and general aviation services. The Meadows Field Airport includes the William M. Thomas Terminal, a 64,800 square foot, state-of-the-art terminal facility completed in November 2005 that is currently equipped with three jet-boarding bridges, but that may be expanded to accommodate up to nine gates. A second, older terminal has been converted to accommodate international flights to Mexico.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

March 13, 2019

Board of Trustees
Standard School District
1200 North Chester Avenue
Bakersfield, CA 93308

OPINION: $10,000,000 Standard School District (Kern County, California) General Obligation Bonds, 2016 Election, Series 2019

Members of the Board of Trustees:

We have acted as bond counsel to the Standard School District (the "District") in connection with the issuance by the District of $10,000,000 principal amount of Standard School District (Kern County, California) General Obligation Bonds, 2016 Election, Series 2019, dated the date hereof (together, the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Trustees adopted on February 12, 2019 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds on its behalf and to perform its obligations under the Bond Resolution and the Bonds.

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

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Kern is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except for certain personal property, which is taxable at limited rates).

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the District comply with all requirements of the Tax Code relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$10,000,000
STANDARD SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2019

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Standard School District (the "**District**") in connection with the execution and delivery of the captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on February 12, 2019 (the "**Resolution**"). U.S. Bank National Association is initially acting as paying agent for the Bonds (the "**Paying Agent**").

The District hereby covenants and agrees as follows:

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

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

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District (currently being March 31 based on a fiscal year ending June 30).

"*Dissemination Agent*" means, initially, Fieldman, Rolapp & Associates, Inc. doing business as Applied Best Practices, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means U.S. Bank National Association, Los Angeles, California, or any successor thereto.

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

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

Section 3. <u>Provision of Annual Reports</u>.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2020 with the report for the 2018-19 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information for the most recently completed fiscal year, or, if available at the time of filing the Annual Report, for the fiscal year in which the Annual Report is filed:

(i) Assessed value of taxable property in the jurisdiction of the District;

(ii) Assessed valuation of the properties of the top 20 secured property taxpayers in the District;

(iii) Property tax collection delinquencies for the District, if available from the County at the time of filing the Annual Report, and only if the District's *ad valorem* taxes securing general obligation bonds are no longer included on Kern County's Teeter Plan;

(iv) The District's most recently adopted budget or approved interim report with budgeted figures, which is available at the time of filing the Annual Report; and

(v) Such further information, if any, as may be necessary to make the statements made pursuant to (a) and (b) of Section 4, in the light of the circumstances under which they are made, not misleading

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District will clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and a(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. <u>Identifying Information for Filings with the MSRB</u>. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. <u>Termination of Reporting Obligation</u>. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. <u>Dissemination Agent</u>. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Fieldman, Rolapp & Associates, Inc. doing business as Applied Best Practices. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

Section 9. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

> (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
>
> (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after

taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: March 13, 2019

STANDARD SCHOOL DISTRICT

By: ______________________________
Name:_____________________________
Title:______________________________

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT

FIELDMAN, ROLAPP & ASSOCIATES, INC.
DOING BUSINESS AS APPLIED BEST PRACTICES

By: ________________________________
Name:_______________________________
Title:________________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Standard School District (the "District")
Name of Bond Issue:	Standard School District General Obligation Bonds, 2016 Election, Series 2019
Date of Issuance:	March 13, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of March 13, 2019. The District anticipates that the Annual Report will be filed by _____________.

Dated:__________________

DISSEMINATION AGENT:

By: __________________________
Its: __________________________

cc: Paying Agent and Participating Underwriter

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given 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) redemption 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 Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. 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 Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. 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 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will 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.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, 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 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 District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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APPENDIX G

KERN COUNTY INVESTMENT POLICY
AND INVESTMENT REPORT

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OFFICE OF THE TREASURER-TAX COLLECTOR
COUNTY OF KERN

TREASURER'S STATEMENT OF INVESTMENT POLICY
Approved By the Board of Supervisors December 4, 2018

SCOPE:

The County of Kern's Investment Policy has been prepared in accordance with California Government Code (CGC) sections *53630* et seq. The complete text of California Government Code Section *53630* is set forth on the Internet at www.leginfo.ca.gov.

This policy shall be reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors. The purpose of this policy is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the management and investment of the County Treasurer's Pool, which consists of pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County.

This policy shall apply to all investments held within the County Treasurer's Pool and made on behalf of the County and member agencies of the Pool with the exception of certain bond funds for which the Board of Supervisors may specifically authorize other allowable investments, consistent with State law. Also exempt from this policy are retirement funds and other post employment benefit (OPEB) funds managed through an external trust. The Treasurer and Treasurer's staff are responsible for the full-time, active management of the Pool. All investments and activities of the Treasurer and staff are conducted with the understanding that the Treasurer holds a public trust with the citizens of the County, which cannot be compromised.

FIDUCIARY RESPONSIBILITY:

CGC Section 27000.3, declares each Treasurer, or governing body authorized to make investment decisions on behalf of local agencies, to be a fiduciary subject to the prudent investor standard as stated in CGC Section 53600.3:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law."

PORTFOLIO OBJECTIVES:

It is the policy of the Treasurer to invest public funds in a manner which will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines. The portfolio should be actively managed in a manner that is responsive to the public trust and consistent with State law. Accordingly, the County Treasurer's Pool will be guided by the following principles, in order of importance:

1. The primary objective of the Treasurer's investment of public funds is to safeguard investment principal.
2. The secondary objective is to maintain sufficient liquidity to insure that funds are available to meet daily cash flow requirements.
3. The third and last consideration is to achieve a reasonable rate of return or yield consistent with these objectives.

AUTHORIZED INVESTMENTS:

Investments shall be restricted to those authorized in the CGC and as further restricted by this policy statement, with the exception of certain bond funds in which the Board of Supervisors has specifically authorized other allowable investments. All investments shall be further governed by the restrictions shown in Schedule I which defines the type of investments authorized, maturity limitations, portfolio diversification (maximum percent of portfolio), credit quality standards, and purchase restrictions that apply. Whenever a maximum allowable percentage of the portfolio is stipulated for any type of security or structural maturity range, the limit or maximum allowable is determined by the portfolio size at the close of the date on which the security is settled.

In conjunction with these restrictions, County Treasurer staff shall diversify its investments by security type, issuer and maturity. The purpose of this diversification is to reduce portfolio risk by avoiding an over concentration in any particular maturity sector, asset class or specific issuer. As Agency security holdings are the largest portion of the pool, diversification among the Agency issuers should be considered to the extent practical when making investments.

PROHIBITED INVESTMENTS:

No investment shall be made that is prohibited by *53601.6* as may be from time to time amended.

STAFF AUTHORIZED TO MAKE INVESTMENTS:

Only the Treasurer, Assistant Treasurer, Principal Treasury Investment Officer and department Accountants, when acting as the Investment Officer, are authorized to make investments and to order the receipt and delivery of investment securities among custodial security clearance accounts.

AUTHORIZED BROKER/DEALERS:

The County Treasurer shall maintain an 'Eligible Broker/Dealer List'. Firms eligible to do business with the County are:

- Primary Broker/Dealers eligible to trade with the New York branch of the Federal Reserve Bank

- Regional Broker/Dealers meeting the minimum capital requirements of the Securities Exchange Commission

- Introducing Brokers meeting the minimum capital requirements of the Securities Exchange Commission

- National or State banks, domestic branches of properly licensed foreign banks, credit unions, savings and loan institutions, thrift associations

- Direct Issuers meeting the appropriate credit criteria for the securities being offered

- Other institutions as authorized by law

All firms with whom the County does business shall comply with the requirements set forth in Schedule IV. County Treasurer staff shall conduct an annual review of each Broker/Dealer's current financial condition and performance in servicing the County over the prior year.

Further, in compliance with CGC Section 27133(c) & (d), no dealer and/or securities firm shall be eligible if they have made a political contribution in excess of the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board or exceeded the limit on honoraria, gifts, and gratuities set by State law, or by the Fair Political Practices Commission, by County Ordinance or Departmental Policy.

DUE DILIGENCE:

County Treasurer staff shall conduct a thorough review and perform due diligence of all firms seeking to do business with the County prior to conducting transactions with those parties and on a continuing basis. This due diligence may include a periodic review of recent news, financial statements and SEC filings related to each entity.

INTERNAL CONTROL:

The County Treasurer has established a system of internal control to provide reasonable assurance that the investment objectives are met and to ensure that the assets of the County Treasury Pool are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that the cost of control shall not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. The County Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:

1. All investment transactions conducted by the County Treasurer's Office shall be immediately confirmed and entered into the Treasurer's Portfolio Accounting System.
2. A copy of each day's investment transactions shall be filed with the County Auditor-Controller.

3. County investments shall be executed, confirmed, accounted for, and audited by different people.

SECURITY CUSTODY & DELIVERIES:

All securities purchased shall be deposited for safekeeping with the Custodial Bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts. All security holdings shall be reconciled monthly by the County Treasurer and audited at least quarterly by the County Auditor.

All security transactions are to be conducted on a "delivery-versus-payment basis". All trades will be immediately confirmed with the Broker/Dealer and reconfirmed through the Custodian Bank.

COMPETITIVE PRICING:

Investment transactions are to be made at current market prices. Wherever possible, competitive prices should be obtained through obtaining multiple bids or offers. When possible, bids and offers for any investment security shall be taken from a minimum of three security dealers/brokers or banks and awards shall be made to the best bid or offer. The primary source of pricing information and guidance will be that information available through Bloomberg LLP, a world-wide financial news service to which the County subscribes.

LIQUIDITY:

The portfolio will maintain a weighted-average maturity of no greater than 2 years. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio will maintain at least 35% of its total book value in securities having a maturity of one (1) year or less.

PORTFOLIO EVALUATION:

The portfolio is monitored and evaluated daily, monthly, and quarterly by the County Treasurer's Office. Monthly market value pricing is provided by a third party. Earned yield is calculated each month. Benchmarks for earned yield and investment performance will be commensurate with the pool's investment goals, credit limits, and target weighted average maturity and duration.

MITIGATING MARKET & CREDIT RISKS:

Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the: (1) credit quality standards issued by Standard & Poor's, Moody's and Fitch's rating services on the credit worthiness of each issuer of securities, (2) limiting the duration of investments to the time frames noted in Schedule I, and (3) by maintaining the diversification and liquidity standards expressed within this policy.

In the event of a downgrade of a security held in the portfolio, the Principal Treasury Investment Officer shall report the downgrade to the Treasurer within a maximum of 3 days. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated on a case-by-case basis to determine whether the security shall be sold or held. Every effort will be made to sell such a security without a book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors including the issuer's default risk, headline risk, and short term vs. long term financial metrics.

TRADING & EARLY SALE OF SECURITIES:

Securities should be purchased with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and increase the return of the portfolio, securities may be sold prior to maturity either at a profit or loss when economic circumstances or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio return or to minimize loss of investment principal. In measuring a profit or loss, the sale proceeds shall be compared to the original cost of the security plus accrued interest earned and/or any accretion or amortization of principal on the security from the date of purchase or the last coupon date, to the date of sale.

