NEW ISSUE—BOOK-ENTRY ONLY

Ratings: S&P (Insured): "AA"
S&P (Underlying): "A+"
(See "MISCELLANEOUS — Ratings" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds. See "TAX MATTERS" herein.

$7,500,000
LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Bank Qualified)

Dated: Date of Delivery **Due: August 1, as shown herein**

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Lemoore Union Elementary School District (Kings County, California) General Obligation Bonds, Election of 2018, Series 2019 (the "Series 2019 Bonds") are issued by the Lemoore Union Elementary School District (the "District"), located in the County of Kings (the "County"), to (i) finance specific construction, repair and improvement projects approved by the voters of the District and (ii) pay costs of delivery with respect to the Series 2019 Bonds. The Series 2019 Bonds were authorized at an election of the voters of the District held on November 6, 2018, at which at least 55% of the voters voting on the proposition authorized the issuance and sale of $26,000,000 aggregate principal amount of bonds of the District. The Series 2019 Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Trustees of the District, adopted on February 12, 2019.

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2019 Bonds, all as more fully described herein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" herein.

The Series 2019 Bonds will be issued as current interest bonds, as set forth on the inside front cover hereof. Interest on the Series 2019 Bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2019. Principal of the Series 2019 Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Series 2019 Bonds will be issued in denominations of $5,000 principal amount, or any integral multiple thereof as shown on the inside front cover hereof.

The scheduled payment of principal of and interest on the Series 2019 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2019 Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.

BAM
BUILD AMERICA MUTUAL

The Series 2019 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 The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2019 Bonds. Individual purchases of the Series 2019 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2019 Bonds purchased by them. See "THE SERIES 2019 BONDS – Form and Registration" herein. Payments of the principal of and interest on the Series 2019 Bonds will be made by U.S. Bank National Association, as paying agent, registrar and transfer agent with respect to the Series 2019 Bonds, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2019 Bonds. See "THE SERIES 2019 BONDS – Payment of Principal and Interest" herein.

The Series 2019 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2019 BONDS — Redemption" herein.

The Series 2019 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Irvine, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by its counsel, Dannis Woliver Kelley, Long Beach, California. It is anticipated that the Series 2019 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about March 27, 2019.

O'CONNOR & COMPANY SECURITIES
PUBLIC FINANCE

Dated: March 12, 2019.

MATURITY SCHEDULE
BASE CUSIP†: 525724

$7,500,000
LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Bank Qualified)

$2,915,000 Serial Series 2019 Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2020	$310,000	5.000%	1.580%	AA8
2021	340,000	5.000	1.600	AB6
2022	75,000	2.000	1.620	AC4
2023	90,000	2.000	1.650	AD2
2024	105,000	4.000	1.770	AE0
2025	45,000	2.000	1.880	AF7
2026	60,000	2.000	1.960	AG5
2027	70,000	2.000	2.030	AH3
2028	85,000	2.000	2.160	AJ9
2029	95,000	2.000	2.270	AK6
2030	110,000	2.250	2.450	AL4
2031	125,000	2.625	2.780	AM2
2032	140,000	2.750	2.950	AN0
2033	160,000	3.000	3.050	AP5
2034	180,000	3.000	3.100	AQ3
2035	200,000	3.000	3.200	AR1
2036	220,000	3.125	3.280	AS9
2037	240,000	3.125	3.330	AT7
2038	265,000	3.250	3.400	AU4

$2,770,000 5.000% Term Series 2019 Bonds due August 1, 2045 – Yield 3.200%C - CUSIP Number† AV2

$1,815,000 3.500% Term Series 2019 Bonds due August 1, 2048 – Yield 3.620% - CUSIP Number† AW0

C Yield to call at par on August 1, 2028.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)

BOARD OF TRUSTEES

DISTRICT ADMINISTRATORS

Cheryl Hunt, *Superintendent*
Eduardo Ochoa, *Assistant Superintendent*
Julie Fagundes, *Chief Business Official*[*]

PROFESSIONAL SERVICES

Municipal Advisor

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

Bond Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Paying Agent, Registrar and Transfer Agent

U.S. Bank National Association
Los Angeles, California

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[*] Julie Fagundes will be resigning from the District effective June 30, 2019. See "APPENDIX A - INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – THE DISTRICT - Superintendent and Business Services Personnel."

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2019 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2019 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2019 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2019 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "intend" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Series 2019 Bonds or the advisability of investing in the Series 2019 Bonds. In addition, BAM 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 information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2019 Bonds.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Series 2019 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2019 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 hereof and said public offering prices may be changed from time to time by the Underwriter.

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$7,500,000
LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Bank Qualified)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2019 Bonds to potential investors is made only by means of the entire Official Statement.

General

This Official Statement, which includes the cover page, inside cover page and appendices hereto, is provided to furnish information in connection with the sale of $7,500,000 aggregate principal amount of Lemoore Union Elementary School District (Kings County, California) General Obligation Bonds, Election of 2018, Series 2019 (the "Series 2019 Bonds"), all as indicated on the inside front cover hereof, to be offered by the Lemoore Union Elementary School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure" and APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2019 Bonds. Quotations from and summaries and explanations of the Series 2019 Bonds, the resolution of the Board of Trustees of the District relating to the Series 2019 Bonds, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

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 Series 2019 Bonds.

Copies of documents referred to herein and information concerning the Series 2019 Bonds are available from the District by contacting: Lemoore Union Elementary School District, 1200 W. Cinnamon Drive, Lemoore, California 93245, Attention: Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

The District

The District is a small, rural district located in Kings County, California (the "County"), which serves the City of Lemoore and unincorporated portions of the County. The District offers instruction to students from transitional kindergarten through eighth grade. The District currently operates four elementary schools (kindergarten through sixth grade), one dependent charter school (sixth through eighth grade), one middle school (seventh and eighth grade), and one community day school. The Lemoore Elementary University Charter School is operated by the District and its financial activities are presented in the District's audited financial statements in the Charter School Fund. Enrollment in the District for the current school year is approximately 3,308 students, which includes the enrollment at Lemoore Elementary University Charter School. The District operates under the jurisdiction of the Kings County Superintendent of Schools.

For additional information about the District, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018." For more information about the Lemoore Elementary University Charter School, see APPENDIX A − "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL MATTERS – Charter Schools."

THE SERIES 2019 BONDS

Authority for Issuance; Purpose

The Series 2019 Bonds are issued under the provisions of California Government Code Section 53506 *et seq.*, including Section 53508.7 thereof, and California Education Code Section 15140 and Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board of Trustees of the District on February 12, 2019 (the "Resolution").

At an election held on November 6, 2018, the District received authorization under Measure D to issue general obligation bonds of the District in an aggregate principal amount not to exceed $26,000,000 to improve the quality of education by modernizing outdated classrooms, restrooms and school facilities and construct a new elementary school to reduce student overcrowding (collectively, the "2018 Authorization"). Measure D required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 62.61%. The Series 2019 Bonds represent the first series of authorized bonds to be issued under the 2018 Authorization and will be issued to (i) finance specific construction, repair and improvement projects approved by the voters of the District and (ii) to pay costs of delivery with respect to the Series 2019 Bonds. See "*−Application and Investment of Series 2019 Bond Proceeds*" herein.

Bond Insurance Policy

Concurrently with the issuance of the Series 2019 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2019 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Series 2019 Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement. See "BOND INSURANCE."

Form and Registration

The Series 2019 Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 principal amount or integral multiples thereof. The Series 2019 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Series 2019 Bonds. Purchases of Series 2019 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2019 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2019 Bonds, beneficial owners of the Series 2019 Bonds ("Beneficial Owners") will not receive physical certificates representing their ownership interests. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

Interest. The Series 2019 Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on August 1, 2019, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series 2019 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from its dated date; provided, however, that if, at the time of authentication of any Series 2019 Bond, interest is in default on any outstanding Series 2019 Bonds, such Series 2019 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Series 2019 Bonds.

Payment of Series 2019 Bonds. The principal of and interest on the Series 2019 Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of U.S. Bank National Association, as paying agent (the "Paying Agent") at the maturity thereof or upon redemption prior to maturity.

Interest on the Series 2019 Bonds is payable in lawful money of the United States of America by check mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the "Owner") at such Owner's address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least $1,000,000 of outstanding Series 2019 Bonds who shall have requested in writing such method of payment of interest prior to the close of business on a Record Date. So long as the Series 2019 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Series 2019 Bonds maturing on or before August 1, 2028, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2019 Bonds maturing on or after August 1, 2029, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2028, at a redemption price equal to the principal amount of the Series 2019 Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The $2,770,000 term Series 2019 Bonds maturing on August 1, 2045 are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2039	$290,000
2040	320,000
2041	355,000
2042	390,000
2043	430,000
2044	470,000
2045†	515,000

† Maturity.

The principal amount of the $2,770,000 term Series 2019 Bonds maturing on August 1, 2045, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2019 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

The $1,815,000 term Series 2019 Bonds maturing on August 1, 2048 are subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount to be Redeemed
2046	$560,000
2047	605,000
2048†	650,000

† Maturity.

The principal amount of the $1,815,000 term Series 2019 Bonds maturing on August 1, 2048, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such term Series 2019 Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Selection of Series 2019 Bonds for Redemption. If less than all of the Series 2019 Bonds are called for redemption, the Series 2019 Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District. Whenever less than all of the outstanding Series 2019 Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Series 2019 Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Series 2019 Bond shall be deemed to consist of individual Series 2019 Bonds of denominations of $5,000 principal amount, each, which may be separately redeemed.

Notice of Redemption. Notice of redemption of any Series 2019 Bond will be given by the Paying Agent not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the County and the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Continuing Disclosure Certificate with respect to the Series 2019 Bonds. See APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Each notice of redemption will contain the following information: (i) the date of such notice; (ii) the name of the Series 2019 Bonds and the date of issue of the Series 2019 Bonds; (iii) the redemption date; (iv) the redemption price; (v) the dates of maturity or maturities of Series 2019 Bonds to be redeemed; (vi) if less than all of the Series 2019 Bonds of any maturity are to be redeemed the distinctive numbers of the Series 2019 Bonds of each maturity to be redeemed; (vii) in the case of Series 2019 Bonds redeemed in part only, the respective portions of the principal amount of the Series 2019 Bonds of each maturity to be redeemed; (viii) the CUSIP number, if any, of each maturity of Series 2019 Bonds to be redeemed; (ix) a statement that such Series 2019 Bonds must be surrendered by the Owners at the principal corporate trust office of the Paying Agent or at such other place or places designated by the Paying Agent; (x) notice that further interest on such Series 2019 Bonds will not accrue after the designated redemption date; and (xi) in the case of a conditional notice, that such notice is conditioned upon certain circumstances and the manner of rescinding such conditional notice. The actual receipt by the Owner of any Series 2019 Bond or by any securities depository or information service of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Series 2019 Bonds or the cessation of interest on the date fixed for redemption.

Effect of Notice of Redemption. When notice of redemption has been given substantially as described above and when the redemption price of the Series 2019 Bonds called for redemption is set aside, the Series 2019 Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2019 Bonds at the place specified in the notice of redemption, such Series 2019 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2019 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2019 Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the interest and sinking fund of the District within the County treasury (the "Interest and Sinking Fund") or the trust fund established for such purpose. All Series 2019 Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

Right to Rescind Notice. The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2019 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2019 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2019 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Defeasance of Series 2019 Bonds

The District may pay and discharge any or all of the Series 2019 Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys then on deposit in the Interest and Sinking Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Series 2019 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Unclaimed Moneys

Any money held in any fund or by the Paying Agent or an escrow agent in trust for the payment of the principal of, redemption premium, if any, or interest on the Series 2019 Bonds and remaining unclaimed for two years after the principal of such Series 2019 Bonds has become due and payable (whether by maturity or upon prior redemption) is required to be transferred to the Interest and Sinking Fund of the District for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said moneys is required to be transferred to the general fund of the District as provided and permitted by law.

Application and Investment of Series 2019 Bond Proceeds

The proceeds of the Series 2019 Bonds are expected to be applied as follows:

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Bank Qualified)

Estimated Sources and Uses of Funds

Sources of Funds:	
Aggregate Principal Amount of Series 2019 Bonds	$7,500,000.00
Plus Net Original Issue Premium	379,813.40
Total Sources of Funds	$7,879,813.40
Uses of Funds:	
Deposit to Building Fund	$7,500,000.00
Deposit to Interest and Sinking Fund[(1)]	107,419.84
Underwriter's Discount[(2)]	69,375.00
Costs of Issuance[(3)]	203,018.56
Total Uses of Funds	$7,879,813.40

(1) Consists of premium received by the District.
(2) Exclusive of costs of issuance the Underwriter has contracted to pay.
(3) Includes legal fees, municipal advisor fees, rating agency fees, bond insurance premium, printing fees, and other miscellaneous expenses the Underwriter has contracted to pay.

Under California law, all money received by or apportioned to a school district must generally be paid into and held in the County treasury. The proceeds from the sale of the Series 2019 Bonds will be deposited in the County treasury to the credit of the building fund of the District (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Series 2019 Bonds were authorized. Any premium or accrued interest on the Series 2019 Bonds received by the District will be deposited in the Interest and Sinking Fund of the District in the County treasury. Interest and earnings on each fund will accrue to that fund. All funds held by the County Treasurer-Tax Collector (the "County Treasurer") in the Building Fund and the Interest and Sinking Fund are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX E − "KINGS COUNTY INVESTMENT POLICY AND POOLED SURPLUS INVESTMENTS" for a description of the permitted investments under the investment policy of the County. In addition, to the extent permitted by law and the investment policy of the County, the District may request in writing that all or any portion of the funds held in the Building Fund of the District may be invested in investment agreements, including guaranteed investment contracts, float contracts or other investment products which comply with the requirements of each rating agency then rating the Series 2019 Bonds. The County Treasurer does not monitor such investments for arbitrage compliance and does not perform any arbitrage calculations with respect to such investments.

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Debt Service

Debt service on the Series 2019 Bonds, assuming no early redemptions, is as set forth in the following table.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Bank Qualified)

Year Ending August 1,	Principal	Interest	Total Debt Service
2019	-	$ 102,616.46	$ 102,616.46
2020	$ 310,000.00	297,918.76	607,918.76
2021	340,000.00	282,418.76	622,418.76
2022	75,000.00	265,418.76	340,418.76
2023	90,000.00	263,918.76	353,918.76
2024	105,000.00	262,118.76	367,118.76
2025	45,000.00	257,918.76	302,918.76
2026	60,000.00	257,018.76	317,018.76
2027	70,000.00	255,818.76	325,818.76
2028	85,000.00	254,418.76	339,418.76
2029	95,000.00	252,718.76	347,718.76
2030	110,000.00	250,818.76	360,818.76
2031	125,000.00	248,343.76	373,343.76
2032	140,000.00	245,062.50	385,062.50
2033	160,000.00	241,212.50	401,212.50
2034	180,000.00	236,412.50	416,412.50
2035	200,000.00	231,012.50	431,012.50
2036	220,000.00	225,012.50	445,012.50
2037	240,000.00	218,137.50	458,137.50
2038	265,000.00	210,637.50	475,637.50
2039	290,000.00	202,025.00	492,025.00
2040	320,000.00	187,525.00	507,525.00
2041	355,000.00	171,525.00	526,525.00
2042	390,000.00	153,775.00	543,775.00
2043	430,000.00	134,275.00	564,275.00
2044	470,000.00	112,775.00	582,775.00
2045	515,000.00	89,275.00	604,275.00
2046	560,000.00	63,525.00	623,525.00
2047	605,000.00	43,925.00	648,925.00
2048	650,000.00	22,750.00	672,750.00
Total:	$7,500,000.00	$6,040,329.08	$13,540,329.08

No Outstanding Bonds

The District does not have any outstanding general obligation bonds aside from the Series 2019 Bonds.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Series 2019 Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues will be deposited by the County in the Interest and Sinking Fund of the District, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law, and are not a debt or obligation of the County. No fund of the County is pledged or obligated to repayment of the Series 2019 Bonds.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

The District has pledged all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of all bonds, including the Series 2019 Bonds (collectively, the "Bonds"), of the District heretofore or hereafter issued pursuant to voter approved measures of the District and amounts on deposit in the Interest and Sinking Fund of the District to the payment of the principal or redemption price of and interest on the Bonds. The Resolution provides that the property taxes and amounts held in the Interest and Sinking Fund shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund to secure the payment of the Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. The Resolution provides that this pledge constitutes an agreement between the District and the owners of Bonds to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds secured by the pledge are or were issued to finance (or refinance) one or more of the projects specified in the applicable voter-approved measure.

Property Taxation System

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

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

Assessed Valuation of Property Within the District

Taxable property located in the District has a fiscal year 2018-19 assessed value of $2,156,869,524. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See "*−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" below.

Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal year 1998-1999 through 2018-19.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
Assessed Valuations
Fiscal Years 1998-1999 through 2018-19

Fiscal Year Ending	Local Secured	Utility	Unsecured	Total Valuation	Annual % Change
1998-1999	$665,282,674	$629,187	$21,144,133	$687,055,994	-
1999-2000	700,669,085	592,070	20,434,249	721,695,404	5.04%
2000-01	736,346,296	505,831	20,368,861	757,220,988	4.92
2001-02	780,635,846	584,968	22,207,315	803,428,129	6.10
2002-03	873,823,787	585,780	29,336,160	903,745,727	12.49
2003-04	1,114,000,259	531,440	23,945,073	1,138,476,772	25.97
2004-05	1,207,588,824	1,066,640	27,263,155	1,235,918,619	8.56
2005-06	1,311,333,618	1,064,717	28,392,810	1,340,791,145	8.49
2006-07	1,437,413,227	1,065,588	37,963,719	1,476,442,534	10.12
2007-08	1,603,640,055	981,956	45,751,242	1,650,373,253	11.78
2008-09	1,758,521,364	952,537	45,376,836	1,804,850,737	9.36
2009-10	1,772,151,486	950,059	41,768,978	1,814,870,523	0.56
2010-11	1,860,322,462	682,319	32,929,102	1,893,933,883	4.36
2011-12	1,909,954,699	702,698	30,369,013	1,941,026,410	2.49
2012-13	1,901,975,667	703,597	31,852,581	1,934,531,845	-0.33
2013-14	1,919,141,912	701,992	29,716,974	1,949,560,878	0.78
2014-15	1,833,711,101	890,319	29,356,474	1,863,957,894	-4.39
2015-16	1,972,973,001	885,703	25,922,273	1,999,780,977	7.29
2016-17	2,058,875,819	871,042	27,710,146	2,087,457,007	4.38
2017-18	2,109,912,752	942,346	26,851,760	2,137,706,858	2.41
2018-19	2,129,025,258	933,602	26,910,664	2,156,869,524	0.90

Source: California Municipal Statistics, Inc.; Annual % change provided by Isom Advisors, a Division of Urban Futures, Inc.