PORTFOLIO REPORTS/AUDITING:

On a monthly basis, the County Treasurer shall prepare and file with the Board of Supervisors, the County Administrative Officer, and County Auditor-Controller, a report consisting of, but not limited to, the following:

1. Monthly investment transactions, investments detailing each by type, issuer, date of maturity, par value and stating the book vs. current market value together with all other portfolio information required by law.
2. Compliance of investments to the existing County Investment Policy.
3. A statement confirming the ability of the Pool to meet anticipated cash requirements for the Pool for the next six months.

TREASURY OVERSIGHT COMMITTEE:

In accordance with the CGC Section 27131, the Board of Supervisors has established a Treasury Oversight Committee. The Treasury Oversight Committee will render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically, the law requires that the Treasury Oversight Committee meet to:

1. Review the Treasurer's annual Investment Policy Statement and any subsequent changes thereto, prior to its submission to the Board of Supervisors for review and adoption,
2. Review the Treasurer's investment portfolio reports and the portfolio's compliance with law and this Investment Policy,
3. Cause an annual audit to be conducted on the Treasurer's Pooled Investment portfolio.

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph

M. Brown Act. By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury.

QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:

All moneys deposited in this pool by the participants represent an individual interest in all assets and investments in the pool based upon the amount deposited. Portfolio income shall be reconciled daily against cash receipts, and quarterly prior to the distribution of earnings among those entities sharing in pooled fund investment income. Nonetheless, actual portfolio income and/or losses, net of any reserves, will be distributed quarterly using the accrual basis of accounting, in compliance with the CGC Section 53684, among those participants sharing in pooled investment income. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the calendar quarter.

QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:

Prior to the quarterly apportionment of pooled fund investment income, the County Treasurer is permitted by CGC Section 53684 to deduct from investment income before the distribution thereof, the actual cost of the investments, auditing, depositing, handling and distribution of such income. Accordingly, the Treasurer shall deduct from pooled fund investment earnings the actual cost incurred for banking and investment related services including but not limited to*:* wire transfers, custodial safekeeping charges, necessary capital outlays, the costs of investment advisory services, credit ratings, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer-Tax Collector's Office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.

WITHDRAWAL OF FUNDS:

The Treasurer's Investment Policy establishes guidelines for unusual or unexpected withdrawal of cash and provides for adequate liquidity to cover day-to-day operations of pool depositors. On occasion, depositors have need of withdrawals that exceed those normally associated with operations. To accommodate such withdrawals, the Treasurer-Tax Collector's Office has established written notification requirements as set forth below to allow for adjustments to the liquidity position of the Portfolio. The notification required is as follows:

Withdrawals of up to $10,000,000	24 hours
Withdrawals of $10,000,001 and more	72 hours

Notification should be by email to 2servu@co.kern.ca.us. Failure to adhere to these requirements may result in payment being delayed by the Treasurer-Tax Collector's office.

Pursuant to CGC Section 27136, any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the county treasury pool is required to first submit a request for the withdrawal to the county Treasurer-Tax Collector before withdrawing funds from the county treasury pool. Prior to approving such a request, the county

Treasurer-Tax Collector will find that the withdrawal will not adversely affect other depositors in the county treasury pool. Approval of the withdrawal does not constitute approval or endorsement of the investment.

POLICY CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY INTO COUNTY INVESTMENT POOL:

The County Treasurer is not soliciting nor accepting any new agency's voluntary entry into the County Treasurer's Pool.

ETHICS & CONFLICTS OF INTEREST:

Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. The County Treasurer-Tax Collector, Assistant Treasurer-Tax Collector, Principal Treasury Investment Officer and department Accountants are required to file annually the applicable financial disclosure statements as mandated by the Fair Political Practices Commission (FPPC) and/or by County Ordinance. In addition, the Principal Treasury Investment Officer and department Accountants are required to sign and abide by an Ethics Policy instituted by the Treasurer.

POLICY ADOPTION & AMENDMENTS:

This policy statement will become effective immediately following adoption by the Board of Supervisors, and will remain in force as long as the delegation of authority to the Treasurer to invest is in effect and until subsequently amended in writing by the County Treasurer, reviewed by the Treasury Oversight Committee and approved by the Board of Supervisors.

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OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

Schedule I

Authorized Investments

AUTHORIZED INVESTMENTS	MAXIMUM HOLDINGS	PURCHASE RESTRICTIONS	MAXIMUM MATURITY	CREDIT QUALITY (S&P/MOODY'S/ FITCH)
Inactive Accounts aka Money Market Accounts	$50,000,000 per account	Limited to depository's described in CGC 53630.5	Daily	Collateralization requirements per Govt Code section 53652.
U.S. Treasury Obligations	100%	None	5 years	Not Applicable
Notes, participation's or obligations issued by an agency of the Federal Government or U.S. government-sponsored enterprises	75%	Maximum per issuer limit of 40%	5 years	Not Applicable
Bonds, notes, warrants or certificates of indebtedness issued by the State of California	10%	None	5 years	AA by at least 2 of the 3 rating agencies
Cash substitutes issued by the State of California	25%	Applies only to cash substitutes issued by the State during periods of fiscal emergency	5 years	Not Applicable
Bonds, notes, warrants or certificates of indebtedness issued by agencies within the State of California	10%	None	5 years	AAA by at least 2 of the 3 rating agencies
Bonds, notes, warrants or certificates of indebtedness issued by any of the other 49 states	10%	None	5 years	AAA by at least 2 of the 3 rating agencies
Bankers Acceptances	30%	See Note 1	180 Days	Minimum A-1, P-1 or F1

Commercial paper of U.S. Corps with total assets in excess of $500 MM	40% total for all Commercial Paper	Max 10% of outstanding paper of any one issuer & max. See Note 1	270 Days	Minimum A-1, P-1 or F1
Asset-backed Commercial Paper	Included in Commercial Paper Requirements	Issuer must have program-wide credit enhancements	270 Days	Minimum A-1, P-1 or F1
Local Agency Investment Fund (LAIF)	Maximum amount permitted by LAIF	LAIF Policies	Daily	Not Applicable
Negotiable CD's issued by US National or State chartered banks or a savings association or a federal association, a state or federal credit union, or by a federally licensed or state licensed branch of a foreign bank	30%	See Note 1	5 years	Minimum A-1, P-1 or F1 for CDs issued with a maturity of one year or less. AA for CDs issued with a maturity of more than one year (must be rated by 2 of the 3 rating agencies)
Collateralized Certificates of Deposit/Deposits	10%	As stipulated in Article 2, Section 53630 et al of the Calif. Government Code	1 year	See Section 53630 et al of the California Government Code
Repurchase Agreements with 102% collateral	40%	Repurchase Agreements(contracts) must be on file	180 days	Restricted to Primary Dealers on Eligible Dealer list
Reverse Repurchase Agreements	10%	See Schedule II	92 days (See Schedule III)	Restricted to Primary Dealers on Eligible Dealer list
Medium Term Notes of corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.	30%	See Note 1	5 years	Minimum rating of AA for maturities exceeding 1 year. A for maturities of one year or less. (must be rated by 2 of the 3 rating agencies)
Money Market Mutual Funds that meet requirements of Calif. Gov't. Code	15%	Registered with SEC. No NAV adjustments. No Front-end loads. No more than 10% per MMF.	Daily	AAAm or equivalent by at least 2 of the 3 rating agencies or advisor requirements

Shares of beneficial interest issued by a JPA aka Local Government Investment Pools (LGIPs)	10%	None	Daily	Advisor requirements
Asset-Backed Securities	10%	None	5 years	AAA by at least 2 of the 3 ratings agencies
Supranationals	10%	International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) only. Permitted by CGC 53601 (q) and this policy effective January 1, 2015.	5 years	AAA by at least 2 of the 3 rating agencies

Note 1: Maximum investment per issuer across all investment types will not exceed 6% of the total book value of the Pool as of date of purchase.
Note 2: Consistent with the Government Code, rating criteria in this policy do not specify any modifier (+/– or 1/2/3) and it is implied that ratings with a modifier still meet the rating requirements of this policy regardless of modifier.
Note 3: While references to ratings of AAA, AA, A are in S&P's nomenclature, they imply the equivalent ratings by all other rating agencies.

MATURITY STRUCTURE		
Maturity Range	No less Than	No more than
0-366 Days - 0 to 12months	35%	n/a
367- 1097 Days - 1 to 3 years	n/a	65%
1097-1827 Days - 3 to 5 years	n/a	25%

The weighted-average maturity of the portfolio will not exceed 2 years.

Some securities purchased by the Pool will be callable securities. Callable securities are subject to redemption prior to the final maturity date. For accounting purposes, premiums will be amortized to the next applicable call date, whereas discounts will be accreted to the final maturity date. Callable securities will not exceed 20% of the portfolio.

Some callable securities have coupons that increase at specified periods if the security is not called (step-up notes). Step-up notes will be included in the 20% allocation of callable notes, but will not exceed 10% of the total portfolio.

REPURCHASE AGREEMENTS
Repurchase agreements are restricted to primary dealers of the Federal Reserve Bank of New York. All counterparties must sign a PSA Master Repurchase Agreement and for tri-party repurchase agreements a Tri-Party Repurchase Agreement as well before engaging in any repurchase agreement transactions. Collateral for repurchase agreements shall have a market value of at least 102% of the amount invested and must be marked to market by staff or by an independent third-party or custodial bank acting under contract to the County. Collateral for term repurchase agreements should be marked to market on a regular basis. Repurchase agreements are required to be collateralized by securities authorized under Section 53601 et.

seq. of the California Government Code. Confirmations resulting from securities purchased under repurchase agreements should clearly state (A) the exact and complete nomenclature of the underlying securities purchased; (B) that these securities have been sold to the County under a repurchase agreement; and (C) the stipulated date and amount of the resale by the County back to the seller of the securities.

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OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

SCHEDULE II

POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS

The Treasurer hereby institutes the following policies as further safeguards governing investments in Reverse Repurchase Agreements.

The total of Reverse Repurchase Agreement transactions shall not exceed 10 percent of the base value of the portfolio. The term of such agreements shall not exceed 92 calendar days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using such an agreement and the final maturity date of the same security.

1. All loaned securities subject to Reverse Repurchase Agreements shall be properly flagged and immediately accounted for in the Treasurer's financial system.

2. Investments purchased from the loaned proceeds of the Reverse Repurchase Agreement shall have maturities not exceeding the due date for repayment of the Reverse Repurchase Agreement transaction.

3. Only U.S. Treasury Notes and Federal Agency securities owned, fully paid for, and held in the Treasurer's portfolio for a minimum of 30 days can be subject to Reverse Repurchase Agreements.

4. Reverse Repurchase Agreements shall only be placed on portfolio securities:

   (a) intended to be held to maturity
   (b) fully paid for and held in the portfolio for a minimum of 30 days

5. Reverse Repurchase Agreements shall only be made with the authorized primary dealers of the Federal Reserve.

6. A contractual agreement must be in place prior to entering into a Reverse Repurchase Agreement with any authorized primary dealer.