Currently, a single taxpayer owns more than 15% of the fiscal year 2018-19 assessed value of taxable property within the District. See "—Largest Taxpayers in District" below.

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

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs.

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

In addition, Article XIIIA of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor's office, the County has in the past, pursuant to Article XIIIA of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

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

See APPENDIX A – "INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Bonding Capacity. As an elementary school district, the District may issue bonds in an amount up to 1.25% of the assessed valuation of taxable property within its boundaries. The District's fiscal year 2018-19 gross bonding capacity (also commonly referred to as the "bonding limit" or "debt limit") is approximately $26.96 million and its net bonding capacity is the same as the District currently has no outstanding general obligation bond debt before the issuance of the Series 2019 Bonds. Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District's bonding capacity.

Assessed Valuation by Jurisdiction. The following table describes the percentage and value of the total assessed valuation of the property within the District's boundaries that reside in the City of Lemoore and unincorporated portions of the County for fiscal year 2018-19.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
2018-19 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Lemoore	$1,942,459,905	90.06%	$1,944,989,965	99.87%
Unincorporated Kings County	214,409,619	9.94	$4,085,319,740	5.25%
Total District	$2,156,869,524	100.00%		
Kings County	$2,156,869,524	100.00%	$10,786,362,415	20.00%

Source: California Municipal Statistics, Inc.

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Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the fiscal year 2018-19 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
2018-19 Assessed Valuation and Parcels by Land Use

	2018-19 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$196,687,295	9.24%	874	10.39%
Commercial/Office	105,035,373	4.93	188	2.24
Vacant Commercial	8,987,317	0.42	26	0.31
Industrial	452,304,820	21.24	104	1.24
Recreational	8,616,323	0.40	18	0.21
Government/Social/Institutional	1,333,664	0.06	125	1.49
Miscellaneous	1,152,353	0.05	89	1.06
Subtotal Non-Residential	$774,117,145	36.36%	1,424	16.93%
Residential:				
Single Family Residence	$1,174,020,229	55.14%	6,169	73.35%
Condominium	16,262,307	0.76	152	1.81
Mobile Home	4,262,013	0.20	179	2.13
Mobile Home Park	4,898,066	0.23	3	0.04
2-4 Residential Units	9,952,632	0.47	61	0.73
5+ Residential Units/Apartments	127,726,169	6.00	88	1.05
Hotel/Motel	11,940,301	0.56	5	0.06
Vacant Residential	5,846,396	0.27	329	3.91
Subtotal Residential	$1,354,908,113	63.64%	6,986	83.07%
TOTAL	$2,129,025,258	100.00%	8,410	100.00%

[1] Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table sets forth the assessed valuation of single-family homes in the District's boundaries for fiscal year 2018-19.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
2018-19 Per Parcel Assessed Valuation of Single Family Homes

	Number of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	6,169	$1,174,020,229	$190,310	$187,000

2018-19 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	31	0.503%	0.503%	$ 383,917	0.033%	0.033%
$25,000 - $49,999	123	1.994	2.496	4,824,313	0.411	0.444
$50,000 - $74,999	274	4.442	6.938	17,018,925	1.450	1.893
$75,000 - $99,999	310	5.025	11.963	27,278,018	2.323	4.217
$100,000 - $124,999	452	7.327	19.290	51,514,203	4.388	8.605
$125,000 - $149,999	657	10.650	29.940	90,779,345	7.732	16.337
$150,000 - $174,999	823	13.341	43.281	133,964,838	11.411	27.748
$175,000 - $199,999	813	13.179	56.460	151,967,327	12.944	40.692
$200,000 - $224,999	714	11.574	68.034	151,562,312	12.910	53.602
$225,000 - $249,999	698	11.315	79.348	166,006,855	14.140	67.742
$250,000 - $274,999	472	7.651	87.000	123,382,282	10.509	78.251
$275,000 - $299,999	399	6.468	93.467	114,578,789	9.760	88.011
$300,000 - $324,999	212	3.437	96.904	65,802,878	5.605	93.615
$325,000 - $349,999	68	1.102	98.006	22,911,698	1.952	95.567
$350,000 - $374,999	37	0.600	98.606	13,434,798	1.144	96.711
$375,000 - $399,999	24	0.389	98.995	9,296,085	0.792	97.503
$400,000 - $424,999	23	0.373	99.368	9,463,488	0.806	98.309
$425,000 - $449,999	9	0.146	99.514	3,940,153	0.336	98.645
$450,000 - $474,999	4	0.065	99.579	1,842,317	0.157	98.802
$475,000 - $499,999	8	0.130	99.708	3,891,738	0.331	99.133
$500,000 and greater	18	0.292	100.000	10,175,950	0.867	100.000
Total	6,169	100.000%		$1,174,020,229	100.000%	

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

Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2018-19 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
Largest 2018-19 Local Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	Percent of Total[(1)]
1.	Leprino Foods Company	Food Processing	$319,470,908	15.01%
2.	Olam West Coast Inc.	Food Processing	72,474,228	3.40
3.	GHQ Investments	Apartments	24,062,101	1.13
4.	GSF Lakeview Lemoore Investments	Agricultural	18,418,520	0.87
5.	Paul & Vickie Daley LP	Agricultural	11,744,030	0.55
6.	Lemoore Apartments LLC	Apartments	11,476,373	0.54
7.	Westlake One Trust	Agricultural	11,427,852	0.54
8.	Agusa	Food Processing	8,664,094	0.41
9.	Tanglewood Lemoore	Apartments	8,453,337	0.40
10.	Valley Oak Apartments LLC	Apartments	7,694,864	0.36
11.	Lemoore Cinemas	Movie Theater	6,634,779	0.31
12.	Heritage Lemoore Ltd.	Apartments	6,561,814	0.31
13.	South Coast Property Company 96-A LP	Apartments	6,275,345	0.29
14.	Winn California Properties LLC	Apartments	6,271,750	0.29
15.	Lemoore Capital LP	Commercial	6,181,004	0.29
16.	Benderson-Lemoore Associates LP	Commercial	6,024,551	0.28
17.	Gold Top Investments LLC	Commercial	5,735,986	0.27
18.	Save Mart Supermarkets	Commercial	5,556,324	0.26
19.	Anand Investments LLC	Hotel/Motel	4,411,207	0.21
20.	Michael A. Trebbow Trust	Apartments	4,263,697	0.20
			$551,802,764	25.92%

(1) 2018-19 local secured assessed valuation: $2,129,025,258
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. As shown above, a single taxpayer owns more than 15% of the total taxable property in the District in fiscal year 2018-19. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See *"−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values"* above.

Tax Rates

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

The rate of tax necessary to pay fixed debt service on the Series 2019 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2019 Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in property values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2019 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

Typical Tax Rate Area. The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 3-003). This Tax Rate Area comprises approximately 20.06% of the total assessed value of the District for fiscal year 2018-19.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 3-003)
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%
Lemoore Union High School District	0.047924	0.043767	0.041812	0.077410	0.053630
West Hills Community College District	0.011206	0.024884	0.016254	0.012954	0.016952
West Hills Community College District SFID #3	0.016280	0.017244	0.016002	0.029050	0.024310
Total Tax Rate	1.075410%	1.085895%	1.074068%	1.119414%	1.094892%

Source: California Municipal Statistics, Inc.

In accordance with the California Constitution and the Education Code, bonds approved pursuant to the 2018 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved under the 2018 Authorization will require a tax rate no greater than $30.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2019 Bonds, the District projects that the maximum tax rate required to repay the Series 2019 Bonds will be within that legal limit. The tax rate limitation applies only when new bonds are issued and does not restrict the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2019 Bonds and any other series of bonds issued under the 2018 Authorization in each year.

Tax Charges and Delinquencies

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2019 Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer-tax collector.

The County has not adopted the "Teeter Plan" alternative method for collection of taxes and, therefore, such alternative method is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies. However, the County does not provide information regarding secured tax charges and delinquencies for its 1% general fund levy.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Direct and Overlapping Debt

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective January 24, 2019 for debt outstanding as of February 1, 2019. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. 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.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
Statement of Direct and Overlapping Bonded Debt

January 24, 2019

2018-19 Assessed Valuation: $2,156,869,524

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 2/1/19
West Hills Community College District	19.028%	$2,309,048
West Hills Community College District SFID No. 3	43.268	13,679,564
Lemoore Union High School District	76.395	8,929,579
Lemoore Union School District	100.000	-[2]
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$24,918,191
OVERLAPPING GENERAL FUND DEBT:		
Kings County General Fund Obligations	19.996%	$2,986,403
Kings County Pension Obligation Bonds	19.996	981,835
West Valley Community College District General Fund Obligations	19.028	2,378,163
Lemoore Union High School District Certificates of Participation	76.395	543,932
TOTAL OVERLAPPING GENERAL FUND DEBT		$6,890,333
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$14,243,949
TOTAL DEBT		$46,052,473[3]

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($0)....................0.00%
Total Direct and Overlapping Tax and Assessment Debt....................1.16%
Combined Total Debt....................2.14%

Ratio to 2018-19 Redevelopment Incremental Valuation ($976,748,195):

Total Overlapping Tax Increment Debt....................1.46%

(1) 2017-18 ratios.
(2) Excludes the Series 2019 Bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2019 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Series 2019 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2019 Bonds when due as set forth in the form of the Policy included as an exhibit 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: **www.buildamerica.com**.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at **www.standardandpoors.com**. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2019 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2019 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2019 Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Series 2019 Bonds, nor does it guarantee that the rating on the Series 2019 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2018 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $526 million, $113 million and $414 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at **www.buildamerica.com**, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2019 Bonds or the advisability of investing in the Series 2019 Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at **buildamerica.com/creditinsights/**. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series 2019 Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2019 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2019 Bonds, whether at the initial offering or otherwise.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Series 2019 Bonds is less than the amount to be paid at maturity of such Series 2019 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2019 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2019 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2019 Bonds is the first price at which a substantial amount of such maturity of the Series 2019 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2019 Bonds accrues daily over the term to maturity of such Series 2019 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2019 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2019 Bonds. Beneficial Owners of the Series 2019 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2019 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2019 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2019 Bonds is sold to the public.

Series 2019 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2019 Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2019 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2019 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2019 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2019 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2019 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, 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 or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2019 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2019 Bonds ends with the issuance of the Series 2019 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2019 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2019 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2019 Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

OTHER LEGAL MATTERS

Legal Opinion

The validity of the Series 2019 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to the Series 2019 Bonds at the time of issuance substantially in the form set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Dannis Woliver Kelley, Long Beach, California.

Legality for Investment in California

Under the provisions of the California Financial Code, the Series 2019 Bonds are legal investments for commercial banks in California to the extent that the Series 2019 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 Series 2019 Bonds are eligible securities for deposit of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and Beneficial Owners of the Series 2019 Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2018-19 fiscal year (which is due no later than April 1, 2020) and notice of the occurrence of certain enumerated events ("Notice

Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D − “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the “Rule”) of the Securities and Exchange Commission (the “SEC”).

Isom Advisors, a Division of Urban Futures, Inc. has been engaged by the District as its dissemination agent for its undertakings relating to the Series 2019 Bonds.

Litigation

No litigation is pending or threatened concerning or contesting the validity of the Series 2019 Bonds or the District’s ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District’s ability to issue and retire the Series 2019 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2019 Bonds or District officials who will sign certifications relating to the Series 2019 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2019 Bonds.

The District is occasionally 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.

Bank Qualified

The District has designated the Series 2019 Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code. Pursuant to that section, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated “bank qualified” investments.

MISCELLANEOUS

Ratings

S&P Global Ratings (“S&P”) has assigned an underlying rating of “A+” to the Series 2019 Bonds. Rating agencies generally base their ratings on their own investigations, studies and assumptions as well as information and materials furnished to them (which may include information and materials from the District, which are not included in this Official Statement). The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2019 Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2019 Bonds. Neither the Underwriter (defined herein) nor the District has undertaken any responsibility after the offering of the Series 2019 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

In addition, S&P has assigned its rating of “AA” to the Series 2019 Bonds with the understanding that, upon delivery of the Series 2019 Bonds, the Policy will be delivered by BAM. See “BOND INSURANCE.” Such rating is expected to be assigned solely as a result of the issuance of the Policy and will reflect only the rating agency’s view of the claims-paying ability and financial strength of BAM.

Neither the District nor the Underwriter have made any independent investigation of the claims-paying ability of BAM and no representation is made that any insured rating of the Series 2019 Bonds based upon the purchase of the Policy will remain higher than the rating agency's underlying rating of the Series 2019 Bonds described above, which did not take bond insurance into account. The existence of the Policy will not, of itself, negatively affect such underlying rating. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Series 2019 Bonds and the claims paying ability of BAM, particularly over the life of the investment. Without regard to any bond insurance, the Series 2019 Bonds are payable from the proceeds of an *ad valorem* tax approved by the voters of the District pursuant to all applicable laws and constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2019 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS." However, any downward revision or withdrawal of any rating of BAM may have an adverse effect on the market price or marketability of the Series 2019 Bonds.

Underwriting

The Series 2019 Bonds are being purchased for reoffering to the public by O'Connor & Company Securities, Inc. (the "Underwriter") pursuant to the terms of a bond purchase agreement executed on March 12, 2019 (the "Purchase Agreement"), by and between the District and the Underwriter. The Underwriter has agreed to purchase the Series 2019 Bonds at a price of $7,607,419.84. The Purchase Agreement provides that the Underwriter will purchase all of the Series 2019 Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2019 Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP is acting as Bond Counsel and Disclosure Counsel with respect to the Series 2019 Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Series 2019 Bonds. Isom Advisors, a Division of Urban Futures, Inc., is acting as the District's municipal advisor (the "Municipal Advisor") with respect to the Series 2019 Bonds. Dannis Woliver Kelly is acting as counsel to the Underwriter with respect to the Series 2019 Bonds. Payment of the fees and expenses of the District's Municipal Advisor and counsel to the Underwriter are also contingent upon the sale and delivery of the Series 2019 Bonds.

[Remainder of page left intentionally blank.]

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Series 2019 Bonds. Quotations from and summaries and explanations of the Series 2019 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

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 Series 2019 Bonds.

The District has duly authorized the delivery of this Official Statement.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

By: /s/ Cheryl Hunt
Superintendent

APPENDIX A

INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

The information in this appendix concerning the operations of the Lemoore Union Elementary School District (the "District"), the District's finances, and State of California (the "State") funding of education, 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 Series 2019 Bonds are payable from the general fund of the District or from State revenues. The Series 2019 Bonds are payable from the proceeds of an ad valorem tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County of Kings on property within the District in an amount sufficient for the timely payment of principal of and interest on the Series 2019 Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" in the front portion of this Official Statement.

THE DISTRICT

Introduction

The District is a small, rural district located in Kings County, California (the "County"), which serves the City of Lemoore and unincorporated portions of the County. The District offers instruction to students from transitional kindergarten through eighth grade. The District currently operates four elementary schools (kindergarten through sixth grade), one dependent charter school (sixth through eighth grade), one middle school (seventh and eighth grade), and one community day school. The Lemoore Elementary University Charter School is operated by the District and its financial activities are presented in the District's audited financial statements in the Charter School Fund. Enrollment in the District for the current school year is approximately 3,308 students, which includes the enrollment at Lemoore Elementary University Charter School. The District operates under the jurisdiction of the Kings County Superintendent of Schools.

Board of Trustees

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is a voting member and elected by voters within the District to serve alternating four-year terms. The members are elected to four-year terms in alternate slates of two and three, and elections are held every two years. In 2011, the Board decided to change its election method for members of the Board from an "at-large" method to a "district-based" system. Each December the Board elects a President and Clerk to serve one-year terms. Current voting members of the Board, together with their trustee area, office and the date their current term expires, are listed below.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)

Board of Trustees

Name	Trustee Area	Office	Term Expires
Stephen Todd	Area 5	President	December 2020
Ed Mendes	Area 1	Clerk	December 2022
Myeisha Neal	Area 2	Member	December 2020
Mark Pescatore	Area 4	Member	December 2022
Jerry Waymire	Area 3	Member	December 2022

Superintendent and Business Services Personnel

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Ms. Hunt was appointed by the Board to serve as Superintendent in June 2016. Julie Fagundes was appointed by the Board as the Chief Business Official in 2012; she will be resigning from the District effective June 30, 2019. Information concerning the District's Superintendent and the District's Chief Business Official is set forth below.

Cheryl Hunt, Superintendent. Cheryl Hunt began her public education career in 1994 as a science teacher for ten years. She assumed the role of Curriculum Facilitator then promoted to the positions of Assistant Principal, Director of Community Day School and Principal of a high school serving in that district for fourteen years. She promoted to an Assistant Superintendent of Special Education and Health Services for a large urban district. Following this assignment, Mrs. Hunt, joined the Lemoore Union Elementary School District in 2015, serving as the Assistant Superintendent of Curriculum, Instruction and Categorical Programs. In 2016, she was appointed as the Superintendent of the District. Superintendent Hunt received a Bachelor of Arts Degree in Biology from the California State University, Fresno. She also earned her Master of Arts Degree in Administration and Supervision with honors from California State University, Fresno.

Julie Fagundes, Chief Business Official. Julie Fagundes began her public education career in 2007. She started with Visalia Unified School District as the Property & Facilities Specialist, assisting the Director with expenditure reporting and contract management for the successful opening of two new elementary schools. Mrs. Fagundes moved to an analyst position in the budget department and served there for four years assisting the Budget Director and Chief Financial Officer. She joined Lemoore Union Elementary School District in 2012 as the Chief Business Officer. Mrs. Fagundes received a Bachelor of Arts Degree in Organizational Leadership, graduating Summa Cum Laude from Fresno Pacific University. She earned certification from University of Southern California, Rossier School of Education, for completion of the School Business Management Program and holds certification from The California Association of School Business Officials.

DISTRICT FINANCIAL MATTERS

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "− Allocation of State Funding to School Districts; Local Control Funding Formula" herein) and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "− Local Sources of Education Funding" herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has projected to receive approximately 86.60% of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately $31.01 million in fiscal year 2018-19. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "−Allocation of State Funding to School Districts; Local Control Funding Formula" and " – *Attendance and LCFF*" and "Other District Revenues – *Other State Revenues*" below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District's revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two–thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2018-19 State budget on June 27, 2018.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

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

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

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Series 2019 Bonds, and the District takes no responsibility for informing owners of the Series 2019 Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, **www.dof.ca.gov**, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst **at www.lao.ca.gov**. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, **www.treasurer.ca.gov**. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2018-19 State Budget. The Governor signed the fiscal year 2018-19 State Budget (the "2018-19 State Budget") on June 27, 2018. The 2018-19 State Budget sets forth a balanced budget for fiscal year 2018-19 that projects approximately $133.33 billion in revenues, and $83.82 billion in non-Proposition 98 expenditures and $54.87 billion in Proposition 98 expenditures. The 2018-19 State Budget includes a $1.96 billion reserve in the Special Fund for Economic Uncertainties. The 2018-19 State Budget uses dedicated proceeds from Proposition 2 to pay down approximately $1.75 billion in past budgetary borrowing and

State employee pension liabilities. The 2018-19 State Budget includes total funding of $97.2 billion ($56.1 billion State general fund and $41.1 billion other funds) for all kindergarten through grade 12 ("K-12") education programs. The 2018-19 State Budget provides $3.7 billion in new funding for the LCFF, which fully implements the school district and charter school formula two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional $570 million above the cost of living adjustment as an ongoing increase to the formula. The 2018-19 State Budget also provides $300 million one-time Proposition 98 State general fund resources for the Low-Performing Students Block Grant, which will provide resources in addition to LCFF funds to local educational agencies with students who perform at the lowest levels on the State's academic assessments and do not generate supplemental LCFF funds or State or federal special education resources.

Certain budgeted adjustments for K-12 education set forth in the 2018-19 State Budget include the following:

- Statewide System of Support. The 2018-19 State Budget includes $57.8 million in Proposition 98 general fund resources for county offices of education to provide technical assistance to school districts, of which $4 million will go towards geographical regional leads to build systemwide capacity to support school district improvement.

- Multi-Tiered Systems of Support (MTSS). The 2018-19 State Budget includes $15 million one-time Proposition 98 general fund resources to expand the State's MTSS framework to foster positive school climate in both academic and behavioral areas.

- Community Engagement Initiative. The 2018-19 State Budget includes $13.3 million one-time Proposition 98 general fund resources for the California Collaborative for Educational Excellence and a co-lead county office of education to help school districts build capacity for community engagement in the local control and accountability plan ("LCAP") process.

- California Collaborative for Educational Excellence. The 2018-19 State Budget includes $11.5 million Proposition 98 general fund resources to support the California Collaborative for Educational Excellence in its role within the statewide system of support.

- Special Education Local Plan Area (SELPA) Technical Assistance. The 2018-19 State Budget includes $10 million Proposition 98 general fund resources for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance (specific to students with exceptional needs) within the statewide system of support.

- Dashboard Improvement. The 2018-19 State Budget includes $300,000 one-time Proposition 98 general fund resources to improve the user interface of the California School Dashboard.

- LCFF Budget Summary for Parents. The 2018-19 State Budget includes $200,000 one-time Proposition 98 general fund resources to develop the electronic template for the LCFF Budget Summary for Parents, which will help stakeholders better understand funding decisions made within the LCAP.

- LCAP Redesign. The 2018-19 State Budget includes $200,000 one-time Proposition 98 general fund resources to support intended future legislation to streamline the LCAP.

- Strong Workforce Program. The 2018-19 State Budget includes $164 million ongoing Proposition 98 general fund resources to establish a K-12 specific component within the Strong Workforce Program designed to encourage local educational agencies to offer high-quality career technical education programs that are aligned with needed industry skills and regional workforce development efforts occurring through the existing Strong Workforce Program.

- Career Technical Education Incentive Grant Program. The 2018-19 State Budget includes $150 million ongoing Proposition 98 general fund resources to make permanent the Career Technical Education Incentive Grant Program.

- Inclusive Early Education Expansion Program. The 2018-19 State Budget creates the Inclusive Early Education Expansion Program, providing $167.2 million one-time Proposition 98 general fund resources through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income areas and in areas with relatively low access to care.

The complete 2018-19 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2019-20 State Budget. The Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 State Budget") on January 10, 2019. The Proposed 2019-20 State Budget sets forth a balanced budget for fiscal year 2019-20. However, the Governor cautions that there are uncertainties that must be considered as the budget is revised, including the impact of the global political and economic climate, changes to federal policy, rising costs and risk of recession. The Proposed 2019-20 State Budget estimates that total resources available in fiscal year 2018-19 totaled approximately $149.32 billion (including a prior year balance of approximately $12.38 billion) and total expenditures in fiscal year 2018-19 totaled approximately $144.08 billion. The Proposed 2019-20 State Budget projects total resources available for fiscal year 2019-20 of approximately $147.86 billion, inclusive of revenues and transfers of approximately $142.62 billion and a prior year balance of $5.24 billion. The Proposed 2019-20 State Budget projects total expenditures of $144.19 billion, inclusive of non-Proposition 98 expenditures of approximately $88.90 billion and Proposition 98 expenditures of approximately $55.30 billion. The Proposed 2019-20 State Budget proposes to allocate approximately $1.39 billion of the general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $2.28 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2019-20 State Budget estimates the Rainy Day Fund will have a fund balance of $15.30 billion.

Certain budgeted adjustments for K-12 education set forth in the Proposed 2019-20 State Budget include the following:

- Local Control Funding Formula. The Proposed 2019-20 State Budget includes an increase of $2 billion in Proposition 98 general fund resources for the LCFF.

- CalSTRs Pension Costs. The Proposed 2019-20 State Budget includes a $3 billion one-time payment of non-Proposition 98 general fund resources to CalSTRs to reduce long-term liabilities for local educational agencies and community colleges, of which $700 million will go towards buying down employer contribution rates in 2019-20 and 2020-21. The remaining 2.3 billion will be allocated to the employers' long-term unfunded liability.

- Statewide System of Support. The Proposed 2019-20 State Budget includes an increase of $20.2 million of Proposition 98 general fund resources for county offices of education to provide technical assistance to school districts, consistent with the formula adopted in the 2018-19 State Budget.

- Reporting Systems Improvement. The Proposed 2019-20 State Budget includes an increase of $350,000 of one-time Proposition 98 general fund resources to merge the California School Dashboard, the LCAP electronic template, and other school site and school district reporting tools (including the School Accountability Report Card) into a single web-based application. The consolidated system will provide the public access to a single platform for information, streamline the existing reporting systems and eliminate duplicative and outdated information.

- Special Education. The Proposed 2019-20 State Budget includes $576 million of Proposition 98 general fund resources, of which $186 million is on a one-time basis, to support expanded special education services and school readiness supports at local educational agencies with high percentages of both students with disabilities and unduplicated students who are low-income, youth in foster care, and English language learners.

- Access to Full-Day Kindergarten Programs. The Proposed 2019-20 State Budget includes an increase of $750 million of one-time non-Proposition 98 general fund resources to increase participation in kindergarten programs by constructing new or retrofitting existing facilities for full-day kindergarten programs.

- Longitudinal Education Data. The Proposed 2019-20 State Budget includes an increase of $10 million of one-time non-Proposition 98 general fund resources for the development of a longitudinal data system to improve coordination across educational data systems and track the impact of state investments on achieving educational goals. This system will host student information from early education providers, K-12 schools, higher education institutions, employers, other workforce entities, and health and human services agencies. Stakeholder meetings will be held to consider data reliability and ways to improve data quality at each education segment.

- Proposition 98 Certification. The Proposed 2019-20 State Budget proposes to revise the Proposition 98 certification process to eliminate the cost allocation schedule and prohibit the State from adjusting Proposition 98 funding levels for a prior fiscal year in order to protect local educational agencies from unanticipated revenue drops in past fiscal years.

- School District Average Daily Attendance. The Proposed 2019-20 State Budget includes a decrease of $388 million of Proposition 98 general fund resources in 2018-19 for school districts as a result of a decrease in projected average daily attendance from the 2018-19 State Budget, and a decrease of $187 million of Proposition 98 general fund resources in 2019-20 for school districts as a result of further projected decline in average daily attendance for 2019-20.

- Local Property Tax Adjustments. The Proposed 2019-20 State Budget includes a decrease of $283 million of Proposition 98 general fund resources for school districts and county offices of education in 2018-19 as a result of higher offsetting property tax revenues, and a decrease of $1.25 billion of Proposition 98 general fund resources for school districts and county offices of education in 2019-20 as a result of increased offsetting property taxes

- Cost-of-Living Adjustments. The Proposed 2019-20 State Budget includes an increase of $187 million of Proposition 98 general fund resources to support a 3.46% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- CalWORKs Stages 2 and 3 Child Care. The Proposed 2019-20 State Budget includes a net increase of $119.4 million of non-Proposition 98 general fund resources in 2019-20 to reflect increases in the number of CalWORKs child care cases. Total costs for Stage 2 and Stage 3 child care are $597 million and $482.2 million, respectively.

- Full-Year Implementation of Prior Year State Preschool Slots. The Proposed 2019-20 State Budget includes an increase of $26.8 million of Proposition 98 general fund resources to reflect full-year costs of 2,959 full-day State Preschool slots implemented part-way through fiscal year 2018-19.

- County Offices of Education. The Proposed 2019-20 State Budget includes an increase of $9 million of Proposition 98 general fund resources for county offices of education to reflect a 3.46% cost-of-living adjustment and average daily attendance changes applicable to the LCFF.

- Instructional Quality Commission. The Proposed 2019-20 State Budget includes an increase of $279,000 of one-time non-Proposition 98 general fund resources for the Instructional Quality Commission to continue its work on the development of model curriculum and frameworks.

- Emergency Readiness, Response and Recovery Grant. The Proposed 2019-20 State Budget includes an increase of $50 million of one-time non-Proposition 98 general fund resources to commence a comprehensive, statewide education campaign on disaster preparedness and safety.

The complete Proposed 2019-20 State Budget is available from the California Department of Finance website at **www.dof.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of Proposed 2019-20 State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the Proposed 2019-20 State Budget entitled "The 2019-20 Budget: Overview of the Governor's Budget" on January 14, 2019 (the "2019-20 Proposed Budget Overview"). In the 2019-20 Proposed Budget Overview, the LAO summarizes the condition of the Proposed 2019-20 State Budget in light of uncertainties such as market volatility, rising costs and risk of recession. The LAO also highlights key features of the Proposed 2019-20 State Budget, which include prioritizing debt repayments and one-time programmatic spending and the early introduction of new policy goals.

The LAO notes that the Proposed 2019-20 State Budget is in a positive position, based in large part on the availability of significant discretionary resources in the amount of $20.6 billion. The LAO explains that this is due to the administration's higher revenue assumptions and lower-than-expected spending in health and human services programs. The LAO anticipates that capital gains revenues will likely be lower than the Proposed 2019-20 State Budget assumes due to the recent volatility of the financial market, including the sharp decline in stock prices at the end of 2018. However, the LAO suggests that any losses in capital gains revenues would likely be off-set by lower constitutionally required spending and reserve deposits. As a result, the LAO explains that under current conditions, the net effect on discretionary resources would be less than the full revenue decline. Although the LAO maintains a positive outlook on the Proposed 2019-20 State Budget, the LAO recognizes that the current financial market and economic conditions can change significantly and affect revenues in the May Revision of the Proposed 2019-20 State Budget.

The LAO summarizes that the Proposed 2019-20 State Budget allocates $20.6 billion in discretionary resources among a variety of priorities, including $9.7 billion for reducing debts and liabilities on a one-time basis, $5.1 for programmatic spending on a one-time basis, $2.7 billion for ongoing spending and $3 billion for reserves. The LAO points out that the Proposed 2019-20 State Budget uses a significant portion of discretionary resources for debt repayment and prioritizes one-time spending for programmatic expansions. The LAO finds this allocation prudent even though the Proposed 2019-20 State Budget apportions a smaller share of resources for reserves than recent budgets. The LAO explains that this approach benefits the budget in future years and in some cases reduces ongoing spending growth.

The LAO notes that the Proposed 2019-20 State Budget apportions $2.7 billion for ongoing spending, which will reach an estimated $3.5 billion under full implementation as costs grow over time. The LAO explains that these expenditure levels are in line with estimates of available ongoing resources. However, the LAO cautions that these costs could grow due to various uncertainties not captured in the spending proposals, such as increased costs for CalWORKs grants in case of recession and costs for disaster mitigation, response and recovery. The LAO further notes that while the Proposed 2019-20 State Budget includes mostly one-time spending for these purposes, they are more likely to be ongoing costs.

The LAO explains that the Proposed 2019-20 State Budget establishes a number of policy goals, including developing a plan for implementing universal preschool, negotiating existing state prescription drug prices and reviewing related negotiation and procurement practices, and expanding paid family leave. The LAO notes that these proposals are still in the process of development and, therefore, are not reflected in the administration's budget bottom line. The LAO finds that by proposing these policy goals at the beginning of the budget process, the Governor gives the State Legislature the opportunity to collaborate with the administration to shape these policies.

The 2019-20 Proposed Budget Overview is available on the LAO website at **www.lao.ca.gov**. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2019-20 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2019-20 State budget from the Proposed 2019-20 State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2019-20 State budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2019-20 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2019-20 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District. As the Series 2019 Bonds are payable from *ad valorem* property taxes, the State budget is not expected to have an impact on the payment of the Series 2019 Bonds.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*" herein). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years − such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant ("Base Grant") per unit of average daily attendance ("A.D.A.") with additional supplemental funding (the "Supplemental Grant") allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF was projected to have an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2018-19, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $8,235 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,571 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $7,796 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $9,269 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. Further, this amount also includes the higher costs-of-living adjustment of 3.70% authorized by the 2018-19 State Budget, which is known as "super COLA."

- A 20% Supplemental Grant for the unduplicated number of English language 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 LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, LEAs would receive the greater of the Base Grant or the ERT.

Under LCFF, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year LCAP. Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

Each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the “Collaborative”), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency’s LCAP.

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Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students")), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2018-19, respectively. The A.D.A. and enrollment numbers reflected in the first table below for the District include special education and the District's community day school but do not include Lemoore Elementary University Charter School; the second table below reflects A.D.A. and enrollment numbers for the Lemoore Elementary University Charter School.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2013-14 through 2018-19

Lemoore Union Elementary School District

		A.D.A./Base Grant				Enrollment[9]	
Fiscal Year		TK-3	4-6	7-8	Total A.D.A.	Total Enrollment	Unduplicated Percentage of EL/LI Students
2013-14	A.D.A.[2]:	1,350.56	858.89	550.09	2,820.03	2,930	72.29%
	Targeted Base Grant[3]:	$7,675	$7,056	$7,266	--	--	--
2014-15	A.D.A.[2]:	1,401.18	906.23	555.04	2,862.46	2,988	71.01%
	Targeted Base Grant[3][4]:	$7,740	$7,116	$7,328	--	--	--
2015-16	A.D.A.[2]:	1,369.44	914.14	557.10	2,840.67	2,952	70.82%
	Targeted Base Grant[3][5]:	$7,083	$7,189	$7,403	--	--	--
2016-17	A.D.A.[2]:	1,410.92	902.49	590.18	2,903.62	3,017	69.51%
	Targeted Base Grant[3][6]:	$7,116	$7,223	$7,438	--	--	--
2017-18	A.D.A.[2]:	1,457.27	960.27	591.16	3,008.70	3,150	70.44%
	Targeted Base Grant[3][7]:	$7,941	$7,301	$7,518	--	--	--
2018-19[1]	A.D.A.:	1,457.27	960.27	591.16	3,008.70	3,136	70.40%
	Targeted Base Grant[3][8]:	$8,235	$7,571	$7,796	--	--	--

(1) Figures are projections based on second interim report for fiscal year 2018-19.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year. The total A.D.A. for fiscal year 2013-14 also includes 60.49 students classified as special education students that are not included in the grade span breakdown. Beginning in fiscal year 2014-15, the District has reflected special education students in the grade span data provided for such fiscal year.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any supplemental and concentration grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF is now fully implemented as of the current fiscal year 2018-19 – two years ahead of its anticipated implementation.
(4) Targeted fiscal year 2014-15 Base Grant amount reflects a 0.85% cost-of-living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Targeted fiscal year 2015-16 Base Grant amount reflects a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
(6) Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
(7) Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
(8) Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This "super COLA" amount was authorized by the 2018-19 State Budget and exceeds the statutory 2.71% cost-of-living adjustment.
(9) Reflects enrollment as of October report submitted to the California Department of Education through CBEDS for the 2013-14 and 2014-15 school years and California Longitudinal Pupil Achievement Data System ("CALPADS") for the 2015-16 through 2017-18 school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students was expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment was based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students was based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Lemoore Union Elementary School District.