7. Reverse Repurchase Agreement transactions shall have the approval of the County Treasurer.

SCHEDULE III

POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS

1. The issuing bank must provide us with an executed copy of the authorization for deposit of moneys.

2. The money-market yield on the certificate of deposit must be competitive to negotiable CD's offered by banks on the County's pre-approved list in the maturities desired by the County. The County Treasurer's Office reserves the right to negotiate higher yields based on market conditions at the time.

3. Collateral Requirements – The County will only accept municipal government securities ("muni bonds") or U.S. Treasury and Agency securities as collateral. The collateral must be held by a separate custodial bank in an account in the name of Kern County. The County must have a perfected interest in the collateral.
   a. For municipal government securities, the following requirements are listed:
      i. Securities must be issued by governmental agencies located within the State of California (generally general obligation bonds and revenue bonds only)
      ii. Securities must be "AAA" rated
      iii. Maximum maturity of securities is 5 years
      iv. Collateral must be priced at 110% of the face value of the CD on a daily basis
      v. Minimum face value of $5 million per pledged security
   b. For U.S. Treasuries and Agency securities, the following requirements are listed:
      i. Maximum maturity of securities is 5 years
      ii. Collateral must be priced at 110% of the face value of the CD on a daily basis
      iii. Minimum face value of $5 million per pledged security

   The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. Additionally, a statement of the collateral shall be provided on a monthly basis from the custodial bank.

4. The County Treasurer must be given a current audited financial statement for the financial year just ended. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.

5. The County Treasurer must receive a certificate of deposit which specifically expresses the terms governing the transaction, deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc.)

6. Deposits will only be made with banks and savings and loans having branch office locations within Kern County.

OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

SCHEDULE IV

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

1. All financial institutions wishing to be considered for the County of Kern's Broker/Dealer List must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses.

2. The County Treasurer's intent is to enter into a long-term relationship. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.

3. The assigned staff members must complete a Brokers Certificate stating in writing their acceptance and understanding of the County Treasurer's written Investment Policy guidelines. *Such Certificate must be renewed annually.* This is critical for the establishment of a stable, long-term relationship.

4. It is important that the firm provide related services that will enhance the account relationship which could include:

   (a) An active secondary market for its securities.
   (b) Internal credit research analysis on the securities offered for sale.
   (c) Be willing to purchase securities from our portfolio.
   (d) Be capable of providing market analysis, economic projections, newsletters.

5. The firm must provide the County with annual financial statements. All firms with whom the County does business must have a stable financial condition.

6. The County Treasury is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's Custodial Bank.

7. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis or for repurchase agreements, on a tri-party basis.

8. The broker/dealer must have been in operation for more than five (5) years.

9. Firms must have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the dealer.

10. Repurchase Agreement Counterparty Minimum Requirements:
    Repurchase agreement counterparties will be limited to (i) primary government securities

dealers who report daily to the Federal Reserve Bank of New York, or (ii) banks, savings and loan associations or diversified securities broker-dealers subject to regulation of capital standards by any State or federal regulatory agency.

Counterparties must have:

(a) short-term credit ratings of at least A-1/P-1; and
(b) a minimum asset and capital size of $25 billion in assets and $350 million in capital for primary dealers

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GLOSSARY OF TERMS

ACCRUED INTEREST – Interest that has accumulated but has not yet been received.

AGENCY ISSUES – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

AMORTIZED COST – The original cost of the principal adjusted for the periodic reduction of any discount or premium from the settlement date until a specific future date (also called "Book Value").

BANKERS ACCEPTANCE – Money market instrument created from transactions involving foreign trade. Payment is guaranteed by a shipping manifest and a bank Letter of Credit accepted by the seller's bank.

BASIS POINT – A unit of measurement equal to 1/100 of 1 percent. As an example, the difference between a security yielding 3.25% and one yielding 3.20% is five basis points.

BENCHMARK – An index or security used to compare the performance of a portfolio.

BOND – A long-term debt instrument of a government or corporation promising payment of the original investment plus periodic interest payments by a specified future date.

BOOK RETURN – The sum of all investment income plus changes in the realized gains or losses of a portfolio for a given period.

BULLET – A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

CALLABLE BOND – A bond in which all or a portion of its outstanding principal may be redeemed prior to maturity by the issuer under specified conditions.

COLLATERALIZATION – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

COLLATERALIZED CERTIFICATE OF DEPOSIT – A non-negotiable instrument representing a deposit into a bank. The interest rate and maturity are specified on the receipt. It is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

COMMERCIAL PAPER – An unsecured short-term promissory note of a corporation or special purpose entity issued at a specified rate of return for a specified period of time.

COUPON – The stated interest rate on a debt security that an issuer promises to pay.

CREDIT QUALITY – An indication of the risk that an issuer of a security will fulfill its obligation.

CREDIT RATING – A standardized assessment, expressed in alphanumeric characters, of a company's credit quality.

CREDIT RISK – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CUSIP – A unique identifier for a security developed by the Committee on Uniform Security Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character *string*. The first six characters identify the issuer, the following two identify the issue, and the final character is a Check-digit.

DERIVATIVES – Securities which derive their value from that of another security or an underlying index, currency or other measure. Floating rate notes (also “floaters”) are not considered derivatives.

DISCOUNT INSTRUMENTS – Securities that are sold at a discount to face value.

DIVERSIFICATION – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

DOLLAR WEIGHTED AVERAGE MATURITY – The sum of the cost of each security investment multiplied by the number of days to maturity, divided by the total cost of security investments.

EFFECTIVE DURATION – Is a measure of the price volatility of a portfolio that provides an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in market interest rates. An effective duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would be expected to decrease by 1.0 percent.

EARNINGS APPORTIONMENT – Is the quarterly interest distribution to the Pool Participants. The actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool prior to apportionment.

GOVERNMENT OBLIGATIONS – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government, but involve federal sponsorship or guarantees.

GOVERNMENT SPONSORED ENTERPRISES (GSE'S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government. These include:

Federal National Mortgage Association (FNMA)
Federal Home Loan Bank (FHLB)
Federal Farm Credit Bank (FFCB)
Federal Home Loan Mortgage Corporation (FHLMC)

LIQUID – A security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INTEREST RATE RISK – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. It is also called “Market Risk”.

INVERSE FLOATERS – Floating rate notes which pay interest in inverse relationship to an underlying index.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – The term used to describe a security when the maturity is greater than one year.

MARKET VALUE – The value of a security at which the principal could be sold from a willing seller to a willing buyer at the date of pricing.

MEDIUM TERM NOTES – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time, that is traded in secondary markets.

PAR – The stated maturity value, or face value, of a security.

PASS-THROUGH SECURITIES – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond. Principal and interest are ‘passed through’ to investors at specified intervals.

POOL – The pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

PORTFOLIO VALUE – The total book value amount of all the securities held in the Treasurer’s Pooled Money Fund.

PRIMARY DEALER – A dealer or bank that can buy and sell securities directly with the Federal Reserve Bank of New York.

PRIVATE PLACEMENTS – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

RANGE NOTES – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

REPURCHASE AGREEMENT – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

REVERSE REPURCHASE AGREEMENT – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e. brokers).

SAFEKEEPING – A Custodian Bank's action to store and protect an investor's securities by segregating and identifying the securities.

SETTLEMENT DATE – The date on which cash and securities are exchanged and the transaction completed.

SHORT-TERM – The term used to describe a security when the maturity is one year or less.

SUPRANATIONAL SECURITIES – A supranational organization is formed by a group of countries through an international treaty with specific objectives such as promoting economic development. Supranational organizations also issue debt in the United States. The most commonly recognized supranational debt is issued by the International Bank for Reconstruction and Development (IBRD or World Bank).

TOTAL RETURN – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

VOLUNTARY PARTICIPANTS – Local agencies that are not required to deposit their funds with the County Treasurer.

WEIGHTED AVERAGE MATURITY – The remaining average maturity of all securities held in a portfolio. See Dollar Weighted Average Maturity.

WHEN-ISSUED SECURITIES – A security traded before it is actually *issued.* All Treasury bills, notes and bonds trade in the when-issued market before they are auctioned by the Treasury Department. Agencies and GSE's also use this method of trading. It serves to establish the initial offering price of the securities.

YIELD – The percentage return that an investor derives from a financial asset.

YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

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BROKER/DIRECT ISSUER RECEIPT FOR INVESTMENT POLICY AND CERTIFICATE OF COMPLIANCE

TO:

Jordan Kaufman, Kern County Treasurer-Tax Collector
Mary Bedard, Kern County Auditor-Controller-County Clerk
1115 Truxtun Avenue
Bakersfield, CA 93301

By signing below, I______________________________ of __________________________
(Name) (Company)

hereby certify that:

1) I have reviewed the Investment Policy governing the Kern County Treasurer's Pooled Cash Portfolio, and that I understand its content. I am not expected to enforce provisions concerning Average Maturity, Category Limits or Issuer Limits. I am expected to offer only those investments that qualify under the County's credit requirement as directed in the Policy. The responsibility for overall portfolio structure and composition remains with the County.

2) I further certify that I have not made, nor do I intend to make, political contributions to any candidate for any Kern County elective office.

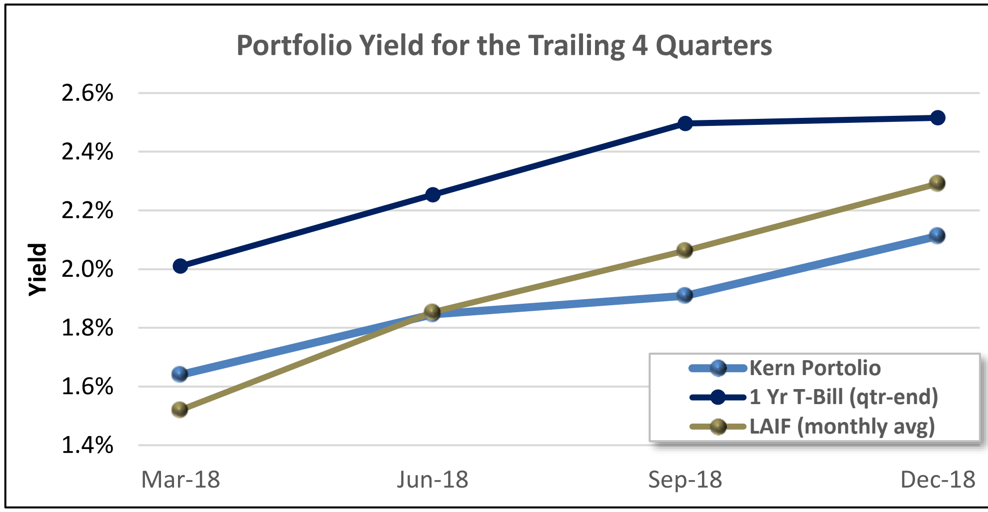
Signed:

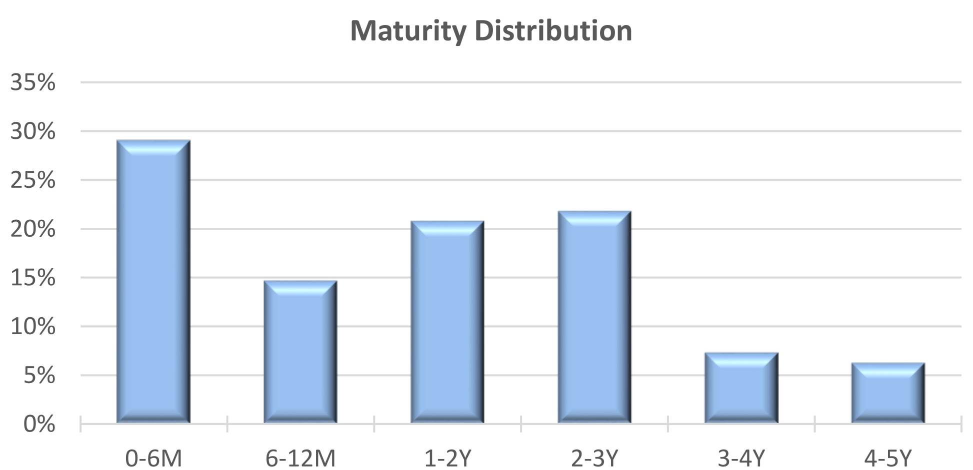
____ Date:__________________________

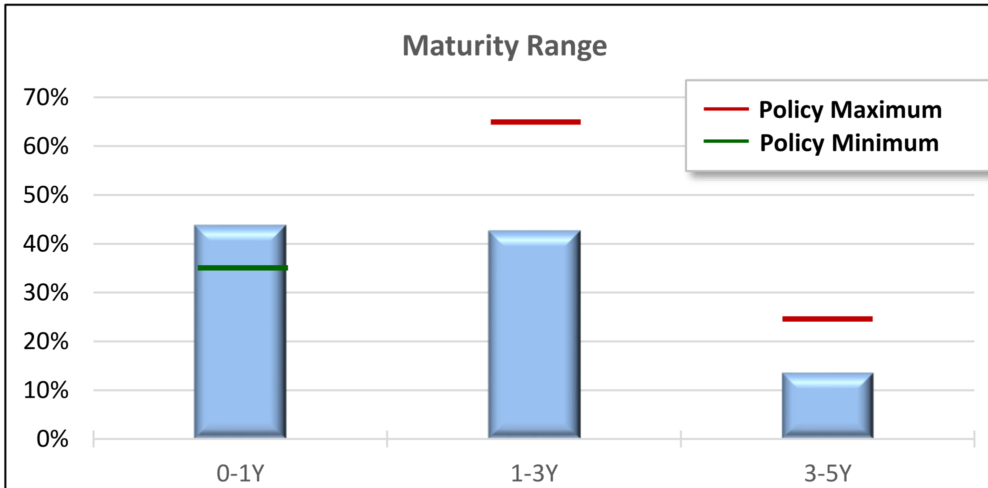
Sample

Kern County Treasurer's Pooled Cash
Portfolio Summary
12/31/2018

Total Market Value	$ 3,292,310,851
Yield to Maturity at Cost	2.11%
Yield to Maturity at Market	2.69%
Effective Duration	1.39
Weighted Average Years to Maturity	1.52







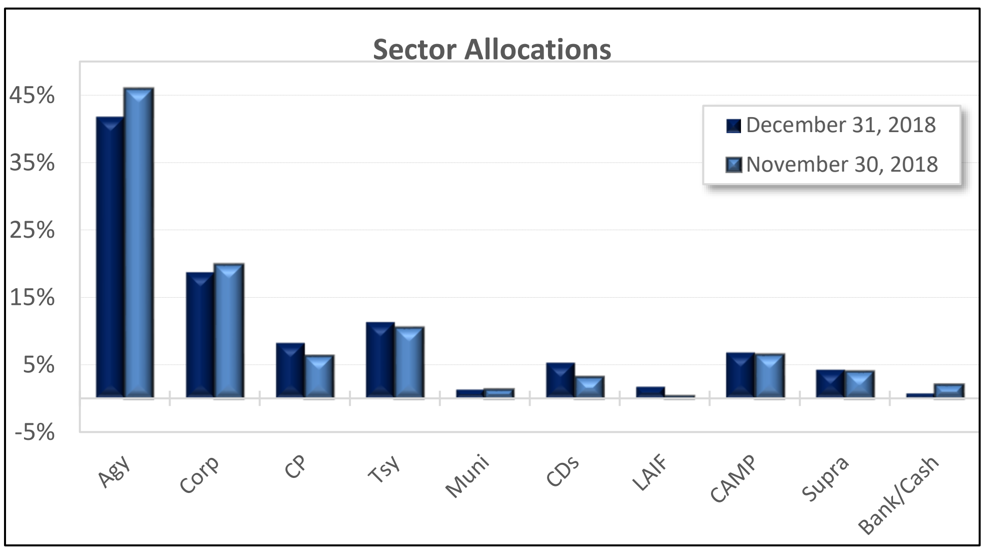
*The County Treasurer believes the Treasury Investment Pool contains sufficient cash flow from liquid and maturing securities, bank deposits, and incoming cash to meet the next six months of expected expenditures.

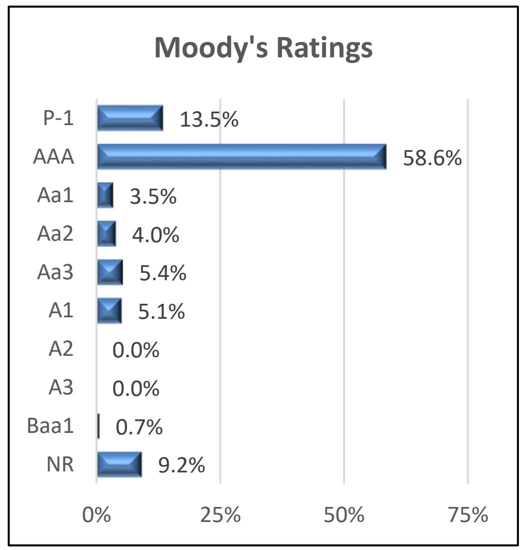
Kern County Treasurer's Pooled Cash

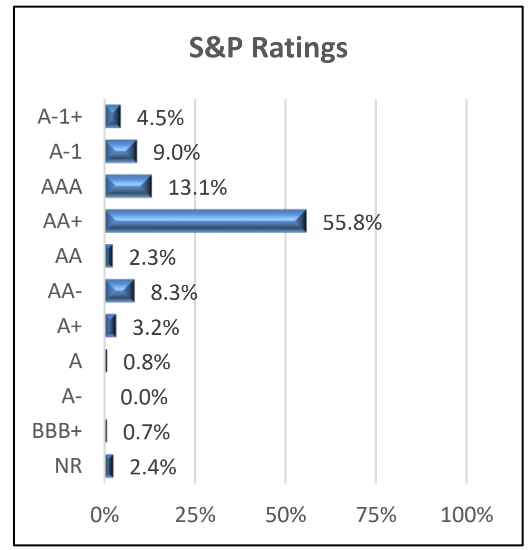
Portfolio Summary

12/31/2018

Sector	Par Amount	Original Cost	Market Value	Original Yield	% of Total Assets	Policy Limit Rating	Days to Maturity
Local Agency Investment Fund	56,622,357	56,622,357	56,622,357	2.38%	1.72%	$65 Million	1
California Asset Management Program	225,307,364	225,307,364	225,307,364	2.46%	6.84%	10%	1
U.S. Treasuries	381,000,000	375,236,133	373,653,910	2.09%	11.35%	100%	766
Federal Agencies	1,385,037,000	1,383,278,152	1,372,286,712	1.83%	41.68%	75%	651
Municipal Bonds	42,000,000	42,323,890	42,231,550	2.85%	1.28%	10%	1,380
Supranationals	140,000,000	140,161,360	138,783,168	1.91%	4.22%	10%	731
Negotiable CDs	175,000,000	175,000,000	174,978,427	2.65%	5.31%	30%	74
Commercial Paper	275,000,000	271,818,396	272,618,999	2.73%	8.28%	40%	106
Corporate Notes	619,757,000	619,930,648	612,343,239	2.18%	18.60%	30%	704
Total Securities	3,299,723,722	3,289,678,300	3,268,825,726	2.11%	99.29%		555
Total Cash	23,485,125	23,485,125	23,485,125		0.71%		
Total Assets	3,323,208,846	3,313,163,425	3,292,310,851		100.00%		







Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
December 31, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Pooled Funds												
928989367	8940	JPM Short Term Inv Fund			514,026.21	514,026.21	514,026.21	0.001			0.001	
539995217	419	Local Agency Investment Fund			56,108,330.84	56,108,330.84	56,108,330.84	2.400			2.400	
		Subtotal and Average	**21,061,091.91**		**56,622,357.05**	**56,622,357.05**	**56,622,357.05**				**2.378**	
Negotiable CD's												
06370RLD9	15420	Bank of Montreal Chicago		09/26/2018	25,000,000.00	24,998,557.00	25,000,000.00	2.450	P-1	A-1	2.484	01/23/2019
06370RRC5	15453	Bank of Montreal Chicago		12/11/2018	25,000,000.00	24,997,930.50	25,000,000.00	2.780	P-1	A-1	2.819	04/09/2019
78012ULD5	15458	Royal Bank of Canada NY		12/14/2018	25,000,000.00	24,992,195.25	25,000,000.00	2.870	P-1	A-1	2.910	07/16/2019
86564FPD9	15461	Sumitomo Trust & Bank NY		12/18/2018	25,000,000.00	24,995,469.25	25,000,000.00	2.820	P-1	A-1	2.859	04/18/2019
89114MFR3	15418	Toronto Dominion Bank NY		09/24/2018	50,000,000.00	49,999,394.50	50,000,000.00	2.350	P-1	A-1	2.383	01/07/2019
89114MNK9	15445	Toronto Dominion Bank NY		11/29/2018	25,000,000.00	24,994,880.00	25,000,000.00	2.680	P-1	A-1	2.717	03/22/2019
		Subtotal and Average	**142,741,935.48**		**175,000,000.00**	**174,978,426.50**	**175,000,000.00**				**2.651**	
Commercial Paper - Discount												
09659KQ60	15433	BNP Parabas Finance Inc		10/30/2018	25,000,000.00	24,881,826.50	24,772,458.33	2.580	P-1	A-1	2.677	03/06/2019
09659CU22	15456	BNP New York		12/12/2018	25,000,000.00	24,634,762.50	24,601,611.11	2.840	P-1	A-1	2.963	07/02/2019
22533UNF6	15419	Credit Agricole NY		09/24/2018	25,000,000.00	24,974,562.50	24,817,944.44	2.320	P-1	A-1	2.402	01/15/2019
22533UP56	15422	Credit Agricole NY		09/28/2018	25,000,000.00	24,936,650.00	24,785,590.28	2.375	P-1	A-1	2.463	02/05/2019
25214PN66	15450	DEXIA CREDIT LOCAL SA NY		12/06/2018	25,000,000.00	24,540,833.25	24,540,833.33	2.850	P-1	A-1	2.975	07/26/2019
62479MUC5	15465	MUFG BANK LTD/NY		12/21/2018	25,000,000.00	24,611,453.50	24,601,048.61	2.830	P-1	A-1	2.952	07/12/2019
63873KS73	15421	Natixis NY		09/27/2018	25,000,000.00	24,747,323.00	24,594,541.67	2.630	P-1	A-1	2.742	05/07/2019
63873KVF1	15462	Natixis NY		12/19/2018	25,000,000.00	24,525,191.75	24,510,381.94	2.950	P-1	A-1	3.082	08/15/2019
89233HPN8	15444	Toyota Motors Credit Corp		11/28/2018	25,000,000.00	24,906,145.75	24,839,347.22	2.690	P-1	A-1	2.783	02/22/2019
62478YP85	15437	MUFG UNION BK NA		11/27/2018	50,000,000.00	49,860,250.00	49,754,638.89	2.420	P-1	A-1	2.500	02/08/2019
		Subtotal and Average	**256,419,218.86**		**275,000,000.00**	**272,618,998.75**	**271,818,395.82**				**2.730**	
Federal Agency Issues - Coupon												
3133EDVK5	13951	Federal Farm Credit Bank		11/26/2014	10,000,000.00	9,985,800.00	10,070,900.00	1.750	Aaa	AA	1.579	03/18/2019
3133EEHF0	14047	Federal Farm Credit Bank		01/06/2015	10,000,000.00	9,926,800.00	10,076,400.00	1.800	Aaa	AA	1.635	11/05/2019
3133EFXV4	14630	Federal Farm Credit Bank		02/04/2016	10,000,000.00	9,824,200.00	10,037,800.00	1.450	Aaa	AA	1.363	08/04/2020
3133EGCA1	14794	Federal Farm Credit Bank		06/03/2016	10,000,000.00	9,937,600.00	9,977,000.00	1.060	Aaa	AA	1.138	06/03/2019
3133EGCA1	14805	Federal Farm Credit Bank		06/03/2016	15,000,000.00	14,906,400.00	14,962,950.00	1.060	Aaa	AA	1.144	06/03/2019
3133EGXF7	14930	Federal Farm Credit Bank		10/04/2016	10,000,000.00	9,873,800.00	10,000,000.00	0.960	Aaa	AA	0.960	10/04/2019
3133EHWM1	15241	Federal Farm Credit Bank		09/01/2017	10,000,000.00	9,775,600.00	10,005,800.00	1.700	Aaa	AA	1.685	09/01/2021
3133EHVS9	15255	Federal Farm Credit Bank		09/29/2017	8,065,000.00	7,833,534.50	8,019,594.05	1.840	Aaa	AA	1.961	08/23/2022

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Federal Agency Issues - Coupon												
3133EHTS2	15259	Federal Farm Credit Bank		09/29/2017	10,000,000.00	9,738,400.00	9,980,100.00	1.900	Aaa	AA	1.943	08/03/2022
3133EHF57	15263	Federal Farm Credit Bank		10/13/2017	10,000,000.00	9,842,000.00	10,000,000.00	1.680	Aaa	AA	1.680	10/13/2020
3133EHW58	15278	Federal Farm Credit Bank		11/28/2017	10,000,000.00	9,872,500.00	9,997,970.00	1.900	Aaa	AA	1.907	11/27/2020
3133EHU84	15316	Federal Farm Credit Bank		01/03/2018	23,925,000.00	23,522,581.50	23,742,930.75	1.980	Aaa	AA	2.185	11/22/2021
3133EH6L2	15321	Federal Farm Credit Bank		01/10/2018	20,000,000.00	19,886,800.00	19,979,200.00	1.950	Aaa	AA	2.003	01/10/2020
3133EJAW9	15336	Federal Farm Credit Bank		01/29/2018	10,000,000.00	9,938,000.00	10,000,000.00	2.250	Aaa	AA	2.250	01/29/2021
3133EJHL6	15348	Federal Farm Credit Bank		03/27/2018	10,000,000.00	9,981,500.00	9,992,800.00	2.375	Aaa	AA	2.412	03/27/2020
3133EJK24	15429	Federal Farm Credit Bank		10/19/2018	10,000,000.00	10,118,300.00	9,994,700.00	3.000	Aaa	AA	3.019	10/19/2021
3133EJK24	15430	Federal Farm Credit Bank		10/19/2018	10,000,000.00	10,118,300.00	9,994,700.00	3.000	Aaa	AA	3.019	10/19/2021
3133EJZU6	15434	Federal Farm Credit Bank		10/31/2018	15,000,000.00	15,112,350.00	14,954,850.00	2.850	Aaa	AA	2.959	09/20/2021
3133EJV63	15439	Federal Farm Credit Bank		11/28/2018	11,311,000.00	11,459,513.43	11,324,573.20	3.050	Aaa	AA	3.023	08/23/2023
3133EJWV7	15454	Federal Farm Credit Bank		12/12/2018	10,589,000.00	10,660,158.08	10,622,355.35	2.900	Aaa	AA	2.827	08/14/2023
3133EJP60	15463	Federal Farm Credit Bank		12/20/2018	15,000,000.00	15,231,900.00	15,140,100.00	3.000	Aaa	AA	2.771	05/02/2023
3130A0JR2	13993	Federal Home Loan Bank		12/15/2014	10,000,000.00	9,974,800.00	10,302,900.00	2.375	Aaa	AA	1.739	12/13/2019
3133782M2	14182	Federal Home Loan Bank		04/07/2015	10,000,000.00	9,982,400.00	10,122,000.00	1.500	Aaa	AA	1.180	03/08/2019
313379EE5	14452	Federal Home Loan Bank		09/24/2015	10,000,000.00	9,956,700.00	10,124,000.00	1.625	Aaa	AA	1.283	06/14/2019
313378QK0	14637	Federal Home Loan Bank		02/02/2016	10,000,000.00	9,989,600.00	10,216,700.00	1.875	Aaa	AA	1.161	03/08/2019
3133782M2	14638	Federal Home Loan Bank		02/02/2016	10,000,000.00	9,982,400.00	10,109,000.00	1.500	Aaa	AA	1.141	03/08/2019
313379EE5	14810	Federal Home Loan Bank		05/26/2016	15,000,000.00	14,935,050.00	15,214,650.00	1.625	Aaa	AA	1.146	06/14/2019
3130A8Y72	14903	Federal Home Loan Bank		08/29/2016	10,000,000.00	9,901,341.00	9,947,300.00	0.875	Aaa	AA	1.058	08/05/2019
3130A9EP2	14915	Federal Home Loan Bank		09/09/2016	10,000,000.00	9,881,340.00	9,991,300.00	1.000	Aaa	AA	1.029	09/26/2019
313383HU8	14934	Federal Home Loan Bank		09/30/2016	8,965,000.00	8,861,543.90	9,191,814.50	1.750	Aaa	AA	1.051	06/12/2020
3130A9TJ0	14960	Federal Home Loan Bank		11/15/2016	10,000,000.00	9,818,300.00	10,000,000.00	1.200	Aaa	AA	1.200	05/15/2020
3130A9ZV6	14971	Federal Home Loan Bank		11/30/2016	15,000,000.00	14,766,300.00	15,000,000.00	1.200	Aaa	AA	1.200	02/28/2020
3130AAE46	15017	Federal Home Loan Bank		12/13/2016	10,000,000.00	9,995,000.00	9,996,700.00	1.250	Aaa	AA	1.266	01/16/2019
3130AAGX0	15067	Federal Home Loan Bank		01/10/2017	15,000,000.00	14,835,600.00	15,000,000.00	1.830	Aaa	AA	1.830	07/10/2020
3130AAUP1	15085	Federal Home Loan Bank		03/01/2017	10,000,000.00	9,982,100.00	9,993,100.00	1.250	Aaa	AA	1.285	02/25/2019
313378J77	15107	Federal Home Loan Bank		03/30/2017	15,000,000.00	14,871,750.00	15,122,100.00	1.875	Aaa	AA	1.575	03/13/2020
3130AB3E4	15114	Federal Home Loan Bank		04/05/2017	15,000,000.00	14,792,700.00	15,053,850.00	1.750	Aaa	AA	1.644	10/05/2020
3130AB3E4	15129	Federal Home Loan Bank		04/13/2017	10,000,000.00	9,861,800.00	10,046,500.00	1.750	Aaa	AA	1.612	10/05/2020
3130AB6A9	15141	Federal Home Loan Bank		04/20/2017	20,000,000.00	19,729,600.00	20,092,000.00	1.650	Aaa	AA	1.505	07/20/2020
3130ABDX1	15167	Federal Home Loan Bank		05/25/2017	10,000,000.00	9,954,000.00	10,000,000.00	1.400	Aaa	AA	1.400	05/24/2019
313379RB7	15193	Federal Home Loan Bank		06/22/2017	10,000,000.00	9,814,000.00	10,059,200.00	1.875	Aaa	AA	1.720	06/11/2021
313383HU8	15203	Federal Home Loan Bank		06/29/2017	15,000,000.00	14,826,900.00	15,075,450.00	1.750	Aaa	AA	1.575	06/12/2020
3130A8QS5	15243	Federal Home Loan Bank		09/14/2017	10,000,000.00	9,657,600.00	9,817,000.00	1.125	Aaa	AA	1.619	07/14/2021
313383HU8	15291	Federal Home Loan Bank		12/06/2017	10,000,000.00	9,884,600.00	9,947,300.00	1.750	Aaa	AA	1.966	06/12/2020