Lemoore Elementary University Charter School

Fiscal Year		A.D.A./Base Grant 4-6	7-8	Total A.D.A.	Enrollment[9] Total Enrollment	Unduplicated Percentage of EL/LI Students
2013-14	A.D.A.[2]:	116.18	144.05	230.23	239	35.56%
	Targeted Base Grant[3]:	$7,056	$7,266	--	--	--
2014-15	A.D.A.[2]:	115.40	115.45	230.85	240	36.25%
	Targeted Base Grant[3][4]:	$7,116	$7,328	--	--	--
2015-16	A.D.A.[2]:	115.90	116.19	232.09	240	38.19%
	Targeted Base Grant[3][5]:	$7,189	$7,403	--	--	--
2016-17	A.D.A.[2]:	107.23	115.63	222.86	232	39.04%
	Targeted Base Grant[3][6]:	$7,223	$7,438	--	--	--
2017-18	A.D.A.[2]:	85.42	109.92	195.35	205	41.65%
	Targeted Base Grant[3][7]:	$7,301	$7,518	--	--	--
2018-19[1]	A.D.A.:	48	117	165.00	172	43.68%
	Targeted Base Grant[3][8]:	$7,571	$7,796	--	--	--

(1) Figures are projections based on second interim report for fiscal year 2018-19.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year. The total A.D.A. for fiscal year 2013-14 also includes 60.49 students classified as special education students that are not included in the grade span breakdown. Beginning in fiscal year 2014-15, the District has reflected special education students in the grade span data provided for such fiscal year.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any supplemental and concentration grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF is now fully implemented as of the current fiscal year 2018-19 – two years ahead of its anticipated implementation.
(4) Targeted fiscal year 2014-15 Base Grant amount reflects a 0.85% cost-of-living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Targeted fiscal year 2015-16 Base Grant amount reflects a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
(6) Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
(7) Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
(8) Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This "super COLA" amount was authorized by the 2018-19 State Budget and exceeds the statutory 2.71% cost-of-living adjustment.
(9) Reflects enrollment as of October report submitted to the California Department of Education through CBEDS for the 2013-14 and 2014-15 school years and California Longitudinal Pupil Achievement Data System ("CALPADS") for the 2015-16 through 2017-18 school year. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI Students was expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment was based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI Students was based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
Source: Lemoore Union Elementary School District.

The District received approximately $27.27 million in aggregate revenues reported under LCFF sources in fiscal year 2017-18 and has projected to receive approximately $29.65 million in aggregate revenues under the LCFF in fiscal year 2018-19 (or approximately 82.8% of its general fund revenues in fiscal year 2018-19). Such amount includes supplemental grants and concentration grants, projected to be approximately $3.40 million and $1.86 million, respectively, in fiscal year 2018-19.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each 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. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "State Funding of Education; State Budget Process −*Allocation of State Funding to School Districts; Local Control Funding Formula"* herein for more information about the LCFF.

Local property tax revenues account for approximately 6.55% of the District's aggregate revenues reported under LCFF sources and are projected to be approximately $1.94 million, or 5.42% of total general fund revenues in fiscal year 2018-19.

For information about the property taxation system in California and the District's property tax base, see the sections titled "– Property Taxation System," "−Assessed Valuation of Property Within the District," and "−Tax Charges and Delinquencies" under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2019 BONDS" in the front portion of the Official Statement

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In an LCFF district, such as the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 4.47% (or approximately $1.60 million) of the District's general fund projected revenues for fiscal year 2018-19.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues comprise approximately 9.22% (or approximately $3.30 million) of the District's general fund projected revenues for fiscal year 2018-19.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately $625,000 for fiscal year 2018-19.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Other local revenues comprise approximately 3.50% (or approximately $1.26 million) of the District's general fund projected revenues for fiscal year 2018-19.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county Board of Trustees or the State Board of Trustees. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability, and (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. However, independent charter schools that receive their funding directly from the State are generally not included in a school district's financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would generally be included in the school district's financial reports and audited financial statements.

There is currently one charter school, Lemoore Elementary University Charter School ("University Charter School"), operating in the District. University Charter School is a dependent charter school and operates under authorization from the District. University Charter School serves grades fifth through eighth. Enrollment in fiscal year 2017-18 was approximately 205 students and is projected to be approximately 172 students in fiscal year 2018-19. The District's audited financial statements for fiscal year 2017-18, which are included as Appendix B, include the operations of University Charter School.

The District can make no representation as to whether enrollment at such charter school may increase at the expense of District enrollment in future years, whether additional charter schools will be established within the territory of the District, or as to the impact these or other charter school developments may have on the District's A.D.A. or finances in future years.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2018, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, M. Green and Company LLP, Certified Public Accountants, Visalia, California, for fiscal years 2013-14 through 2017-18.

M. Green and Company LLP, Certified Public Accountants and Consultants has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The table on the following page sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2013-14 through 2017-18.

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LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14(1)	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
REVENUES					
Local control funding formula sources					
State apportionment or State Aid	$13,717,277	$15,395,913	$18,719,672	$20,064,780	$20,988,370
Education Protection Account Funds	3,053,196	3,922,362	3,740,261	3,692,214	3,991,349
Local Sources	1,407,304	1,655,284	1,413,845	1,940,951	2,292,187
Federal Revenue	1,092,779	1,036,651	1,038,653	1,142,921	1,384,523
Other State Revenue	2,382,057	1,902,844	3,995,281	2,972,706	3,085,836
Other Local Revenue	1,096,710	1,080,661	1,284,662	1,090,330	1,279,021
Total Revenues	22,749,323	24,993,715	30,192,374	30,903,902	33,021,286
EXPENDITURES					
Current:					
Instruction	14,016,879	15,702,880	17,507,667	18,112,764	19,031,459
Instruction-Related Services	2,915,097	2,962,428	3,116,005	3,384,803	3,632,550
Pupil Services	1,526,204	1,776,230	2,254,232	2,562,756	2,725,933
General Administration	1,371,308	1,534,576	1,790,302	1,828,944	2,091,367
Plant Services	4,138,742	2,744,803	2,766,643	3,142,204	3,227,885
Other Outgo	324,879	382,886	274,656	393,989	378,416
Capital Outlay	-	-	96,362	355,980	846,722
Total Expenditures	24,293,109	25,103,803	27,805,867	29,781,440	31,934,332
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,543,786)	(110,088)	2,386,507	1,122,462	1,086,954
Other Financing Sources (Uses):					
Transfers In	53,225	58,625	60,901	65,400	59,368
Transfers Out	(127)	(350,339)	(1,995,780)	(3,000,000)	-
Total Other Financing Sources (Uses)	53,098	(271,714)	(1,934,879)	(2,934,600)	59,368
NET CHANGE IN FUND BALANCE	(1,490,688)	(401,802)	451,628	(1,812,138)	1,146,322
Fund Balance, July 1	12,971,460	11,480,772	11,097,431	11,549,059	9,736,921
Prior Period Adjustment	-	18,461	-	-	-
Fund Balance, June 30	$11,480,772	$11,097,431	$11,549,059	$9,736,921	$10,883,243

Source: Lemoore Union Elementary School District Audited Financial Reports for fiscal years 2013-14 through 2017-18.

The following table sets forth the general fund balance sheet of the District for fiscal years 2013-14 through 2017-18.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
Summary of General Fund Balance Sheet
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
ASSETS					
Cash in County Treasury	$ 8,159,844	$10,569,303	$11,592,425	$10,071,234	$12,247,249
Cash in Revolving Fund	500	500	500	500	500
Investments	1,767,985	1,784,749	1,059,567	1,057,399	1,058,660
Accounts Receivable	3,212,767	471,654	483,825	949,990	374,655
Due from Other Funds	121	-	120,654	120,654	120,654
Total Assets	$13,141,217	$12,826,206	$13,256,971	$12,199,777	$13,801,718
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$1,658,130	$1,707,647	$1,674,751	$2,058,832	$2,479,635
Due to Other Funds	-	-	-	400,781	400,000
Unearned Revenue	2,315	21,128	33,161	3,243	38,840
Total Liabilities	1,660,445	1,728,775	1,707,912	2,462,856	2,918,475
FUND BALANCE:					
Nonspendable Fund Balances:					
Revolving Cash	500	500	500	500	500
Restricted Fund Balances	1,308,699	798,032	1,200,587	1,238,326	585,679
Committed Fund Balances	-	-	-	-	-
Assigned Fund Balances	6,221,836	5,225,936	7,253,914	6,440,637	8,218,404
Unassigned:					
Reserved for Economic Uncertainty	715,000	715,000	851,273	1,000,059	1,020,000
Other Unassigned	3,234,737	4,357,963	2,242,785	1,057,399	1,058,660
Total Fund Balances	11,480,772	11,097,431	11,549,059	9,736,921	10,883,243
Total Liabilities and Fund Balances	$13,141,217	$12,826,206	$13,256,971	$12,199,777	$13,801,718

Source: Lemoore Union Elementary School District Audited Financial Reports for fiscal years 2013-14 through 2017-18.

District Budget Process and County Review

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 County of Kings Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 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. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the county superintendent may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations. If the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the Superintendent of Public Instruction and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the Superintendent of Public Instruction and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the Superintendent of Public Instruction and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. 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 (known as "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 two 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 fiscal year. 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 the 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 fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding year. In the last five years, the District has not received a negative or qualified certification for an interim financial report.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the Superintendent of Public Instruction and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of "State School Fund Apportionment Lease Revenue Bonds" to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy.

The following table sets forth the District's adopted general fund budgets for fiscal years 2016-17 through 2018-19, unaudited actuals for fiscal years 2016-17 and 2017-18, and second interim report for fiscal year 2018-19.

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LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
General Fund Budgets for Fiscal Years 2016-17 through 2018-19, Unaudited Actuals for Fiscal Years 2016-17 and 2017-18 and Second Interim Report for Fiscal Year 2018-19

	2016-17 Original Adopted Budget	2016-17 Unaudited Actuals[1]	2017-18 Original Adopted Budget	2017-18 Unaudited Actuals[1]	2018-19 Original Adopted Budget	2018-19 Second Interim Report[2]
REVENUES						
LCFF Sources	$25,312,400.00	$25,697,945.83	$26,603,858.00	$27,271,908.05	$29,498,244.00	$29,645,026.00
Federal Revenue	1,259,325.67	1,142,920.14	1,392,503.43	1,384,523.39	1,638,784.61	1,599,888.05
Other State Revenue	1,822,303.69	2,972,705.59	2,268,001.62	3,085,835.50	3,490,863.07	3,303,073.07
Other Local Revenue	939,168.24	1,080,224.76	953,325.91	1,260,736.15	1,068,039.39	1,254,414.79
TOTAL REVENUES	$29,333,197.60	$30,893,796.32	$31,217,688.96	$33,003,003.09	$35,695,931.07	$35,802,401.91
EXPENDITURES						
Certificated Salaries	13,286,190.50	13,173,973.05	13,414,058.50	13,588,592.02	14,458,331.71	14,966,138.11
Classified Salaries	4,002,098.04	4,029,286.06	4,153,106.62	4,250,753.60	4,510,554.39	4,548,012.31
Employee Benefits	5,664,354.34	6,962,772.80	7,470,163.60	7,680,495.12	8,465,376.77	8,692,722.09
Books and Supplies	1,957,768.13	1,418,315.49	2,197,236.96	1,550,352.41	2,193,373.61	1,846,483.65
Services, Other Operating Expenses	3,541,535.05	3,577,103.78	3,880,478.95	3,807,691.30	4,513,760.34	4,523,627.83
Capital Outlay	170,303.76	355,979.66	747,299.30	846,722.13	116,152.40	224,828.71
Other Outgo (excluding Direct Support/Indirect Costs)	400,651.00	393,988.53	611,640.00	378,415.51	688,227.00	592,023.00
Other Outgo - Transfers of Indirect Costs	(71,229.25)	(129,979.61)	(71,229.25)	(168,689.00)	(71,228.98)	(71,229.25)
TOTAL EXPENDITURES	$28,951,671.57	$29,781,439.76	$32,402,754.68	$31,934,333.09	$34,874,547.24	$35,322,606.45
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	381,526.03	1,112,356.56	(1,185,065.72)	1,068,670.00	819,383.83	479,795.46
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	60,289.71	65,400.19	60,289.71	59,368.00	65,474.00	65,474.00
Inter-fund Transfers Out	-	(3,000,000.00)	-	-	900,000.00	-
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	60,289.71	(2,934,599.81)	60,289.71	59,368.00	(834,526.00)	65,474.00
NET INCREASE (DECREASE) IN FUND BALANCE	441,815.74	(1,822,243.25)	(1,124,776.01)	1,128,038.00	(15,142.17)	545,269.46
BEGINNING BALANCE, as of July 1	7,504,525.14	9,141,104.81	6,228,329.62	7,318,861.56	6,812,436.37	8,446,899.56
Audit Adjustments	-	-	-	-	-	-
As of July 1 – Audited	7,504,525.14	9,141,104.81	6,228,329.62	7,318,861.56	6,812,436.37	8,446,899.56
Other Restatements	-	-	-	-	-	-
Adjusted Beginning Balance	7,504,525.14	9,141,104.81	6,228,329.62	7,318,861.56	6,812,436.37	8,446,899.56
ENDING BALANCE	$7,946,340.88	$7,318,861.56	$5,103,553.61	$8,446,899.56	$6,797,294.20	$8,992,169.02
Unrestricted Ending Balance	$6,955,779.43	$5,876,017.93	$4,499,040.94	$7,667,270.59	$6,139,820.92	$8,013,726.37
Restricted Ending Balance	$990,561.45	$1,442,843.63	$604,512.67	$779,628.97	$657,473.28	$978,442.65

(1) The District's unaudited actuals for fiscal years 2016-17 and 2017-18 differ from the District's audited financial statements for such fiscal years because the unaudited actuals do not include the activity of the Special Reserve Other-Than Capital Outlay Fund. The District's audited financial statements consolidate the activity of the Special Reserve Other-Than Capital Outlay Fund with the General Fund in accordance with GASB Statement No. 54.
(2) Figures are projections.
Source: Lemoore Union Elementary School District original adopted budgets for fiscal years 2016-17 through 2018-19; unaudited actuals for fiscal years 2016-17 and 2017-18; and second interim report for fiscal year 2018-19.

District Debt Structure

Long-Term Debt Summary. A schedule of changes in the District's long-term obligations for the year ended June 30, 2018, consisted of the following:

Long-Term Debt[1]	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Compensated absences	$106,762	$28,705	$ -	$135,467	$ -
Total	$106,762	$28,705	$ -	$135,467	$ -

[1] Does not reflect the issuance of the Series 2019 Bonds or the District's other post-employment benefits liability described below.
Source: Lemoore Union Elementary School District Audited Financial Report for fiscal year 2017-18.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with California State Teacher's Retirement System "CalSTRS") and the State Public Employees' Retirement System ("CalPERS") (see "– Retirement Benefits" below), the District provides a self-funded, single employer defined benefit healthcare plan (the "Plan") administered by the District to provide medical, dental, vision and life plans for all eligible active and retired District employees and their dependents. The Plan is intended to offer a comprehensive coverage of most medical with prescription drugs, dental and vision benefits. As established by Board policy, the Plan covers employees who retire from the District on or after attaining age 55 with at least 10 years of service for management, certificated and classified. Benefits are paid until they attain the age of 65 or until they qualify for Medicare, whoever is earlier. For a description of the District's program, see Note 11 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

In June 2015, the Governmental Accounting Standards Board ("GASB") issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement Number 75"). Other post-employment benefits (meaning other than pension benefits) ("OPEB") generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. The objective of Statement Number 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement Number 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement Number 75 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. Statement Number 75 replaces GASB Statements Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Number 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has implemented Statement No. 75 beginning with its audited financial statements for fiscal year 2017-18. A prior period adjustment of negative $3,099,748 was necessary to account for the total OPEB liability applicable under Statement Number 75. The new change in net position is negative $780,929 resulting in an ending net position for fiscal year 2017-18 of $16,281,585.

The District is a member of the joint powers authority School Employees Trust-Tulare County ("SET-TC") through which it provides benefits under the Plan. Currently, no assets are accumulated in a trust that meets the requirements of Statement Number 75. Total Compensation Systems, Inc. has prepared an actuarial valuation (the "Actuarial Valuation") covering the District's retiree health benefits and reports that, as of the June 30, 2017 valuation date, the District had 22 inactive employees or beneficiaries receiving benefits and 301 participating active employees, resulting in 323 total participants of the Plan. The District finances benefits on a pay-as-you-go basis. In fiscal year 2017-18, the District paid $262,393 to fund retiree insurance premiums. The Actuarial Valuation reports that the District has a total OPEB liability of $7,584,826. The Actuarial Valuation assumes, among other things, 3.50% investment return/discount rate per year, an inflation rate of 2.75% per year and a projected payroll increase of 2.75% per year. For more information about the District's total OPEB liability, see Note 11 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Tax and Revenue Anticipation Notes. The District does not expect to issue TRANS or borrow funds to supplement the District's cash flow in fiscal year 2018-19 or fiscal year 2019-20. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

Employment

As of February 2018, the District employed 162 full-time equivalent ("FTE") certificated employees, 38 FTE confidential/management employees, and 114.625 full-time equivalent classified employees. For fiscal year 2017-18, the total certificated and classified payrolls for the general fund were approximately $13.59 million and $4.25 million, respectively, and are projected to be approximately $14.97 million and $4.55 million, respectively, in fiscal year 2018-19. These employees, except management employees, are represented by the bargaining units as noted below.

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
Lemoore Elementary Teachers Association (CTA/NEA)	151.000	June 30, 2019
Lemoore Elementary Classified Organization	93.375	June 30, 2019

Source: Lemoore Union Elementary School District.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, including teachers and administrators, and CalPERS, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, covered employees contributed 8.00% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Prior to fiscal year 2014-15 and unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the member and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to system-wide unfunded liability resulting from recent benefit enhancements.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implemented a new funding strategy for CalSTRS and increased the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. AB 1469 increased member contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. However, on July 1, 2018, for members hired on or after January 1, 2013, the rate increased from 9.205% of pay to 10.250% of pay. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.828% of payroll in fiscal year 2017-18, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 9.328%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

On February 1, 2017, the State Teachers' Retirement Board voted to adopt revised actuarial assumptions reflecting members' increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor.