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3130A1W95	15293	Federal Home Loan Bank		12/07/2017	10,000,000.00	9,928,300.00	10,068,400.00	2.250	Aaa	AA	2.901	06/11/2021
313383MB4	15298	Federal Home Loan Bank		12/08/2017	5,000,000.00	4,951,250.00	4,992,300.00	1.875	Aaa	AA	1.938	06/12/2020
3130ADG48	15329	Federal Home Loan Bank		01/29/2018	15,000,000.00	14,906,400.00	14,980,500.00	2.250	Aaa	AA	2.295	01/29/2021
3130ADC26	15335	Federal Home Loan Bank		01/29/2018	10,000,000.00	9,914,700.00	10,000,000.00	2.200	Aaa	AA	2.200	01/29/2021
3130ADUJ9	15345	Federal Home Loan Bank		03/16/2018	10,000,000.00	9,978,200.00	9,998,200.00	2.375	Aaa	AA	2.214	03/30/2020
3130A0XD7	15346	Federal Home Loan Bank		03/20/2018	10,000,000.00	9,959,300.00	9,957,800.00	2.375	Aaa	AA	2.523	03/12/2021
3130ADXU1	15369	Federal Home Loan Bank		04/09/2018	20,000,000.00	19,945,800.00	19,989,400.00	2.320	Aaa	AA	2.352	01/09/2020
3130ADRG9	15376	Federal Home Loan Bank		04/12/2018	15,000,000.00	15,076,950.00	15,030,300.00	2.750	Aaa	AA	2.705	03/10/2023
3130AEBM1	15396	Federal Home Loan Bank		06/27/2018	20,000,000.00	20,084,400.00	19,969,600.00	2.750	Aaa	AA	2.790	06/10/2022
3130AEVF4	15413	Federal Home Loan Bank		08/30/2018	7,000,000.00	7,024,640.00	7,000,000.00	3.050	Aaa	AA	3.050	08/28/2023
3130AFBS5	15435	Federal Home Loan Bank		11/16/2018	15,000,000.00	15,124,050.00	15,000,000.00	3.250	Aaa	AA	3.250	11/16/2022
3137EADG1	14470	Federal Home Loan Mort Corp		10/01/2015	10,000,000.00	9,968,300.00	10,213,000.00	1.750	Aaa	AA	1.154	05/30/2019
3134G8W21	14710	Federal Home Loan Mort Corp		04/08/2016	10,000,000.00	9,876,400.00	10,000,000.00	1.375	Aaa	AA	1.375	12/30/2019
3134G8YF0	14719	Federal Home Loan Mort Corp		04/28/2016	10,000,000.00	9,880,900.00	10,000,000.00	1.200	Aaa	AA	1.200	10/28/2019
3134G8YF0	14720	Federal Home Loan Mort Corp		04/28/2016	10,000,000.00	9,880,900.00	10,000,000.00	1.200	Aaa	AA	1.200	10/28/2019
3134G9BG1	14730	Federal Home Loan Mort Corp		04/18/2016	10,000,000.00	9,886,700.00	10,000,000.00	1.225	Aaa	AA	1.225	10/18/2019
3134G9DC8	14750	Federal Home Loan Mort Corp		05/10/2016	15,000,000.00	14,784,900.00	15,000,000.00	1.320	Aaa	AA	1.320	02/10/2020
3134G9PR2	14792	Federal Home Loan Mort Corp		05/26/2016	15,000,000.00	14,774,250.00	15,000,000.00	1.450	Aaa	AA	1.450	05/26/2020
3137EADZ9	14809	Federal Home Loan Mort Corp		05/24/2016	10,000,000.00	9,962,700.00	9,999,500.00	1.125	Aaa	AA	1.101	04/15/2019
3134G9SB4	14832	Federal Home Loan Mort Corp		06/22/2016	10,000,000.00	9,974,300.00	10,000,000.00	1.250	Aaa	AA	1.250	03/22/2019
3134GABZ6	14899	Federal Home Loan Mort Corp		08/25/2016	10,000,000.00	9,847,700.00	10,000,000.00	1.250	Aaa	AA	1.250	02/25/2020
3137EAEB1	14922	Federal Home Loan Mort Corp		09/27/2016	10,000,000.00	9,904,600.00	9,974,500.00	0.875	Aaa	AA	0.967	07/19/2019
3134G3A83	14923	Federal Home Loan Mort Corp		09/27/2016	5,000,000.00	4,958,400.00	5,059,700.00	1.400	Aaa	AA	0.982	08/23/2019
3134G43Q9	14947	Federal Home Loan Mort Corp		10/21/2016	6,737,000.00	6,645,983.13	6,830,374.82	1.550	Aaa	AA	1.150	05/08/2020
3134GAVB7	14959	Federal Home Loan Mort Corp		11/10/2016	15,000,000.00	14,766,600.00	15,000,000.00	1.180	Aaa	AA	1.180	02/10/2020
3137EADR7	15018	Federal Home Loan Mort Corp		12/13/2016	10,000,000.00	9,845,600.00	9,938,800.00	1.375	Aaa	AA	1.561	05/01/2020
3134GBEK4	15099	Federal Home Loan Mort Corp		03/29/2017	20,000,000.00	19,696,000.00	20,000,000.00	1.850	Aaa	AA	1.850	03/29/2021
3137EADR7	15117	Federal Home Loan Mort Corp		04/05/2017	15,000,000.00	14,768,400.00	14,925,450.00	1.375	Aaa	AA	1.541	05/01/2020
3134GA7A6	15147	Federal Home Loan Mort Corp		04/25/2017	15,000,000.00	14,880,150.00	15,000,000.00	1.500	Aaa	AA	1.500	09/09/2019
3134GBGG1	15149	Federal Home Loan Mort Corp		04/26/2017	20,000,000.00	19,865,200.00	20,000,000.00	1.500	Aaa	AA	1.691	07/26/2019
3134GBHQ8	15153	Federal Home Loan Mort Corp		04/27/2017	10,000,000.00	9,859,300.00	10,000,000.00	1.700	Aaa	AA	1.434	07/27/2020
3134GBJM5	15158	Federal Home Loan Mort Corp		05/03/2017	20,000,000.00	19,603,000.00	20,000,000.00	1.910	Aaa	AA	1.910	05/03/2022
3134G9S24	15198	Federal Home Loan Mort Corp		06/27/2017	25,000,000.00	24,516,000.00	25,042,000.00	1.750	Aaa	AA	1.707	07/26/2021
3134GSGR0	15344	Federal Home Loan Mort Corp		03/15/2018	20,000,000.00	19,985,200.00	20,000,000.00	2.600	Aaa	AA	2.600	09/15/2021
3134GBE81	15367	Federal Home Loan Mort Corp		04/05/2018	16,500,000.00	16,192,440.00	16,147,725.00	1.930	Aaa	AA	2.591	08/27/2021
3134GSSP1	15407	Federal Home Loan Mort Corp		07/30/2018	10,000,000.00	10,040,100.00	10,000,000.00	3.000	Aaa	AA	3.000	01/30/2023

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Federal Agency Issues - Coupon												
3134GSVD4	15412	Federal Home Loan Mort Corp		08/29/2018	5,000,000.00	5,020,750.00	4,996,250.00	3.000	Aaa	AA	3.018	02/28/2023
3134GSWS0	15417	Federal Home Loan Mort Corp		09/27/2018	10,000,000.00	10,025,100.00	10,000,000.00	3.000	Aaa	AA	3.000	09/27/2022
3134GSZH1	15425	Federal Home Loan Mort Corp		10/18/2018	15,000,000.00	15,048,000.00	15,000,000.00	3.030	Aaa	AA	3.030	10/18/2021
3135G0ZE6	14506	Federal National Mortgage Assn		11/09/2015	10,000,000.00	9,963,500.00	10,105,100.00	1.750	Aaa	AA	1.450	06/20/2019
3135G0ZY2	14583	Federal National Mortgage Assn		12/24/2015	10,000,000.00	9,919,500.00	10,044,600.00	1.750	Aaa	AA	1.632	11/26/2019
3135G0K85	14818	Federal National Mortgage Assn		06/13/2016	10,000,000.00	9,949,400.00	10,000,000.00	1.400	Aaa	AA	1.400	06/13/2019
3136G3P25	14893	Federal National Mortgage Assn		08/12/2016	10,000,000.00	9,918,500.00	10,000,000.00	1.125	Aaa	AA	1.125	07/26/2019
3135G0J53	14902	Federal National Mortgage Assn		08/29/2016	10,000,000.00	9,977,700.00	10,017,200.00	1.000	Aaa	AA	0.930	02/26/2019
3135G0D75	14924	Federal National Mortgage Assn		09/27/2016	10,000,000.00	9,853,700.00	10,165,800.00	1.500	Aaa	AA	1.046	06/22/2020
3136G34L6	14929	Federal National Mortgage Assn		09/29/2016	12,440,000.00	12,313,609.60	12,440,000.00	1.125	Aaa	AA	1.125	09/06/2019
3135G0D75	14946	Federal National Mortgage Assn		10/21/2016	5,000,000.00	4,926,850.00	5,067,900.00	1.500	Aaa	AA	1.121	06/22/2020
3135G0D75	14954	Federal National Mortgage Assn		10/27/2016	10,000,000.00	9,853,700.00	10,125,500.00	1.500	Aaa	AA	1.148	06/22/2020
3135G0D75	14974	Federal National Mortgage Assn		11/10/2016	10,000,000.00	9,853,700.00	10,093,400.00	1.500	Aaa	AA	1.235	06/22/2020
3136G4GN7	14977	Federal National Mortgage Assn		11/22/2016	9,500,000.00	9,333,750.00	9,500,000.00	1.250	Aaa	AA	1.250	05/22/2020
3136G4GS6	14978	Federal National Mortgage Assn		11/30/2016	10,000,000.00	9,791,700.00	10,000,000.00	1.430	Aaa	AA	1.430	11/30/2020
3136G4HN6	14985	Federal National Mortgage Assn		11/30/2016	20,000,000.00	19,581,200.00	20,000,000.00	1.800	Aaa	AA	1.800	05/26/2021
3136G4HP1	14986	Federal National Mortgage Assn		12/01/2016	15,000,000.00	14,655,150.00	15,000,000.00	1.750	Aaa	AA	1.750	06/01/2021
3136G4GU1	15000	Federal National Mortgage Assn		12/02/2016	10,000,000.00	9,888,700.00	9,967,000.00	1.400	Aaa	AA	1.514	11/25/2019
3136G3K53	15001	Federal National Mortgage Assn		12/02/2016	10,000,000.00	9,921,100.00	9,949,100.00	1.260	Aaa	AA	1.460	08/02/2019
3135G0D75	15008	Federal National Mortgage Assn		12/08/2016	10,000,000.00	9,853,700.00	9,979,400.00	1.500	Aaa	AA	1.560	06/22/2020
3135G0N82	15011	Federal National Mortgage Assn		12/09/2016	10,000,000.00	9,683,800.00	9,727,200.00	1.250	Aaa	AA	1.862	08/17/2021
3136G3J97	15034	Federal National Mortgage Assn		12/21/2016	10,000,000.00	9,921,100.00	9,922,500.00	1.260	Aaa	AA	1.569	08/02/2019
3136G4JN4	15047	Federal National Mortgage Assn		12/29/2016	10,000,000.00	9,880,500.00	10,000,000.00	1.700	Aaa	AA	1.699	06/29/2020
3136G4JP9	15052	Federal National Mortgage Assn		12/29/2016	10,000,000.00	9,796,200.00	10,000,000.00	1.910	Aaa	AA	1.910	06/29/2021
3135G0S38	15191	Federal National Mortgage Assn		06/22/2017	15,000,000.00	14,773,648.50	15,117,000.00	2.000	Aaa	AA	1.820	01/05/2022
3135G0T60	15277	Federal National Mortgage Assn		11/21/2017	10,000,000.00	9,834,700.00	9,903,500.00	1.500	Aaa	AA	1.869	07/30/2020
3135G0T78	15304	Federal National Mortgage Assn		12/12/2017	10,000,000.00	9,811,000.00	9,901,300.00	2.000	Aaa	AA	2.217	10/05/2022
3135G0U27	15377	Federal National Mortgage Assn		04/13/2018	20,000,000.00	19,987,016.00	19,970,200.00	2.500	Aaa	AA	2.552	04/13/2021
3136G4RX3	15387	Federal National Mortgage Assn		04/26/2018	10,000,000.00	10,000,900.00	10,000,000.00	2.750	Aaa	AA	2.750	10/26/2021
3136G4TB9	15400	Federal National Mortgage Assn		06/28/2018	15,000,000.00	15,009,466.50	15,000,000.00	2.780	Aaa	AA	2.780	06/28/2021
3135G0U43	15440	Federal National Mortgage Assn		11/28/2018	10,000,000.00	10,117,700.00	9,942,300.00	2.875	Aaa	AA	3.005	09/12/2023
880591EN8	15457	Tennessee Valley Authority		12/13/2018	15,000,000.00	14,600,700.00	14,471,550.00	1.875	Aaa	AA	2.893	08/15/2022
		Subtotal and Average	**1,368,843,106.93**		**1,340,032,000.00**	**1,328,125,516.14**	**1,340,821,937.67**				**1.838**	

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Federal Agency Issues - Discount												
31771EAU5	14048	Financing Corp		01/07/2015	10,000,000.00	9,885,000.00	9,279,600.00		Aaa	AA	1.725	06/06/2019
313586RC5	14502	Federal National Mortgage Assn		11/05/2015	10,000,000.00	9,791,800.00	9,258,900.00		Aaa	AA	1.998	10/09/2019
313586RC5	14791	Federal National Mortgage Assn		05/19/2016	15,005,000.00	14,692,595.90	14,297,514.25	1.371	Aaa	AA	1.450	10/09/2019
313586RC5	14879	Federal National Mortgage Assn		07/14/2016	10,000,000.00	9,791,800.00	9,620,200.00	1.157	Aaa	AA	1.217	10/09/2019
		Subtotal and Average	**42,456,214.25**		**45,005,000.00**	**44,161,195.90**	**42,456,214.25**				**1.577**	
Medium Term Notes 30/360												
037833AX8	14134	Apple		03/04/2015	10,000,000.00	9,878,900.00	9,905,900.00	1.550	Aa	AA	1.750	02/07/2020
037833CB4	14910	Apple		09/06/2016	20,290,000.00	20,088,317.40	20,251,651.90	1.100	Aa	AA	1.166	08/02/2019
037833CB4	14916	Apple		09/12/2016	10,000,000.00	9,900,600.00	10,005,650.00	1.100	Aa	AA	1.080	08/02/2019
037833AR1	14956	Apple		10/31/2016	10,000,000.00	10,012,200.00	10,489,200.00	2.850	Aa	AA	1.719	05/06/2021
037833AR1	15028	Apple		12/16/2016	10,000,000.00	10,012,200.00	10,253,500.00	2.850	Aa	AA	2.240	05/06/2021
037833AQ3	15109	Apple		03/31/2017	10,000,000.00	9,978,200.00	10,115,000.00	2.100	Aa	AA	1.540	05/06/2019
037833BD1	15197	Apple		06/27/2017	10,000,000.00	9,905,400.00	10,070,200.00	2.000	Aa	AA	1.747	05/06/2020
037833BS8	15288	Apple		12/05/2017	10,000,000.00	9,882,800.00	10,021,000.00	2.250	Aa	AA	2.182	02/23/2021
037833DE7	15356	Apple		04/03/2018	10,000,000.00	9,704,100.00	9,724,200.00	2.400	Aa	AA	3.023	01/13/2023
037833DE7	15399	Apple		06/28/2018	14,000,000.00	13,585,740.00	13,519,520.00	2.400	Aa	AA	3.218	01/13/2023
084670BL1	13960	Berkshire Hathaway		12/02/2014	5,000,000.00	4,975,850.00	5,067,350.00	2.100	Aa	AA	1.800	08/14/2019
084670BJ6	15402	Berkshire Hathaway		06/29/2018	13,094,000.00	12,974,582.72	13,006,663.02	3.000	Aa	AA	3.156	02/11/2023
084670BJ6	15446	Berkshire Hathaway		12/04/2018	8,460,000.00	8,382,844.80	8,324,809.20	3.000	Aa	AA	3.412	02/11/2023
19416QEF3	14360	Colgate-Palmolive		07/14/2015	10,000,000.00	9,976,700.00	10,039,800.00	1.750	Aa	AA	1.638	03/15/2019
166764AY6	15111	Chevron Corp		04/03/2017	10,277,000.00	10,182,451.60	10,381,517.09	2.419	Aa	AA	2.125	11/17/2020
166764BH2	15134	Chevron Corp		04/18/2017	5,000,000.00	4,973,000.00	4,995,000.00	1.561	Aa	AA	1.610	05/16/2019
36962G4R2	14973	General Electric Cos-MTN		11/15/2016	10,000,000.00	9,985,800.00	10,978,600.00	4.375	Baa	BBB	1.962	09/16/2020
36962G4D3	15097	General Electric Cos-MTN		03/21/2017	10,000,000.00	10,107,700.00	10,985,300.00	6.000	Baa	BBB	2.179	08/07/2019
459200JE2	14680	IBM		03/16/2016	10,000,000.00	9,957,700.00	10,048,200.00	1.800	A	A	1.642	05/17/2019
459200HT1	14812	IBM		05/27/2016	10,000,000.00	9,987,400.00	10,175,800.00	1.950	A	A	1.287	02/12/2019
459200JE2	15135	IBM		04/18/2017	5,000,000.00	4,978,850.00	5,027,500.00	1.800	A	A	1.530	05/17/2019
478160CD4	15352	Johnson & Johnson		03/28/2018	18,135,000.00	17,690,148.45	17,732,765.70	2.250	Aaa	AAA	2.850	03/03/2022
48125LRG9	14949	J.P. Morgan & Co,, Inc.		10/24/2016	10,000,000.00	9,908,000.00	10,051,100.00	1.650	Aa	A	1.470	09/23/2019
191216BT6	14494	Coca Cola		11/03/2015	10,000,000.00	9,828,700.00	9,955,100.00	1.875	Aa	A	1.970	10/27/2020
191216BV1	15031	Coca Cola		12/20/2016	7,070,000.00	7,031,115.00	7,028,569.80	1.375	Aa	A	1.620	05/30/2019
191216BY5	15144	Coca Cola		04/24/2017	16,063,000.00	15,574,363.54	15,823,821.93	1.550	Aa	A	1.908	09/01/2021
191216CF5	15200	Coca Cola		06/29/2017	10,000,000.00	9,766,702.00	10,051,900.00	2.200	Aa	A	2.088	05/25/2022
191216BY5	15379	Coca Cola		04/17/2018	7,607,000.00	7,375,595.06	7,299,905.41	1.550	Aa	A	2.813	09/01/2021

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Medium Term Notes 30/360												
594918BV5	15124	Microsoft Corp		04/11/2017	10,000,000.00	9,927,400.00	10,051,500.00	1.850	Aaa	AAA	1.662	02/06/2020
594918BN3	15235	Microsoft Corp		08/28/2017	11,474,000.00	11,359,833.70	11,390,010.32	1.100	Aaa	AAA	1.483	08/08/2019
594918BP8	15426	Microsoft Corp		10/18/2018	14,610,000.00	14,193,176.70	14,013,327.60	1.550	Aaa	AAA	3.080	08/08/2021
594918BP8	15427	Microsoft Corp		10/18/2018	1,718,000.00	1,668,985.46	1,647,390.20	1.550	Aaa	AAA	3.090	08/08/2021
594918BP8	15428	Microsoft Corp		10/18/2018	5,000,000.00	4,857,350.00	4,795,800.00	1.550	Aaa	AAA	3.080	08/08/2021
594918BP8	15451	Microsoft Corp		12/10/2018	7,778,000.00	7,556,093.66	7,494,647.46	1.550	Aaa	AAA	2.984	08/08/2021
66989HAM0	15187	Novartis		06/21/2017	10,000,000.00	9,778,488.00	10,125,400.00	2.400	Aa	AA	2.129	05/17/2022
66989HAM0	15201	Novartis		06/30/2017	16,980,000.00	16,603,872.62	17,112,444.00	2.400	Aa	AA	2.230	05/17/2022
742718EN5	15385	Proctor & Gamble		04/23/2018	10,000,000.00	9,821,300.00	9,743,971.94	1.850	Aa	AA	2.815	02/02/2021
742718EQ8	15401	Proctor & Gamble		06/29/2018	9,127,000.00	8,893,257.53	8,785,193.85	1.700	Aa	AA	2.882	11/03/2021
742718DY2	15406	Proctor & Gamble		07/18/2018	20,000,000.00	19,689,200.00	19,528,000.00	2.300	Aa	AA	3.006	02/06/2022
742718EU9	15408	Proctor & Gamble		08/16/2018	4,997,000.00	4,845,440.99	4,842,192.94	2.150	Aa	AA	2.980	08/11/2022
742718EU9	15410	Proctor & Gamble		08/23/2018	5,686,000.00	5,513,543.62	5,515,021.98	2.150	Aa	AA	2.959	08/11/2022
89236TBP9	14611	Toyota Motors Credit Corp		01/20/2016	10,000,000.00	9,946,200.00	10,098,100.00	2.125	Aa	AA	1.834	07/18/2019
89236TCU7	14689	Toyota Motors Credit Corp		03/28/2016	10,359,000.00	10,339,835.85	10,433,791.98	1.700	Aa	AA	1.444	02/19/2019
89236TCU7	14765	Toyota Motors Credit Corp		04/29/2016	10,000,000.00	9,981,500.00	10,102,300.00	1.700	Aa	AA	1.327	02/19/2019
89233P4S2	15301	Toyota Motors Credit Corp		12/11/2017	10,196,000.00	10,484,546.80	10,789,101.32	4.250	Aa	AA	2.285	01/11/2021
89236TCF0	15338	Toyota Motors Credit Corp		02/05/2018	12,972,000.00	12,821,784.24	12,915,571.80	2.150	Aa	AA	2.363	03/12/2020
89236TCZ6	15341	Toyota Motors Credit Corp		03/06/2018	9,289,000.00	9,106,471.15	9,035,503.19	1.900	Aa	AA	2.829	04/08/2021
89236TDP7	15411	Toyota Motors Credit Corp		08/29/2018	10,000,000.00	9,831,448.00	9,834,800.00	2.600	Aa	AA	3.120	01/11/2022
89233P5T9	15414	Toyota Motors Credit Corp		09/07/2018	5,729,000.00	5,745,384.94	5,757,759.58	3.300	Aa	AA	3.140	01/12/2022
90331HML4	14857	US Bank		06/28/2016	10,770,000.00	10,690,571.25	11,030,310.90	2.125	A	AA	1.380	10/28/2019
90331HML4	14858	US Bank		06/28/2016	10,000,000.00	9,926,250.00	10,239,800.00	2.125	A	AA	1.386	10/28/2019
90331HML4	14918	US Bank		09/20/2016	8,000,000.00	7,941,000.00	8,178,160.00	2.125	A	AA	1.390	10/28/2019
90331HNB5	15131	US Bank		04/17/2017	10,000,000.00	9,906,600.00	10,062,600.00	2.000	A	AA	1.767	01/24/2020
90331HNB5	15192	US Bank		06/22/2017	10,750,000.00	10,649,595.00	10,800,095.00	2.000	A	AA	1.815	01/24/2020
90331HNL3	15333	US Bank		01/25/2018	7,500,000.00	7,371,975.00	7,499,625.00	2.850	A	AA	2.851	01/23/2023
90331HNL3	15334	US Bank		01/25/2018	10,000,000.00	9,829,300.00	9,998,100.00	2.850	A	AA	2.854	01/23/2023
94988J5D5	14814	Wells Fargo Bank		06/02/2016	10,000,000.00	9,949,200.00	10,037,400.00	1.750	Aa	AA	1.621	05/24/2019
94988J5D5	14833	Wells Fargo Bank		06/22/2016	10,000,000.00	9,949,200.00	10,097,800.00	1.750	Aa	AA	1.407	05/24/2019
94988J5D5	14891	Wells Fargo Bank		08/08/2016	11,826,000.00	11,765,923.92	12,005,755.20	1.750	Aa	AA	1.195	05/24/2019
94988J5R4	15443	Wells Fargo Bank		11/30/2018	15,000,000.00	14,936,550.00	14,788,050.00	3.550	Aa	A	3.880	08/14/2023
30231GAV4	15342	Exxon-Mobil		03/07/2018	10,000,000.00	9,856,000.00	9,851,600.00	2.222	Aaa	AA	2.748	03/01/2021
		Subtotal and Average	**620,233,382.03**		**619,757,000.00**	**612,343,239.00**	**619,930,648.31**				**2.180**	