As of June 30, 2017, an actuarial valuation (the "2017 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $107.3 billion, an increase of approximately $10.6 million from the June 30, 2016 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2017, June 30, 2016 and June 30, 2015, based on the actuarial assumptions, were approximately 62.6%, 63.7%, and 68.5%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2017 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," a 7.00% investment return assumption consistent with the State Teachers' Retirement Board's decision on February 1, 2017, 3.00% interest on member accounts, projected 3.50% wage growth, projected 2.75% inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2017 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "−Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase in accordance with the following schedule:

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

Source: Assembly Bill 1469.

The following table sets forth the District's employer contributions to CalSTRS as well as the State's required non-employer contribution for fiscal years 2014-15 through 2017-18 and the projected contributions for fiscal year 2018-19.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
Contributions to CalSTRS for Fiscal Years 2014-15 through 2018-19

Fiscal Year	District Contribution	State's On-Behalf Contribution
2014-15	$1,056,781	$604,620
2015-16	1,371,529	789,128
2016-17	1,700,119	1,008,754
2017-18	1,977,002	1,135,069
2018-19(1)	2,312,906	1,143,525

(1) Second interim report for fiscal year 2018-19.
Source: Lemoore Union Elementary School District.

The District's total employer contributions to CalSTRS for fiscal years 2014-15 through 2017-18 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

The districts are currently required to contribute to PERS at an actuarially determined rate, which was 11.847%, 13.888% and 15.531% of eligible salary expenditures for fiscal years 2015-16, 2016-17, and 2017-18, respectively, and 18.062% of eligible salary expenditures for fiscal year 2018-19. Plan participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which was 6% of their respective salaries in fiscal years 2015-16 and 2016-17, 6.50% in fiscal year 2017-18 and 7.00% in fiscal year 2018-19.

On April 17, 2013, the PERS board of administration (the "PERS Board") approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year amortization period for gains and losses and a five-year ramp-up of rates at the start and a five year ramp-down of rates at the end. The PERS Board delayed the implementation of the new policies until fiscal year 2015-16 for the State, schools and all other public agencies. In December 2016, the PERS Board voted to lower the discount rate from 7.5% to 7.375% for fiscal year 2017-18, 7.25% for fiscal year 2018-19 and 7.0% beginning in fiscal year 2019-20. The new discount rate for the State went into effect beginning July 1, 2017 and the new discount rate for school districts became effective July 1, 2018. With regards to districts that contract with PERS to administer their pension plans, the change in the assumed rate of return is expected to result in increases in such districts' normal costs and unfunded actuarial liabilities.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The cost of the revised assumptions shall be amortized over a 20 year period and related increases in public agency contribution rates shall be affected over a three year period, beginning in fiscal year 2014-15. The new demographic assumptions affect the State, school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation assumption rate from 2.75% to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, (iii) and certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the mortality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved modifying the PERS amortization policy for investment gains/losses from 30 years to 20 years, requiring that the amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, and eliminating the 5-year ramp-up/ramp-down policy for all gains/losses except for the ramp-up policy for investment gains/losses. Such policy changes will be reflected in actuarial valuations beginning June 30, 2019, and will be implemented starting with fiscal year 2021-22 contributions. Such policy applies only to prospective accumulation of amortization and will not affect current accrued unfunded liabilities, with the exception that, with regards to the PERS Schools Pool Actuarial Valuation, the impact of the discount rate change from 7.25% to 7.00% in the June 30, 2019 valuation will be amortized under the old policy. Shortening the amortization period will increase employer contributions and help pay down the pension fund's unfunded liability faster, which may result in interest cost savings.

On April 18, 2018, the PERS Board established the employer contribution rates for fiscal year 2018-19 and released certain information from the PERS Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution for fiscal year 2019-20 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for fiscal year 2025-26.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2014-15 through 2017-18 and the projected contribution for fiscal year 2018-19.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
(Kings County, California)
Contributions to CalPERS for Fiscal Years 2014-15 through 2018-19

Fiscal Year	District Contribution
2014-15	$508,780
2015-16	567,644
2016-17	701,104
2017-18	837,363
2018-19[1]	892,992

[1] Second interim report for fiscal year 2018-19.
Source: Lemoore Union Elementary School District

The District's total employer contributions to CalPERS for fiscal years 2014-15 through 2017-18 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "−Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $127,200 for 2017, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 10 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities were typically included as notes to the government's financial statements); (ii) full pension costs are shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates are required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements, which generally increases pension expenses. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in five joint ventures under joint powers agreements ("JPA") for insurance coverage as follows:

Kings County Self-Insured Schools (KCSIS). KCSIS is an insurance purchasing pool for workers' compensation insurance.

Kings Schools Transportation Authority (KSTA). KSTA funds, establishes, develops and maintains transportation services for handicapped students.

Northern California Regional Liability Excess Fund (NorCal ReLiEF). NorCal ReLiEF arranges for and provides general liability insurance of $1,000,000 in excess of each member's agency, $50,000 self-insurance coverage for general liability claims and $250,000 in property liability insurance in excess of each member agency's $50,000 self-insurance coverage for property liability claims against the public education agencies. Additionally, through the Schools Association for Excess Risk, coverage is increased to $250,000,000 for property liability claims and $25,000 per occurrence and $60,000,000 aggregate for general liability claims.

School Employees Trust-Tulare County (SET-TC). SET-TC arranges for and provides medical, dental, vision and prescription claims through its participation in the SET-TC Pool.

Self-Insured Schools of California III (SISC III-SET TC Pool). SISC III-SET TC Pool provides the services necessary and appropriate for the establishment, operation and maintenance of a medical Self-Insurance Fund that provides for payment of medical, dental, vision and prescription claims of the member public educational agency employees and their covered dependents and to minimize the total cost of annual medical insurance of their respective member organizations.

The relationship between the District and the JPA is such that the JPA is not a component unit of the District for its financial reporting purposes. The JPA is governed by a board consisting of representatives from each member. Each member district within the JPA pays a premium commensurate with the level of coverage requested and shares of surpluses and deficits proportionate to their participation in the JPA. See Note 9 to the District's audited financial statements attached hereto as APPENDIX B— "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018" for more information.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

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) 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, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. 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.

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment 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.

The tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID ("Article XIIIC" and "Article XIIID," respectively), 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. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 *in Santa Clara County Transportation Authority v. Guardino.* This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed 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 districts and community college districts (collectively, "K-14 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, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State Appropriations Limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 districts Appropriations Limits 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 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 schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) 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, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*

On February 1, 2012, pursuant to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposition 30 and Proposition 55

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "– Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), approved by the voters on November 8, 2016, extends by 12 years the temporary personal income tax increases on incomes over $250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT FINANCIAL MATTERS — State Funding of Education; State Budget Process."

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediate after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The Series 2019 Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Series 2019 Bonds as and when due.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District’s ability to expend revenues.

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
COUNTY OF KINGS
LEMOORE, CALIFORNIA
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

M. GREEN AND COMPANY LLP
Certified Public Accountants
Visalia, CA 93277

Introductory Section

Lemoore Union Elementary School District
Audit Report
For the Year Ended June 30, 2018

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Management's Discussion and Analysis

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
KINGS COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTION

The goal of the Lemoore Union Elementary School District (District) is to provide, in an atmosphere of care and concern, an opportunity for every student to recognize and fully develop his/her particular academic, technical, vocational, physical and social skills. The District's students leave prepared to succeed in their next step in the educational process.

The Management Discussion and Analysis of the District's financial statements provides an overall review of the financial activities for the fiscal year ended June 30, 2018. This analysis will look at the District's financial performance as a whole. The Management Discussion and Analysis should be reviewed in conjunction with the independent auditors' report, notes to the basic financial statements and the basic government-wide financial statements to enhance the understanding of financial performance.

The District is a small, rural district offering instruction to students from transitional kindergarten through eighth grade. During the 2017-2018 school year, the District operated four (4) elementary schools, one (1) 5-8 charter school, one (1) 7-8 middle school and one (1) community day school on a traditional August through June calendar, for the instruction of approximately 3,400 students.

USING THE ANNUAL FINANCIAL REPORT

- This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

- The Management Discussion and Analysis Statement is provided to assist our citizens, taxpayers, and investors in reviewing the District's finances and to show accountability for the money it receives.

FINANCIAL HIGHLIGHTS

- The District's Government-wide Statement of Net Position illustrates total net position of $16,281,585.

- The District's overall revenue was $41,003,038. General Revenues accounted for $31,250,463. Program specific revenues in the form of charges for services, grants and contributions accounted for $9,752,575.

- The District had $38,684,219 in total expenses for governmental activities. Total revenues exceeded total expenses which resulted in a net change in net position of $2,318,819. After a prior period adjustment of ($3,099,748), the change in net position is ($780,929). The ending net position for June 30, 2018 is $16,281,585.

- A prior period adjustment of ($3,099,748) was necessary to account for the Total Other Postemployment Benefit Liability applicable under GASB 75. The new change in net position is ($780,929) resulting in an ending net position for June 30, 2018 of $16,281,585.

STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

- The District had an enrollment of approximately 3,363 students for the 2017-2018 school year, which includes the enrollment for University Charter School. Enrollment had an increase of 113 students over the prior school year.

- In addition to tracking enrollment, the District carefully tracks actual Average Daily Attendance (ADA). The terms ADA and enrollment, although both important, are terms that are often used incorrectly and interchangeably. ADA is tracked monthly at the District but the most important figure comes from the P-2 ADA calculation which is a cumulative total of months 1-8. The P-2 report is significant in calculating the District's General Fund, and Charter School Fund Revenues. The District's P-2 ADA was 3204.04, which was 77.56 higher than the prior year.

REPORTING THE DISTRICT AS A WHOLE

- <u>THE STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES</u>

  One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The "Statement of Net Position" and the "Statement of Activities" report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

  These two statements report the District's net position and changes in them. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors, such as property tax base, current property tax laws, student enrollment, and facility conditions in arriving at their conclusion regarding the overall health of the District.

- <u>FUND FINANCIAL STATEMENTS</u>

  The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various regulations. The District's governmental funds use a different accounting approach as further described in the notes to financial statements.

- GOVERNMENTAL FUNDS

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual basis of accounting. Governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in Exhibits A-4 and A-6. The notes to financial statements explain the differences in the nature of the funds.

Governmental funds include most of the major funds of the District. A more detailed discussion of Governmental funds follows.

- FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

- NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

- THE DISTRICT AS A WHOLE

The "Statement of Net Position" provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2017-18.

	Governmental Activities		Year to Year
Assets	**2016-2017**	**2017-2018**	**Comparison**
Current and Other Assets	$ 17,142,524	$ 22,734,381	$ 5,591,857
Capital Assets	28,723,216	28,354,186	(369,030)
Total Assets	**45,865,740**	**51,088,567**	5,222,827
Deferred Outflows of Resources			
Deferred Outflows of Resources - Pensions	6,183,094	9,514,463	3,331,369
Deferred Outflows of Resources - OPEB	-	262,393	262,393
Total Deferred Outflows of Resources	**6,183,094**	**9,776,856**	**3,593,762**
Liabilities			
Current Liabilities	2,147,143	2,763,676	616,533
Net Pension Liability	28,514,264	33,134,457	4,620,193
Other Postemployment Benefit Liability	3,473,610	7,584,826	4,111,216
Long-Term Debt	106,762	135,467	28,705
Total Liabilities	**34,241,779**	**43,618,426**	**9,376,647**
Deferred Inflows of Resources			
Deferred Inflows of Resources - Pensions	744,541	965,412	220,871
Net Position			
Net Investment in Capital Assets	28,723,216	28,354,186	(369,030)
Restricted	6,496,786	9,673,141	3,176,355
Unrestricted	(18,157,488)	(21,745,742)	(3,588,254)
Total Net Position	**$ 17,062,514**	**$ 16,281,585**	**$ (780,929)**

Table 1

Table 2 shows the comparison of revenues and expenses for the audit year and prior year:

	Total District Activities		Difference in
Revenues	**2016-2017**	**2017-2018**	**Activities**
Program revenues			
Charges for Services	$ 223,799	$ 250,268	$ 26,469
Operating Grants and Contributions	5,417,826	5,917,233	499,407
Capital Grants and Contributions	4,618	3,585,074	3,580,456
General Revenues			
LCFF Sources	27,577,546	28,984,183	1,406,637
Federal Revenues	49,269	96,228	46,959
State Revenues	1,340,033	1,352,920	12,887
Local Revenues	374,506	817,132	442,626
Total Revenues	**34,987,597**	**41,003,038**	**6,015,441**
Expenses			
Instruction	20,569,802	21,615,766	1,045,964
Instruction-Related Services	3,821,281	4,232,993	411,712
Pupil Services	4,521,626	4,909,063	387,437
Administration	2,752,834	3,128,409	375,575
Maintenance & Operations	3,849,123	4,419,572	570,449
Other	393,989	378,416	(15,573)
Total Expenses	**35,908,655**	**38,684,219**	**2,775,564**
Excess (Deficiency)	(921,058)	2,318,819	3,239,877
Prior Period Adjustment	-	(3,099,748)	(3,099,748)
Change in Net Position	**$ (921,058)**	**$ (780,929)**	**$ 3,239,877**

Table 2

GOVERNMENTAL FUNDS

- The District's Governmental Funds include the Charter School Fund (0900), Cafeteria Fund (1300), Deferred Maintenance Fund (1400), County School Facilities Fund (3500), Capital Facilities Fund (2500), Special Reserve Fund for Capital Outlay (4000), and most importantly for the daily operation of the District is the General Fund (0100).

GENERAL FUND BUDGET INFORMATION

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

The District begins the budget process in January of each year, to be completed by June 15th. After updating of the forecast for changes in revenue and expenditure assumptions, the operating budget begins with personnel costs. Each school in the District receives a small discretionary allocation. The support departments provide input to the Business Office for their budget needs. The site and department budgets are reviewed monthly to ensure management becomes aware of any significant variations during the year.

GENERAL FUND BUDGET VARIATIONS

In June of each year, a budget is adopted by the District's Board of Trustees, effective July 1 through June 30. The budget is based on the most current information available at the time of adoption. As the school year progresses, the budget is revised and updated, with numerous financial reports made public outlining the revisions. Finally, in August of the following year, the books are closed for the July 1 – June 30 fiscal year, and the results are audited, yielding actual final numbers.

There are several reasons for budget revisions. Most notable are any salary increases granted by the Board of Trustees for District employees because the original budget does not presume salary increases. Any changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would also yield budget revisions. Also, any changes made from funding sources regarding the amount of the allocations that the District will receive will result in revisions to those categorical budgets.

The District is currently operating within positive fiscal conditions. This is a result of the State of California's new education funding formula called the Local Control Funding Formula. The State and Federal education budgets have a direct impact on the District's budget, as these two sources change, so do District revenues. The implementation of new instructional or categorical programs can also effect budget projections. The District revises its budget four times per fiscal year for such changes from the state and/or federal allocations. These revisions occur at Budget Adoption, 1st Interim, 2nd Interim, and Unaudited Actuals.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of the fiscal year 2017-2018, the District had $28,354,186 invested in land, site improvements, buildings, and equipment. Table 3 shows the historical amounts and related depreciation:

Assets	**Historical Cost**	**Accumulated Depreciation**	**Net Capital Assets**
Land	$ 1,106,390	$ -	$ 1,106,390
Improvement of Sites	2,780,865	1,569,742	1,211,123
Buildings	42,935,214	19,132,452	23,802,762
Capital Equipment	4,163,682	2,016,794	2,146,888
Work in Progress	87,023	-	87,023
Total Net Capital Assets	$ 51,073,174	$ 22,718,988	$ 28,354,186

Table 3

LONG-TERM DEBT

At June 30, 2017 the District had $135,467 in long-term debt made up of compensated absences.

THE FUTURE

The Lemoore community voted to pass the District's first school bond, Measure D, in November 2018. This bond will provide necessary funding for facility improvements, including new construction for a fifth elementary site and modernization of existing sites. The first series of bonds is anticipated to sale in the spring of 2019.

The District's system of budgeting and internal controls is conservative and will continue to be utilized. The assumptions used to establish the budget are based on the most current information available at the time the budget is adopted in June. These assumptions are updated within 45 days of the State Budget Adoption as well as at the 1st and 2nd Interim periods. It takes the cooperation of all affected parties within the District in order to meet the current financial challenges as well as those of the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Julie Fagundes, Chief Business Official, Lemoore Union Elementary School District, mailing address 100 Vine Street, Lemoore, CA 93245, physical address 1200 W. Cinnamon Avenue, Lemoore, CA 93245, phone (559) 924-6800.

Financial Section

Tulare
Visalia
Lindsay
Hanford

M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Trustees
Lemoore Union Elementary School District
100 Vine Street
Lemoore, California 93245

Members of the Board of Trustees:

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 Lemoore Union Elementary 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lemoore Union Elementary 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

As described in Note 1 to the financial statements, Lemoore Union Elementary School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017* for the year ended June 30, 2018. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of Lemoore Union Elementary School District's proportionate share of the net pension liability, schedule of Lemoore Union Elementary School District's pension contributions and schedule of changes in the total OPEB liability and related ratios on pages 1–7 and 41–44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lemoore Union Elementary School District's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* 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 basic financial statements. The accompanying other required supplementary schedules as other supplementary information as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* published by the Education Audit Appeals Panel are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other required supplementary schedules as supplementary information are the responsibility of management and were derived from and relate 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 schedule of expenditures of federal awards and other required supplementary schedules as supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The combining statements presented as other supplementary information on pages 45 through 48 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of Lemoore Union Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lemoore Union Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lemoore Union Elementary School District's internal control over financial reporting and compliance.

M. Green and Company, LLP

Visalia, California
December 3, 2018

Basic Financial Statements

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS:	
Cash in County Treasury	$ 17,306,895
Cash in Revolving Fund	1,000
Investments	1,058,660
Accounts Receivable	4,309,719
Stores Inventories	58,107
Capital Assets:	
Land	1,106,390
Land Improvements, Net	1,211,123
Buildings, Net	23,802,762
Equipment, Net	2,146,888
Work in Progress	87,023
Total Assets	51,088,567
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pensions	9,514,463
Deferred Outflows of Resources - OPEB	262,393
Total Deferred Outflows of Resources	9,776,856
LIABILITIES:	
Accounts Payable	2,724,836
Unearned Revenue	38,840
Noncurrent Liabilities:	
Net Pension Liability	33,134,457
Total Other Postemployment Benefit Liability	7,584,826
Due in more than one year	135,467
Total Liabilities	43,618,426
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows of Resources - Pensions	965,412
Total Deferred Inflows of Resources	965,412
NET POSITION:	
Net Investment in Capital Assets	28,354,186
Restricted For:	
Capital Projects	7,193,547
Legally Restricted Programs	654,619
Specific Programs	1,824,975
Unrestricted	(21,745,742)
Total Net Position	$ 16,281,585

The accompanying notes are an integral part of this statement.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
PRIMARY GOVERNMENT:					
Governmental Activities:					
Instruction	$ 21,615,766	$ -	$ 2,806,128	$ 3,585,074	$ (15,224,564)
Instruction-Related Services	4,232,993	-	675,524	-	(3,557,469)
Pupil Services	4,909,063	237,784	2,032,657	-	(2,638,622)
General Administration	3,128,409	12,484	157,667	-	(2,958,258)
Plant Services	4,419,572	-	173,132	-	(4,246,440)
Other Outgo	378,416	-	72,125	-	(306,291)
Total Governmental Activities	38,684,219	250,268	5,917,233	3,585,074	(28,931,644)
Total Primary Government	$ 38,684,219	$ 250,268	$ 5,917,233	$ 3,585,074	(28,931,644)

General Revenues:	
LCFF Sources	28,984,183
Federal Revenues	96,228
State Revenues	1,352,920
Local Revenues	817,132
Total General Revenues	31,250,463
Change in Net Position	2,318,819
Net Position - Beginning	17,062,514
Prior Period Adjustment	(3,099,748)
Net Position - Ending	$ 16,281,585

The accompanying notes are an integral part of this statement.

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LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	County School Facilities Fund
ASSETS:		
Cash in County Treasury	$ 12,247,249	$ 224,992
Cash in Revolving Fund	500	-
Investments	1,058,660	-
Accounts Receivable	374,655	3,582,294
Due from Other Funds	120,654	-
Stores Inventories	-	-
Total Assets	$ 13,801,718	$ 3,807,286
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 2,479,635	$ -
Due to Other Funds	400,000	120,654
Unearned Revenue	38,840	-
Total Liabilities	2,918,475	120,654
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	500	-
Stores Inventories	-	-
Restricted Fund Balances	585,679	3,686,632
Committed Fund Balances	-	-
Assigned Fund Balances	8,218,404	-
Unassigned:		
Reserve for Economic Uncertainty	1,020,000	-
Other Unassigned	1,058,660	-
Total Fund Balance	10,883,243	3,686,632
Total Liabilities and Fund Balances	$ 13,801,718	$ 3,807,286

The accompanying notes are an integral part of this statement.

Special Reserve Fund For Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
$ 3,050,158	$ 1,784,496	$ 17,306,895
-	500	1,000
-	-	1,058,660
-	352,770	4,309,719
-	400,000	520,654
-	58,107	58,107
$ 3,050,158	$ 2,595,873	$ 23,255,035
$ -	$ 245,201	$ 2,724,836
-	-	520,654
-	-	38,840
-	245,201	3,284,330
-	500	1,000
-	58,107	58,107
-	1,081,361	5,353,672
-	744,417	744,417
3,050,158	466,287	11,734,849
-	-	1,020,000
-	-	1,058,660
3,050,158	2,350,672	19,970,705
$ 3,050,158	$ 2,595,873	$ 23,255,035

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

EXHIBIT A-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds balance sheet	$ 19,970,705
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds:	
Capital assets	51,073,174
Accumulated depreciation	(22,718,988)
Other long-term assets are not available to pay for current period expenditures, and therefore are not reported in the funds:	
Deferred outflows of resources related to pensions	9,514,463
Deferred outflow of resources related to OPEB	262,393
Certain liabilities are not due and payable in the current period from current financial resources, and therefore are not reported in the funds:	
Compensated absences	(135,467)
Net pension liability	(33,134,457)
Total other postemployment benefit liability	(7,584,826)
Deferred inflows of resources related to pensions	(965,412)
Net position of governmental activities - Statement of Net Position	$ 16,281,585

The accompanying notes are an integral part of this statement.

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LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	County School Facilities Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 20,988,370	$ -
Education Protection Account Funds	3,991,349	-
Local Sources	2,292,187	-
Federal Revenue	1,384,523	-
Other State Revenue	3,085,836	3,582,294
Other Local Revenue	1,279,021	2,780
Total Revenues	33,021,286	3,585,074
Expenditures:		
Current:		
Instruction	19,031,459	-
Instruction - Related Services	3,632,550	-
Pupil Services	2,725,933	-
General Administration	2,091,367	-
Plant Services	3,227,885	-
Other Outgo	378,416	-
Capital Outlay	846,722	-
Total Expenditures	31,934,332	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,086,954	3,585,074
Other Financing Sources (Uses):		
Transfers In	59,368	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	59,368	-
Net Change in Fund Balance	1,146,322	3,585,074
Fund Balance, July 1	9,736,921	101,558
Fund Balance, June 30	$ 10,883,243	$ 3,686,632

The accompanying notes are an integral part of this statement.

Special Reserve Fund For Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 1,184,353	$ 22,172,723
-	266,242	4,257,591
-	261,681	2,553,868
-	1,397,191	2,781,714
-	262,648	6,930,778
37,687	713,601	2,033,089
37,687	4,085,716	40,729,763
-	1,054,210	20,085,669
-	290,540	3,923,090
-	1,894,259	4,620,192
-	182,039	2,273,406
-	248,314	3,476,199
-	-	378,416
-	150,745	997,467
-	3,820,107	35,754,439
37,687	265,609	4,975,324
-	-	59,368
-	(59,368)	(59,368)
-	(59,368)	-
37,687	206,241	4,975,324
3,012,471	2,144,431	14,995,381
$ 3,050,158	$ 2,350,672	$ 19,970,705

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

EXHIBIT A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	$ 4,975,324
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset:	
Expenditures for capital outlay	914,443
Depreciation expense	(1,283,473)
Expenses reported in the SOA that do not require the use of current financial resources are not reported as expenditures in the funds:	
Compensated absences	(28,705)
The net change in the net position liability, deferred outflows and deferred inflows are reported as pension expense in the SOA. Pension contributions are reported as expenditures in the funds.	(1,509,695)
The net change in the total other postemployment benefit liability and deferred outflows are reported as OPEB expense in the SOA. OPEB contributions are reported as expenditures in the funds.	(749,075)
Change in net position of governmental activities - Statement of Activities	$ 2,318,819

The accompanying notes are an integral part of this statement.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 85,679
Total Assets	85,679
LIABILITIES:	
Due to Student Groups	85,679
Total Liabilities	85,679
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

NOTE 1 - Summary of Significant Accounting Policies

Lemoore Union Elementary School District (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 the accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Financial Reporting Entity

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

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are, therefore, not available to support District programs, these funds are not included in the government-wide statements.

The District reports the following major governmental funds:

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

> Fund 171, Special Reserve Fund for Other Than Capital Outlay Project 2 and Fund 172, Special Reserve Fund for Other Than Capital Outlay Project 3, currently defined as special revenue funds in the California School Accounting Manual (CSAM), do not meet the GASB Statement No. 54 special revenue fund definition because the funds are not substantially composed of restricted or committed revenue sources. While the funds are authorized by statute and will remain open for internal reporting purposes, the funds function effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in the audited financial statements.

The County School Facilities Fund is used to receive apportionments from the State School Facilities Fund authorized by the State Allocation Board for new facility construction projects, modernization projects and facility hardship grants.

The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes.

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 following special revenue funds are utilized by the District:

> The Charter School Fund is used to account separately for federal, state and local resources to operate the District's Charter School that would otherwise be reported in the authorizing District's General Fund. The fund is to be used only for those expenditures as necessary for the operation of the District's Charter School program.
>
> The Cafeteria Fund is used to account separately for federal, state and local resources to operate the food service program and is to be used only for those expenditures as necessary for the operation of the District's food service program.
>
> The Deferred Maintenance Fund is used to account separately for state apportionments that are committed for deferred maintenance purposes.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The following capital projects fund is utilized by the District:

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

The District reports the following fiduciary fund:

Agency Funds are used to account for assets held for others in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The following agency fund is utilized by the District:

> The District maintains one agency fund for the schools' student bodies.

<u>Measurement Focus, Basis of Accounting</u>

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

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.

Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and function and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. All appropriations lapse at year end.

Deposits and Investments

Cash balances held in banks and in revolving funds are fully insured or collateralized.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The County pools these funds with those of other districts in the county and invests the cash. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). Interest earned is deposited quarterly into the participating funds. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Information regarding the amount of dollars invested in derivatives with Kings County Treasury was not available for the year ended June 30, 2018.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established accounting principles generally accepted in the United States of America as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The investments are measured on a recurring basis. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Inventories of the General Fund are immaterial and have been omitted from these statements.

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Land Improvements	20
Buildings	25-50
Building Improvements	20
Vehicles	8-10
Communication Equipment	10
Equipment	10-20
Office Furniture and Equipment	10-15
Computer Equipment	5

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. 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 or 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 In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities, when applicable. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position, when applicable.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

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

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The entire compensated absence liability is reported on the government-wide statement of net position.

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.

Pensions

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

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as stores inventories and revolving cash) or legally required to remain intact.

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board, the District's highest level of decision making authority. Formal board action must be taken on or before June 30th of each fiscal year. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. The committed amount subject to the constraint may be determined after June 30th. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted fund balances in that the constraints on their use do not come from outside parties, constitutional provisions or enabling legislation.

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Spending Order Policy

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Minimum Fund Balance Policy

In fiscal year 2011, the District adopted a minimum fund balance policy for the General Fund. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredictable expenditures. Therefore, the District will maintain an unassigned Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than prescribed for fiscal solvency review purposes pursuant to Education Code Section 33127. In the event that the balance drops below the established minimum level, the District's governing board will develop a plan to replenish the fund balance to the established minimum level within two years.

Net Position

Net position represents assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net position, net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of Kings bills and collects the taxes for the District.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement have been implemented in the financial statements for the period ended June 30, 2018. The statements contained herein reflect the change in financial reporting and presentation.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The provisions of this Statement have been implemented in the financial statements for the period ended June 30, 2018. The statements contained herein reflect the change in financial reporting and presentation.

The following is a summary of the upcoming GASB Statements that may have an impact on the District's future reporting:

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. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. 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. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds. 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.

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. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In April 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In April 2018, the GASB issued Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

NOTE 2 - Compliance and Accountability

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

Deficit Fund Balance or Net Position of Individual Funds

Following are funds having deficit fund balances or net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

NOTE 3 - Cash and Investments

Cash in County Treasury

The District maintains substantially all of its cash in the Kings County Treasury as part of the common investment pool. The District's cash in County Treasury was not subject to credit risk categorization and is carried at cost which approximates fair value. All pooled funds are regulated by California Government Code.

Cash on Hand, in Banks and in Revolving Fund

Cash balances on hand and in banks ($85,679 as of June 30, 2018) and in the revolving fund ($1,000) are fully insured or collateralized.

Analysis of Specific Deposits and Investments

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements, as follows:

Statement of Net Position:

Cash in County Treasury	$	17,306,895
Cash in Revolving Fund		1,000
Investments		1,058,660
Fiduciary Funds:		
Cash on Hand and in Banks		85,679
Total	$	18,452,234

Cash and investments as of June 30, 2018, consist of the following:

Cash in County Treasury	$	17,306,895
Deposits with Financial Institutions		86,679
Investments		1,058,660
Total	$	18,452,234

Investments Authorized by the District's Investment Policy

Education Code Section 41015 authorizes the investment of surplus moneys, not required for the immediate necessities of the District, in any of the investments specified in Section 16430 or 53601 of the Government Code. Additionally, a variety of operational bank accounts are authorized, including but not limited to: Scholarship Accounts, Clearing Accounts and Revolving Cash Accounts. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk and concentration of credit risk.

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.

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

Investment Type	Fair Value	Maturity Date	Fair Value Measurement
SISC Investment Pool	$ 1,058,660	N/A	Level 1 Input

The SISC Pool is a governmental external investment pool that invests in U.S. Governmental Securities and Corporate Bonds with at least an A-rating. Governmental external investments pools are unrated.

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 investment above is unrated.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, which is investments in any one issuer (other than U.S. Treasury Securities, mutual funds and external investment pools) that represent 5% or more of total District investments. The investment referenced above is with Self-Insured Schools of California, an external governmental investment pool. This investment represents the District's only investment.

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 governmental agency 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. The District's only investment is in a governmental investment pool.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NOTE 4 - Accounts Receivable

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

	General Fund	County School Facilities Fund	Other Governmental Funds	Totals
Federal Government:				
Federal Programs	$ 116,726	$ -	$ 218,114	$ 334,840
State Government:				
Lottery	63,861	-	4,893	68,754
Lottery - Instructional Materials	63,861	-	4,893	68,754
Special Education	66,433	-	-	66,433
After School & Safety	46,636	-	-	46,636
Child Nutrition Program	-	-	16,725	16,725
School Facilities	-	3,582,294	-	3,582,294
Total State Government	240,791	3,582,294	26,511	3,849,596
Other Local	17,138	-	108,145	125,283
Totals	$ 374,655	$ 3,582,294	$ 352,770	$ 4,309,719

NOTE 5 - Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Reclassifications/ Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,106,390	$ -	$ -	$ 1,106,390
Work in progress	60,986	26,037	-	87,023
Total capital assets not being depreciated	1,167,376	26,037	-	1,193,413
Capital assets being depreciated:				
Land improvements	2,780,865	-	-	2,780,865
Buildings	42,209,474	725,740	-	42,935,214
Equipment	4,001,016	162,666	-	4,163,682
Total capital assets being depreciated	48,991,355	888,406	-	49,879,761
Less accumulated depreciation for:				
Land improvements	(1,517,177)	(52,565)	-	(1,569,742)
Buildings	(18,041,918)	(1,090,534)	-	(19,132,452)
Equipment	(1,876,420)	(140,374)	-	(2,016,794)
Total accumulated depreciation	(21,435,515)	(1,283,473)	-	(22,718,988)
Total capital assets being depreciated, net	27,555,840	(395,067)	-	27,160,773
Governmental activities capital assets, net	$ 28,723,216	$ (369,030)	$ -	$ 28,354,186

Depreciation was charged to functions as follows:

Instruction	$	722,425
Pupil Services		11,744
General Administration		7,935
Plant Services		541,369
Total	$	1,283,473

NOTE 6 - Interfund Balances and Activities

Due to and From Other Funds

Balances due to and from other funds at June 30, 2018, consisted of the following:

Due to Fund	Due From Fund		Amount	Reason
General Fund	County Schools Facilities Fund	$	120,654	Short-term borrowing
Other Governmental Funds	General Fund		400,000	Cash flow
	Total	$	520,654	

All amounts due are scheduled to be repaid within one year. The amount due includes prior balances of $520,654.

Transfers To and From Other Funds

Transfers to and from other funds during the year ended June 30, 2018, consisted of the following:

Transfers From	Transfers To		Amount	Reason
Other Governmental Funds	General Fund	$	59,368	Indirect Cost and Transportation

NOTE 7 - Long-Term Debt Obligations

Long-Term Debt Obligation Summary

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Beginning Balances		Increases		Decreases		Ending Balances		Amounts Due Within One Year	
Governmental activities:										
Compensated Absences *	$	106,762	$	28,705	$	-	$	135,467	$	-
Total governmental activities	$	106,762	$	28,705	$	-	$	135,467	$	-

*Because of the nature of compensated absences and uncertainty over when vacations will be taken, a statement of debt service requirements to maturity has not been presented.

The funds typically used to liquidate long-term obligations in the past, are as follows:

Liability	Activity Type	Fund
Compensated Absences	Governmental	General, Charter and Cafeteria Funds

NOTE 8 - Fund Balances and Restricted Net Position

Fund balances at June 30, 2018, are as follows:

	General Fund	County School Facilities Projects	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Revolving Cash	$ 500	$ -	$ -	$ 500	$ 1,000
Stores Inventories	-	-	-	58,107	58,107
Total Nonspendable	500	-	-	58,607	59,107
Restricted:					
California Clean Energy Jobs Act	3,441	-	-	51,100	54,541
Lottery - Instructional Materials	465,271	-	-	17,840	483,111
Special Education	80,119	-	-	-	80,119
Medi-Cal Billing Option	36,848	-	-	-	36,848
Child Nutrition	-	-	-	555,664	555,664
Developer Fees	-	-	-	456,757	456,757
State School Facilities Projects	-	3,686,632	-	-	3,686,632
Total Restricted	585,679	3,686,632	-	1,081,361	5,353,672
Committed:					
Deferred Maintenance	-	-	-	744,417	744,417
Assigned:					
Cash Flow Reserves	2,225,000	-	-	-	2,225,000
Other Educational Purposes	2,280,319	-	-	-	2,280,319
Other Postemployment Benefits	1,371,044	-	-	-	1,371,044
Instructional Materials	1,278,710	-	-	-	1,278,710
Accrued Vacation	75,200	-	-	-	75,200
Site Improvements	250,000	-	-	-	250,000
Equipment Replacement	82,192	-	-	-	82,192
Professional Development	122,541	-	-	-	122,541
Facility Acquisition	200,000	-	-	-	200,000
Facility Repair	221,640	-	-	-	221,640
Safety	37,439	-	-	-	37,439
Technology	74,319	-	-	-	74,319
Capital Projects	-	-	3,050,158	-	3,050,158
Charter School	-	-	-	466,287	466,287
Total Assigned	8,218,404	-	3,050,158	466,287	11,734,849
Unassigned:					
Reserve for Economic Uncertainty	1,020,000	-	-	-	1,020,000
Other Unassigned	1,058,660	-	-	-	1,058,660
Total Unassigned	2,078,660	-	-	-	2,078,660
Total Fund Balances	$ 10,883,243	$ 3,686,632	$ 3,050,158	$ 2,350,672	$ 19,970,705

The government-wide statement of net position reports $9,673,141 of restricted net position, which is not restricted by enabling legislation.