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StoneCastle - FICA												
104791305790	13942	StoneCastle			0.00	0.00	0.00	1.580			1.580	
		Subtotal and Average	**0.00**		**0.00**	**0.00**	**0.00**				**0.000**	
CAMP												
CAMP	14800	CAMP			225,307,364.48	225,307,364.48	225,307,364.48	2.460		AAA	2.460	
		Subtotal and Average	**235,283,083.18**		**225,307,364.48**	**225,307,364.48**	**225,307,364.48**				**2.460**	
Treasury Securities - Coupon												
912828XH8	15090	U S Treasury Note		03/13/2017	10,000,000.00	9,864,800.00	9,957,812.50	1.625	Aaa	AA	1.757	06/30/2020
912828T67	15204	U S Treasury Note		06/29/2017	20,000,000.00	19,332,800.00	19,587,500.00	1.250	Aaa	AA	1.746	10/31/2021
912828P87	15233	U S Treasury Note		08/25/2017	10,000,000.00	9,711,300.00	9,847,656.25	1.125	Aaa	AA	1.572	02/28/2021
912828D72	15247	U S Treasury Note		09/21/2017	20,000,000.00	19,751,600.00	20,234,375.00	2.000	Aaa	AA	1.691	08/31/2021
912828T67	15257	U S Treasury Note		09/29/2017	10,000,000.00	9,666,400.00	9,790,625.00	1.250	Aaa	AA	1.783	10/31/2021
912828R77	15261	U S Treasury Note		10/05/2017	10,000,000.00	9,743,000.00	9,866,406.25	1.375	Aaa	AA	1.754	05/31/2021
912828S76	15262	U S Treasury Note		10/05/2017	10,000,000.00	9,662,100.00	9,761,328.13	1.125	Aaa	AA	1.774	07/31/2021
912828XH8	15274	U S Treasury Note		11/07/2017	10,000,000.00	9,864,800.00	9,981,640.63	1.625	Aaa	AA	1.696	06/30/2020
912828N89	15284	U S Treasury Note		11/30/2017	10,000,000.00	9,770,700.00	9,833,593.75	1.375	Aaa	AA	1.919	01/31/2021
912828P87	15285	U S Treasury Note		11/30/2017	20,000,000.00	19,422,600.00	19,495,312.50	1.125	Aaa	AA	1.930	02/28/2021
912828L32	15287	U S Treasury Note		12/04/2017	20,000,000.00	19,622,600.00	19,752,343.75	1.375	Aaa	AA	1.841	08/31/2020
912828P87	15290	U S Treasury Note		12/06/2017	20,000,000.00	19,422,600.00	19,453,125.00	1.125	Aaa	AA	2.003	02/28/2021
912828L32	15307	U S Treasury Note		12/14/2017	20,000,000.00	19,622,600.00	19,739,062.50	1.375	Aaa	AA	1.871	08/31/2020
912828L32	15308	U S Treasury Note		12/19/2017	15,000,000.00	14,716,950.00	14,793,750.00	1.375	Aaa	AA	1.900	08/31/2020
912828T67	15311	U S Treasury Note		12/20/2017	10,000,000.00	9,666,400.00	9,683,203.13	1.250	Aaa	AA	2.108	10/31/2021
912828R77	15312	U S Treasury Note		12/20/2017	15,000,000.00	14,614,500.00	14,658,984.38	1.375	Aaa	AA	2.062	05/31/2021
912828R77	15318	U S Treasury Note		01/04/2018	10,000,000.00	9,743,000.00	9,767,968.75	1.375	Aaa	AA	2.085	05/31/2021
912828S76	15319	U S Treasury Note		01/04/2018	10,000,000.00	9,662,100.00	9,665,625.00	1.125	Aaa	AA	2.101	07/31/2021
912828XM7	15326	U S Treasury Note		01/22/2018	20,000,000.00	19,716,400.00	19,752,343.75	1.625	Aaa	AA	2.131	07/31/2020
912828XR6	15339	U S Treasury Note		02/02/2018	10,000,000.00	9,762,500.00	9,693,750.00	1.750	Aaa	AA	2.501	05/31/2022
912828F21	15371	U S Treasury Note		04/10/2018	11,000,000.00	10,895,610.00	10,862,500.00	2.125	Aaa	AA	2.503	09/30/2021
912828WY2	15372	U S Treasury Note		04/10/2018	10,000,000.00	9,944,500.00	9,926,562.50	2.250	Aaa	AA	2.482	07/31/2021
912828K58	15383	U S Treasury Note		04/19/2018	20,000,000.00	19,692,200.00	19,575,000.00	1.375	Aaa	AA	2.454	04/30/2020
9128284S6	15393	U S Treasury Note		06/15/2018	10,000,000.00	10,109,000.00	9,986,718.75	2.750	Aaa	AA	2.779	05/31/2023
912828X96	15409	U S Treasury Note		08/22/2018	5,000,000.00	4,928,900.00	4,908,398.44	1.500	Aaa	AA	2.588	05/15/2020
912828NT3	15452	U S Treasury Note		12/10/2018	10,000,000.00	10,014,100.00	9,977,734.38	2.625	Aaa	AA	2.760	08/15/2020
912828Y46	15455	U S Treasury Note		12/12/2018	10,000,000.00	10,012,100.00	9,975,781.25	2.625	Aaa	AA	2.776	07/31/2020

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Treasury Securities - Coupon												
9128282B5	15464	U S Treasury Note		12/21/2018	25,000,000.00	24,717,750.00	24,707,031.25	0.750	Aaa	AA	2.573	08/15/2019
		Subtotal and Average	**352,859,557.74**		**381,000,000.00**	**373,653,910.00**	**375,236,132.84**				**2.089**	
Municipal Bonds												
13063DDF2	15323	California State Controller		01/08/2018	10,000,000.00	9,894,100.00	10,004,600.00	2.500	Aa	AA	2.489	10/01/2022
13063DAC2	15378	California State Controller		04/17/2018	5,000,000.00	4,976,700.00	4,989,350.00	2.625	Aa	AA	2.700	04/01/2021
13063DGA0	15386	California State Controller		04/25/2018	6,000,000.00	5,994,720.00	6,000,240.00	2.800	Aa	AA	2.867	04/01/2021
13063DGN2	15416	State of California		09/18/2018	21,000,000.00	21,366,030.00	21,329,700.00	3.400	Aa	AA	3.051	08/01/2023
		Subtotal and Average	**42,323,890.00**		**42,000,000.00**	**42,231,550.00**	**42,323,890.00**				**2.851**	
Supranationals												
4581X0CH9	14633	INTER AMERICAN DEV BANK		02/03/2016	10,000,000.00	9,925,700.00	10,148,500.00	1.750	Aaa	AAA	1.337	10/15/2019
4581X0CP1	14933	INTER AMERICAN DEV BANK		09/30/2016	5,000,000.00	4,946,500.00	5,131,100.00	1.875	Aaa	AAA	1.151	06/16/2020
4581X0CX4	15126	INTER AMERICAN DEV BANK		04/12/2017	20,000,000.00	19,743,600.00	19,952,600.00	1.625	Aaa	AAA	1.704	05/12/2020
4581X0DB1	15384	INTER AMERICAN DEV BANK		04/19/2018	10,000,000.00	10,009,900.00	9,987,060.00	2.625	Aaa	AAA	2.670	04/19/2021
45905URH9	14056	International Bank for Reconst		01/16/2015	10,000,000.00	9,995,900.00	10,000,000.00	1.350	Aaa	AAA	1.350	01/16/2019
459058EV1	14804	International Bank for Reconst		05/25/2016	10,000,000.00	9,922,300.00	10,017,300.00	1.250	Aaa	AAA	1.194	07/26/2019
45905UXS8	14951	International Bank for Reconst		10/27/2016	10,000,000.00	9,710,100.00	9,920,600.00	1.200	Aaa	AAA	1.400	12/01/2020
45905UB86	15036	International Bank for Reconst		12/22/2016	10,000,000.00	9,780,100.00	10,000,000.00	1.870	Aaa	AAA	1.870	06/22/2021
45905UC36	15045	International Bank for Reconst		12/28/2016	10,000,000.00	9,824,079.00	10,000,000.00	2.000	Aaa	AAA	2.000	09/28/2021
45905UF74	15138	International Bank for Reconst		04/19/2017	10,000,000.00	9,827,100.00	10,000,000.00	1.770	Aaa	AAA	1.770	10/19/2020
459058EW9	15239	International Bank for Reconst		08/30/2017	10,000,000.00	9,802,212.50	9,985,000.00	1.625	Aaa	AAA	1.669	03/09/2021
45905UW59	15415	International Bank for Reconst		09/13/2018	10,000,000.00	10,005,569.00	9,997,000.00	3.050	Aaa	AAA	3.061	09/13/2021
459058GL1	15448	International Bank for Reconst		12/05/2018	15,000,000.00	15,290,107.50	15,022,200.00	3.000	Aaa	AAA	2.966	09/27/2023
		Subtotal and Average	**138,223,011.61**		**140,000,000.00**	**138,783,168.00**	**140,161,360.00**				**1.910**	
		Total and Average	**3,291,223,559.19**		**3,299,723,721.53**	**3,268,825,725.82**	**3,289,678,300.42**				**2.113**	

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

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United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

SPECIMEN

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100