NOTE 9 - Participation In Public Entity Risk Pools and Joint Powers Authorities

The Lemoore Union Elementary School District participates in five public entity risk pools and a joint powers agreement for transportation services under joint powers agreements (JPAs); Kings County Self-Insured Schools (K.C.S.I.S.), Kings Schools Transportation Authority (K.S.T.A.), Northern California Regional Liability Excess Fund (NorCal ReLiEF), School Employees Trust-Tulare County (SET-TC) and Self-Insured Schools of California III (S.I.S.C. III)-SET-TC Pool. The relationship between the District and the JPAs is such that none of the JPAs is a component unit of the District for financial reporting purposes.

The JPAs were established as agencies under the provisions of California Government Code, Title I, Division 7, Chapter 5, Article 1, Section 6500, et. seq. The purpose of each JPA is to provide self-insurance or transportation programs as follows:

K.C.S.I.S. is an insurance purchasing pool for workers' compensation insurance.

K.S.T.A. funds, establishes, develops and maintains transportation services for handicapped students.

NorCal ReLiEF provides general liability insurance of $1,000,000 in excess of each member agency's $50,000 self-insurance coverage for general liability claims and $250,000 in property liability insurance in excess of each member agency's $50,000 self-insurance coverage for property liability claims against the public education agencies. Additionally, through the Schools Association for Excess Risk (S.A.F.E.R.), coverage is increased to $250,000,000 for property liability claims and $25,000,000/occurrence and $60,000,000/aggregate for general liability claims.

SET-TC provides coverage for medical, dental, vision and prescription claims through its participation in the S.I.S.C. III-SET-TC Pool.

S.I.S.C. III-SET TC Pool provides the services necessary and appropriate for the establishment, operation and maintenance of a medical Self-Insurance Fund that provides for payment of medical, dental, vision and prescription claims of the member public educational agency employees and their covered dependents and to minimize the total cost of annual medical insurance of their respective member organizations.

Membership in the JPAs consists of various public educational agencies.

The JPAs are governed by boards consisting of representatives from the member public educational agencies and related associations. The boards control the operations of each JPA, including selection of management and approval of operating budgets, independent of any influence by member public educational agencies beyond their representation on the board. Each member public educational agency pays a premium based on student population, or number of covered individuals. Surpluses remain in each fund or JPA, while deficits are covered by assessments on the member districts in proportion to their participation in each JPA.

During the last three fiscal (claims) years none of the above self-insurance programs have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

NOTE 10 - Pension Plans

Plan Descriptions

Qualified employees are covered under multiple-employer, cost-sharing defined benefit pension plans administered by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (STRP) a plan administered by the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the Public Employees' Retirement Fund, School Employer Pool (PERF B) administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. The benefit terms of the CalSTRS and CalPERS plans may be amended through legislation and Public Employers' Retirement Law, respectively. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites, http://www.calstrs.com/member-publications and http://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalSTRS - STRP

CalSTRS - STRP provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the plan provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. STRP has two benefit formulas. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. An early retirement option is available at age 55. The normal retirement benefit is equal to 2% of final compensation for each year of credited service.

CalPERS - PERF B

CalPERS – PERF B provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Monthly benefits are based on three factors: Service credit, benefit factor and final compensation. Service credit is based on years of credited service, equal to one year of full time employment. The benefit factor which is a percentage of pay to which the member is entitled for each year of service, is determined by their age at retirement and the retirement formula based on their membership date with each employer. There are two school retirement formulas: 2% at age 55 for those hired prior to January 1, 2013 with benefit factors ranging from 1.1% - 2.5% with retirement ages of 50-63; 2% at age 62 for those hired after January 1, 2013 with benefit factors ranging from 1% - 2.418% with retirement ages of 52-67. Final compensation is the highest average pay rate and special compensation during any consecutive one-year or three-year period. Which compensation period is used, depends on the members' retirement formula. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit and the 1959 Survivor Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	CalSTRS		CalPERS	
Hire Date	On or Before December 31, 2012	On or After January 1, 2013	On or Before December 31, 2012	On or After January 1, 2013
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-60	55-62	50-63	52-67
Monthly benefits, as a % of eligible compensation	2.0% - 2.4%	2.0% - 2.4% *	1.1% - 2.5%	1.0% - 2.418% *
Required Employee Contribution Rates	10.25%	9.205%	7.00%	6.50%
Required Employer Contribution Rates	14.43%	14.43%	15.531%	15.531%
Required State Contribution Rates	9.328%**	9.328%	-	-

* Amounts are limited to 120% of the Social Security Wage Base in effect at January 1, 2013 and is adjusted each fiscal year based on the Consumer Price Index.

** This rate does not include the $72 million reduction in accordance with Education Code Section 22954(c)

Contributions

CalSTRS - STRP

Required member, District and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Employers and members are required to contribute monthly to the system a percentage of the creditable compensation. Rates are defined in Section 22950.5 through the measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specifically to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. The contribution rates for each plan for the year ended June 30, 2018, are presented on the previous page and the contributions to the pension plan from the District were $1,977,002.

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. The State contributed 9.328% of salaries creditable to CalSTRS for the year ended 2015-16. The amount contributed by the State on behalf of the District was $1,135,069 and is reported as both revenue and an expenditure in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue and expense is recognized for the State's on behalf contributions on an accrual basis of $1,408,345. These on behalf payments meet the criteria of a special funding situation.

CalPERS - PERF B

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS' Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' periodic actuarial valuation process or by state statute. 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. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented on the previous page and the contributions to the pension plan from the District were $837,363.

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

At June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liabilities that reflected a reduction for state support provided to the District. The amount recognized by the District as its proportionate share of the net pension liabilities, the related state support, and the total portion of the net pension liabilities that was associated with the District were as follows:

	CalSTRS	CalPERS
District's proportionate share of the net pension liability	$ 23,649,858	$ 9,484,599
State's proportionate share of the net pension liability associated with the District	13,991,169	-
Total net pension liability	$ 37,641,027	$ 9,484,599

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension 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. The District's proportion of the net pension liabilities was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating school districts and the State, actuarially determined. A comparison of the District's proportionate share at June 30, 2017 to its proportionate share at June 30, 2016 is as follows:

	CalSTRS	CalPERS
Proportionate share at June 30, 2017	0.02557%	0.03973%
Proportionate share at June 30, 2016	0.02551%	0.03990%
Change - increase (decrease)	0.00006%	(0.00017%)

For the year ended June 30, 2018, the District recognized pension expense of $4,323,140 and revenue of $1,408,345 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 339,794	$ 325,032
Changes of assumptions	5,655,118	-
Net difference between projected and actual earnings on pension plan investments	328,102	629,862
Changes in proportion and differences between District contributions and proportionate share of contributions	377,084	10,518
District contributions subsequent to the measurement date	2,814,365	-
Total	$ 9,514,463	$ 965,412

$2,814,365 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. The 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 Ending June 30,	Pension Expense
2019	$ 872,739
2020	2,065,496
2021	1,418,193
2022	(20,906)
2023	647,679
Thereafter	751,485
Total	$ 5,734,686

Actuarial Assumptions

	CalSTRS	CalPERS
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation Rate	2.75%	2.75%
Payroll Growth	3.50%	3.00%
Salary increases	Varies by Entry Age and Service for both CalSTRS & CalPERS	
Experience Study	7/1/2006-6/30/2015	7/1/1996-6/30/2011
Investment Rate of Return	7.10% (1)	7.50%
Post Retirement Benefit Increase	2.00% per year on a Simple basis and an 85% Purchasing Power Level	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Net of pension plan investment expenses, including inflation, but gross of administrative expenses

CalSTRS' mortality assumptions are based on the July 1, 2010 through June 30, 2015 experience study. CalSTRS uses a generational mortality assumption, which involves the use of a base 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 patterns of mortality among 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. CalPERS uses mortality tables developed based on CalPERS specific data for all funds. The mortality table includes 20 years of mortality improvements using Society of Actuaries, Scale BB.

CalSTRS uses the long-term expected rate of return on pension plan investments. It was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plans. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

CalSTRS best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in 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 are summarized in the next table.

CalPERS utilized historical returns of all the Plan's asset classes to determine the expected compounded (geometric) returns over the short-term (first 10 years) and the long-term (11-60 years) using the building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The tables below reflect long-term expected real rates of return by asset class, as follows:

	CalSTRS		CalPERS		
Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return *	Assumed Asset Allocation	Real Return Years 1-10 (1)	Real Return Years 11+ (2)
Global Equity	47%	6.30%	47%	4.90%	5.38%
Fixed Income	12%	0.30%	19%	0.80%	2.27%
Private Equity	13%	9.30%	12%	6.60%	6.63%
Real Estate	13%	5.20%	11%	2.80%	5.21%
Inflation Sensitive Assets	4%	3.80%	6%	0.60%	1.39%
Infrastructure & Forestland	0%	0.00%	3%	3.90%	5.36%
Cash/Liquidity	2%	-1.00%	2%	-0.40%	-0.90%
Absolute Return/Risk Mitigating Strategies	9%	2.90%	0%	0.00%	0.00%

* 20-year geometric average
(1) An expected inflation of 2.50% used for this period
(2) An expected inflation of 3.00% used for this period

Discount Rate

The discount rates used to measure the total pension liabilities for CalSTRS and CalPERS were 7.1% and 7.15%, respectively. The CalSTRS 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. CalSTRS' projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments, and administrative expenses occur midyear. Based on those assumptions, the CalSTRS – 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 CalSTRS – STRP's total pension liability. CalPERS' projection of the expected benefits and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. 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 for the CalPERS – PERF B Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on the CalPERS' website.

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

The following represents 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:

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	$ 34,725,500	$ 13,954,884
Current Discount Rate	7.10%	7.15%
Net Pension Liability	$ 23,649,858	$ 9,484,599
1% Increase	8.10%	8.15%
Net Pension Liability	$ 14,661,224	$ 5,776,123

Summary of Changes of Benefits or Assumptions

There were no changes to benefit terms or plan provisions that applied to members of CalSTRS or CalPERS.

CalSTRS

As of the June 30, 2017 measurement date, the assumptions used changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

There were no changes in actuarial methods and assumptions that materially impacted the June 30, 2016 measurement date outside of the usual year-to-year asset, liability and payroll experience.

There were no changes in actuarial methods and assumptions that materially impacted the June 30, 2015 measurement date outside of the usual year-to-year asset, liability and payroll experience.

CalPERS

As of the June 30, 2017 measurement date, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

There were no changes in actuarial methods or assumptions used for the June 30, 2016 measurement date.

As of the June 30, 2015 measurement date, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

Pension Plan Fiduciary Net Position

The plan's fiduciary net position has been determined on the same basis as that used by the plan. Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports on their respective websites.

NOTE 11 - Postemployment Benefits Other Than Pension Benefits (OPEB)

Plan Description

The District provides a self-funded, single employer, defined benefit other postemployment benefit healthcare plan administered by Lemoore Union Elementary School District to provide medical, dental, vision and life plans for all eligible active and retired District employees and their dependents. The program is intended to offer a comprehensive coverage of most medical with prescription drugs, dental and vision benefits. Authority to establish and amend the benefit terms of the plan may be amended by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

As established by board policy, the plan covers employees who retire from the District on or after attaining age 55 with at least 10 years of service for management, certificated and classified. Benefits are paid until they attain the age of 65 or until they qualify for Medicare, whichever is earlier. The District is a member in a joint powers agreement (JPA) SET-TC, as described in Note 9 to provide health coverage.

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	22
Inactive employees entitled to but not yet receiving benefit payments	-
Participating active employees	301
Total number of participants	323

Contributions

The District funds the benefits on a pay-as-you-go basis. The District pays the premiums for eligible retirees at a rate established annually through S.I.S.C. III with no reimbursement required of the eligible retirees. The District pays 100% of the premiums for management, certificated and classified retirees. Certificated and classified retirees have a District cap of $13,027 per year. Management retirees have a District cap of $13,418 per year. During the fiscal year ended June 30, 2018, the District paid $262,393 for retiree insurance premiums.

OPEB Liability, OPEB Expense and Deferred Outflows of Resources Related to OPEB

The District's total OPEB liability of $7,584,826 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. Changes in total OPEB liability are as follows:

	Total OPEB Liability
Balance at June 30, 2017, restated	$ 6,911,388
Changes recognized for measurement period:	
Service cost	762,508
Interest	248,960
Benefit payments	(338,030)
Net changes	673,438
Balance at June 30, 2018	$ 7,584,826

For the year ended June 30, 2018, the District recognized OPEB expense of $1,011,468. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
District contributions subsequent to the measurement date	262,393	-
Total	$ 262,393	$ -

$262,393 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2019.

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment Return/Discount Rate (1)	3.50%
Inflation Rate	2.75%
Projected Salary Increase	2.75%
Healthcare Cost Trend Rates	4.00%

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

Mortality rates for Classified employees were based on the 2014 CalPERS Active and Retiree Mortality for Miscellaneous Employees tables created by CalPERS. Mortality rates for Certificated employees were based on the 2009 CalSTRS Mortality table created by CalSTRS.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of CalPERS and CalSTRS 2009 Retirement and Turnover Tables. CalSTRS and CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool. CalSTRS latest experience study was performed for the period starting July 1, 2010 and ending June 30, 2015. CalPERS' experience study was performed for the period starting July 1, 1996 and ending June 30, 2011.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	$ 8,069,438	$ 7,584,826	$ 7,133,470

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease 3.00%	Current Healthcare Cost Trend Rate 4.00%	1% Increase 5.00%
Total OPEB Liability	$ 7,251,411	$ 7,584,826	$ 7,853,648

Summary of Changes of Benefits or Assumptions

There were no changes to benefit terms or assumptions and other inputs for the fiscal year ended June 30, 2018.

NOTE 12 - 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. Although such audits could result in expenditure disallowances under the terms of the grants, it is believed that any required reimbursement will not be material.

NOTE 13 – Subsequent Events

In a bond election held November 6, 2018, the District received authorization to issue bonds for $26,000,000 under Section 18 of Article 16 and Section 1 of Article 13A of the California Constitution and Section 15266 of the Education Code. The bonds are general obligations of the District and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds. Bonds proceeds will be used for modernizing outdated classrooms, restrooms and school facilities and construct a new elementary school.

NOTE 14 – Prior Period Adjustment

An adjustment to prior period net position within the Statement of Activities in the amount of $3,099,748, represents an understatement of the total OPEB liability, a result of the implementation of GASB Statement 75.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 21,875,775	$ 20,988,370	$ 20,988,370	$ -
Education Protection Account Funds	3,573,588	3,991,349	3,991,349	-
Local Sources	1,154,495	2,292,187	2,292,187	-
Federal Revenue	1,392,503	1,682,565	1,384,523	(298,042)
Other State Revenue	2,268,002	3,163,734	3,085,836	(77,898)
Other Local Revenue	963,371	1,279,021	1,279,021	-
Total Revenues (1)	31,227,734	33,397,226	33,021,286	(375,940)
Expenditures:				
Current:				
Certificated Salaries	13,414,059	13,588,588	13,588,588	-
Classified Salaries	4,153,107	4,250,753	4,250,753	-
Employee Benefits	7,470,164	7,758,394	7,680,495	77,899
Books And Supplies	2,197,237	1,587,905	1,550,354	37,551
Services And Other Operating Expenditures	3,880,579	3,922,269	3,807,693	114,576
Other Outgo	611,640	378,618	378,416	202
Direct Support/Indirect Costs	(71,229)	(163,301)	(168,689)	5,388
Capital Outlay	747,299	846,722	846,722	-
Total Expenditures (1)	32,402,856	32,169,948	31,934,332	235,616
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,175,122)	1,227,278	1,086,954	(140,324)
Other Financing Sources (Uses):				
Transfers In	60,290	59,368	59,368	-
Total Other Financing Sources (Uses)	60,290	59,368	59,368	-
Net Change in Fund Balance	(1,114,832)	1,286,646	1,146,322	(140,324)
Fund Balance, July 1	9,736,921	9,736,921	9,736,921	-
Fund Balance, June 30	$ 8,622,089	$ 11,023,567	$ 10,883,243	$ (140,324)

(1) Due to the consolidation of Fund 171, Special Reserve Fund for Other Than Capital Outlay Project 2 and Fund 172, Special Reserve Fund for Other Than Capital Outlay Project 3, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the actual revenues and expenditures and in the original and final General Fund budgets.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

EXHIBIT B-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM AND
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

Measurement Date	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District	Total Proportionate Share of the Net Pension Liability	Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
California State Teachers' Retirement System:							
6/30/2014	0.02493%	$ 14,569,913	$ 8,798,031	$ 23,367,944	$ 11,152,982	130.64%	76.52%
6/30/2015	0.02609%	$ 17,565,060	$ 9,289,955	$ 26,855,015	$ 11,900,687	147.60%	74.02%
6/30/2016	0.02551%	$ 20,633,990	$ 11,748,292	$ 32,382,282	$ 12,782,190	161.43%	70.04%
6/30/2017	0.02557%	$ 23,649,858	$ 13,991,169	$ 37,641,027	$ 13,514,459	175.00%	69.46%
California Public Employees' Retirement System:							
6/30/2014	0.03574%	$ 4,057,828	$ -	$ 4,057,828	$ 3,794,162	106.95%	83.38%
6/30/2015	0.03900%	$ 5,748,638	$ -	$ 5,748,638	$ 4,322,318	130.00%	79.43%
6/30/2016	0.03990%	$ 7,880,274	$ -	$ 7,880,274	$ 4,791,458	164.47%	73.90%
6/30/2017	0.03973%	$ 9,484,599	$ -	$ 9,484,599	$ 5,048,272	187.88%	71.87%

*The amounts presented for each year were determined as of June 30. This schedule is presented to illustrate the requirement to show information for ten years. Only four years are presented because ten year data is not yet available.

Notes to the Schedule

Change of Assumptions

Measurement Date	Discount Rate	Inflation	Payroll Growth	Projected Salary Increase (1)	Experience Study	Investment Rate of Return
California State Teachers' Retirement System:						
6/30/2014	7.60%	3.00%	3.75%	Varies	7/1/2006-6/30/2010	7.60% (2)
6/30/2015	7.60%	3.00%	3.75%	Varies	7/1/2006-6/30/2010	7.60% (2)
6/30/2016	7.60%	3.00%	3.75%	Varies	7/1/2006-6/30/2010	7.60% (2)
6/30/2017	7.10%	2.75%	3.50%	Varies	7/1/2010-6/30/2015	7.10% (2)
California Public Employees' Retirement System:						
6/30/2014	7.50%	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
6/30/2015	7.65%(3)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
6/30/2016	7.65%(3)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
6/30/2017	7.15%(3)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%

(1) Varies on entry age and service
(2) Net of pension plan investment expenses; includes inflation, but gross of administrative expenses
(3) Excludes reduction of pension plan administrative expenses

Effective with the June 30, 2014 actuarial valuation, CalPERS no longer uses an actuarial value of assets and employs an amortization and smoothing policy that spreads rate increases or decreases over a five year period, and amortizes all experience gains and losses over a fixed 30 year period.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT **EXHIBIT B-3**

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM AND
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

Fiscal Year End	Statutorily Required Contribution	Contribution in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
California State Teachers' Retirement System:					
6/30/2015	$ 1,056,781	$ 1,056,781	$ -	$ 11,900,687	8.88%
6/30/2016	$ 1,371,529	$ 1,371,529	$ -	$ 12,782,190	10.73%
6/30/2017	$ 1,700,119	$ 1,700,119	$ -	$ 13,514,459	12.58%
6/30/2018	$ 1,977,002	$ 1,977,002	$ -	$ 13,700,638	14.43%
California Public Employees' Retirement System:					
6/30/2015	$ 508,780	$ 508,780	$ -	$ 4,322,318	11.771%
6/30/2016	$ 567,644	$ 567,644	$ -	$ 4,791,458	11.847%
6/30/2017	$ 701,104	$ 701,107	$ -	$ 5,048,272	13.888%
6/30/2018	$ 837,363	$ 837,363	$ -	$ 5,391,559	15.531%

*The amounts presented for each year were determined as of June 30. This schedule is presented to illustrate the requirement to show information for ten years. Only four years are presented because ten year data is not yet available.

Notes to the Schedule

Change of Assumptions

Measurement Date	Discount Rate	Inflation	Payroll Growth	Projected Salary Increase (1)	Experience Study	Investment Rate of Return
California State Teachers' Retirement System:						
6/30/2014	7.60%	3.00%	3.75%	Varies	7/1/2006-6/30/2010	7.60% (2)
6/30/2015	7.60%	3.00%	3.75%	Varies	7/1/2006-6/30/2010	7.60% (2)
6/30/2016	7.60%	3.00%	3.75%	Varies	7/1/2006-6/30/2010	7.60% (2)
6/30/2017	7.10%	2.75%	3.50%	Varies	7/1/2010-6/30/2015	7.10% (2)
California Public Employees' Retirement System:						
6/30/2014	7.50%	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
6/30/2015	7.65%(3)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
6/30/2016	7.65%(3)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%
6/30/2017	7.15%(3)	2.75%	3.00%	Varies	7/1/1996-6/30/2011	7.50%

(1) Varies on entry age and service
(2) Net of pension plan investment expenses; includes inflation, but gross of administrative expenses
(3) Excludes reduction of pension plan administrative expenses

Effective with the June 30, 2014 actuarial valuation, CalPERS no longer uses an actuarial value of assets and employs an amortization and smoothing policy that spreads rate increases or decreases over a five year period, and amortizes all experience gains and losses over a fixed 30 year period.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

EXHIBIT B-4

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 FISCAL YEARS*

Measurement Date	June 30, 2017
Total OPEB liability:	
Service cost	$ 762,508
Interest	248,960
Benefit payments	(338,030)
Net change in total OPEB liability	673,438
Total OPEB liability - beginning	6,911,388
Total OPEB liability - ending	$ 7,584,826
Covered-employee payroll	$ 17,868,134
Total OPEB liability as a percentage of covered-employee payroll	42.45%

*The amounts presented for each fiscal year were determined as of June 30. The schedule is presented to illustrate the requirement to show information for ten years. Only one year was presented because ten year data is not yet available.

Notes to the Schedule

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Change of Assumptions

There were no changes in actuarial methods of assumptions used for the June 30, 2017 measurement date. There were no changes that materially impacted the June 30, 2017 actuarial valuation outside of the usual year-to-year asset, liability and payroll increases.

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

EXHIBIT C-1

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Fund: Capital Facilities Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	$ 1,265,619	$ 518,877	$ 1,784,496
Cash in Revolving Fund	500	-	500
Accounts Receivable	256,068	96,702	352,770
Due from Other Funds	400,000	-	400,000
Stores Inventories	58,107	-	58,107
Total Assets	$ 1,980,294	$ 615,579	$ 2,595,873
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 86,379	$ 158,822	$ 245,201
Total Liabilities	86,379	158,822	245,201
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	500	-	500
Stores Inventories	58,107	-	58,107
Restricted Fund Balances	624,604	456,757	1,081,361
Committed Fund Balances	744,417	-	744,417
Assigned Fund Balances	466,287	-	466,287
Total Fund Balance	1,893,915	456,757	2,350,672
Total Liabilities and Fund Balances	$ 1,980,294	$ 615,579	$ 2,595,873

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Fund Capital Facilities Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
LCFF Sources:			
State Apportionment or State Aid	$ 1,184,353	$ -	$ 1,184,353
Education Protection Account Funds	266,242	-	266,242
Local Sources	261,681	-	261,681
Federal Revenue	1,397,191	-	1,397,191
Other State Revenue	262,648	-	262,648
Other Local Revenue	310,714	402,887	713,601
Total Revenues	3,682,829	402,887	4,085,716
Expenditures:			
Current:			
Instruction	1,054,210	-	1,054,210
Instruction - Related Services	290,540	-	290,540
Pupil Services	1,894,259	-	1,894,259
General Administration	168,689	13,350	182,039
Plant Services	223,102	25,212	248,314
Capital Outlay	-	150,745	150,745
Total Expenditures	3,630,800	189,307	3,820,107
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,029	213,580	265,609
Other Financing Sources (Uses):			
Transfers Out	(59,368)	-	(59,368)
Total Other Financing Sources (Uses)	(59,368)	-	(59,368)
Net Change in Fund Balance	(7,339)	213,580	206,241
Fund Balance, July 1	1,901,254	243,177	2,144,431
Fund Balance, June 30	$ 1,893,915	$ 456,757	$ 2,350,672

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Charter School Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	$ 545,329	$ 319,548	$ 400,742	$ 1,265,619
Cash in Revolving Fund	-	500	-	500
Accounts Receivable	9,786	246,282	-	256,068
Due from Other Funds	-	-	400,000	400,000
Stores Inventories	-	58,107	-	58,107
Total Assets	$ 555,115	$ 624,437	$ 800,742	$ 1,980,294
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 19,888	$ 10,166	$ 56,325	$ 86,379
Total Liabilities	19,888	10,166	56,325	86,379
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	-	500	-	500
Stores Inventories	-	58,107	-	58,107
Restricted Fund Balances	68,940	555,664	-	624,604
Committed Fund Balances	-	-	744,417	744,417
Assigned Fund Balances	466,287	-	-	466,287
Total Fund Balance	535,227	614,271	744,417	1,893,915
Total Liabilities and Fund Balances	$ 555,115	$ 624,437	$ 800,742	$ 1,980,294

EXHIBIT C-4

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Charter School Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 1,184,353	$ -	$ -	$ 1,184,353
Education Protection Account Funds	266,242	-	-	266,242
Local Sources	61,681	-	200,000	261,681
Federal Revenue	-	1,397,191	-	1,397,191
Other State Revenue	154,132	108,516	-	262,648
Other Local Revenue	7,818	299,980	2,916	310,714
Total Revenues	1,674,226	1,805,687	202,916	3,682,829
Expenditures:				
Current:				
Instruction	1,054,210	-	-	1,054,210
Instruction - Related Services	290,540	-	-	290,540
Pupil Services	137,668	1,756,591	-	1,894,259
General Administration	76,468	92,221	-	168,689
Plant Services	85,488	-	137,614	223,102
Total Expenditures	1,644,374	1,848,812	137,614	3,630,800
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,852	(43,125)	65,302	52,029
Other Financing Sources (Uses):				
Transfers Out	(59,368)	-	-	(59,368)
Total Other Financing Sources (Uses)	(59,368)	-	-	(59,368)
Net Change in Fund Balance	(29,516)	(43,125)	65,302	(7,339)
Fund Balance, July 1	564,743	657,396	679,115	1,901,254
Fund Balance, June 30	$ 535,227	$ 614,271	$ 744,417	$ 1,893,915

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

TABLE D-1

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2018

Lemoore Union Elementary School District was established in 1873 and is located in Kings County. There were no changes in the boundaries of the District during the current year. The District consists of four elementary schools and one middle school serving grades Kindergarten through eighth grade. The District also has one charter school which serves fifth through eighth grade.

Governing Board

Name	Office	Term and Term Expiration
Tim Wahl	President	Four year term expires 12/2018
Stephen Todd	Clerk	Four year term expires 12/2020
Jim Inglis	Member	Four year term expires 12/2018
Eddie Mendes	Member	Four year term expires 12/2018
Myeisha Neal	Member	Four year term expires 12/2020

Administration

Name	Office	Tenure
Cheryl Hunt	Superintendent	Two years
Julie Fagundes	Chief Business Official	Six years

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
TK/K-3:		
Regular ADA	1,457.27	1,461.52
Grades 4-6:		
Regular ADA	960.27	961.96
Community Day School	-	0.04
Grades 4-6 Totals	960.27	962.00
Grades 7-8:		
Regular ADA	586.64	586.96
Community Day School	4.52	4.65
Grades 7-8 Totals	591.16	591.61
ADA Totals	3,008.70	3,015.13

Lemoore Elementary University Charter School

	Second Period Report	Annual Report
Grades 4-6:		
Regular ADA - Classroom Based	85.42	85.09
Grades 7-8:		
Regular ADA - Classroom Based	109.92	109.02
ADA Totals	195.34	194.11

Average daily attendance is a measurement of the number of pupils attending classes of the District or Charter School. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Footnote for the Schedule of Average Daily Attendance

Lemoore Elementary University Charter School offered only classroom-based instruction for the year ended June 30, 2018.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	53,196	180	Complied
Grade 1	50,400	53,196	180	Complied
Grade 2	50,400	53,196	180	Complied
Grade 3	50,400	53,196	180	Complied
Grade 4	54,000	56,831	180	Complied
Grade 5	54,000	56,831	180	Complied
Grade 6	54,000	56,831	180	Complied
Grade 7	54,000	60,894	180	Complied
Grade 8	54,000	60,894	180	Complied
Lemoore Elementary University Charter School				
Grade 5	54,000	58,676	180	Complied
Grade 6	54,000	58,676	180	Complied
Grade 7	54,000	58,676	180	Complied
Grade 8	54,000	58,676	180	Complied

School districts must maintain their instructional minutes as defined in Education Code Section 46201(b). Charter schools must maintain their instructional minutes as defined in Education Code Section 47612.5. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of the instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District did not meet its LCFF target funding.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

TABLE D-4

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2018

General Fund	Budget 2019 (see notes 1 & 3)	2018 (see note 3)	2017 (see note 3)	2016 (see note 3)
Revenues and other financial sources	$ 35,553,423	$ 33,080,654	$ 30,969,302	$ 30,253,275
Expenditures	35,430,192	31,934,332	29,781,440	27,805,867
Other uses and transfers out	-	-	3,000,000	1,995,780
Total outgo	35,430,192	31,934,332	32,781,440	29,801,647
Change in fund balance (deficit)	123,231	1,146,322	(1,812,138)	451,628
Ending fund balance	$ 11,006,474	$ 10,883,243	$ 9,736,921	$ 11,549,059
Available reserves (see note 2)	$ 2,841,051	$ 2,078,660	$ 2,057,458	$ 3,094,058
Available reserves as a percentage of total outgo	8.0%	6.5%	6.3%	10.7%
Total long-term debt (See note 4)	$ 40,854,750	$ 40,854,750	$ 32,094,636	$ 26,170,046
Average daily attendance at P-2	3,009	3,009	2,904	2,840

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 has decreased by $665,816 (5.77%) over the past two years. The fiscal year 2018-19 budget projects an increase of $123,231 (1.13%). For a district of this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out and other uses (total outgo).

The District has experienced operating surpluses in two of the past three years and projects another surplus during the 2018-19 fiscal year. Total long-term debt has increased by $14,648,704 over the past two years as a result of implementing GASB Statement No. 75.

Average daily attendance has increased by 169 over the past two years. ADA is expected to remain the same during the fiscal year 2018-19.

NOTES:

(1) Budget 2019 is included for analytical purposes only and has not been subjected to audit.

(2) Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

(3) The Special Reserve Funds for Other Than Capital Outlay Projects 2 and 3 (Funds 171 and 172) have been included due to their consolidation into the General Fund.

(4) Long-term debt includes net pension liability and total OPEB liability.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

TABLE D-5

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund for Other Than Capital Outlay
June 30, 2018, annual financial and budget report fund balances	$ 8,446,899	$ 1,377,684
Adjustments and reclassifications:		
Increasing (decreasing) the fund balances:		
Investments understatement	1,058,660	-
Reclassification of fund balance to conform to GASB Statement No. 54	1,377,684	(1,377,684)
Net adjustments and reclassifications	2,436,344	(1,377,684)
June 30, 2018, audited financial statement fund balances	$ 10,883,243	$ -

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

TABLE D-6

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

The following charter schools are chartered by Lemoore Union Elementary School District.

Charter Schools	Charter Number	Included in Audit?
Lemoore Elementary University Charter School	0489	Yes

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT **TABLE D-7**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition: School Programs (School Breakfast Needy)	10.553	13526	$ 281,290
Child Nutrition: School Programs (School Lunch)	10.555	13524	1,115,901
Food Distribution	10.555	13524	137,437
Total CFDA 10.555			1,253,338
Total Child Nutrition Cluster			1,534,628
Total U.S. Department of Agriculture			1,534,628
U.S. DEPARTMENT OF EDUCATION			
Passed Through Kings County Office of Education:			
Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School ISPS	84.027	10115	2,143
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	110,890
Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	57,593
Total Special Education Cluster			170,626
Total Passed Through Kings County Office of Education			170,626
Passed Through California Department of Education:			
ESEA (ESSA): Title I, Part A, Basic Grants Low-Income & Neglected	84.010	14329	947,429
ESEA (ESSA): Title III, Limited English Proficient (LEP) Student Program	84.365	14346	1,863
ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	147,741
Total Passed Through California Department of Education			1,097,033
Total U.S. Department of Education			1,267,659
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Education:			
Medi-Cal Billing Option	93.778	10013	15,291
Medi-Cal Administrative Activities	93.778	10060	12,589
Total U.S. Department of Health and Human Services			27,880
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,830,167

The accompanying notes are an integral part of this schedule.

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lemoore Union Elementary School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.*

Note 2 - De Minimis Cost Rate

The District did not elect to use the 10% de minimis cost rate.

Note 3 - Subrecipients

Of the federal expenditures presented in the Schedule, the District had no subrecipients that were provided federal awards.

Other Independent Auditors' Reports

Tulare
Visalia
Lindsay
Hanford

M. Green and Company LLP

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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*

Independent Auditors' Report

Board of Trustees
Lemoore Union Elementary School District
100 Vine Street
Lemoore, California 93245

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lemoore Union Elementary School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lemoore Union Elementary School District's basic financial statements, and have issued our report thereon dated December 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lemoore Union Elementary 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 Lemoore Union Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lemoore Union Elementary 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Lemoore Union Elementary School District in a separate letter dated December 3, 2018.

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.

M. Green and Company, LLP

Visalia, California
December 3, 2018

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Board of Trustees
Lemoore Union Elementary School District
100 Vine Street
Lemoore, California 93245

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Lemoore Union Elementary 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 Lemoore Union Elementary School District's major federal program for the year ended June 30, 2018. Lemoore Union Elementary School District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Lemoore Union Elementary School District's major federal program 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 Lemoore Union Elementary 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 the major federal program. However, our audit does not provide a legal determination of Lemoore Union Elementary School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lemoore Union Elementary 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 Lemoore Union Elementary 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 Lemoore Union Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Lemoore Union Elementary School District's internal control over compliance.

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

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

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

M Green and Company, LLP

Visalia, California
December 3, 2018

M. Green and Company LLP

Tulare
Visalia
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Independent Auditors' Report on State Compliance

Board of Trustees
Lemoore Union Elementary School District
100 Vine Street
Lemoore, California 93245

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2018.

Management's Responsibility for State Compliance

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Compliance Requirements	Procedures in Audit Guide Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	N/A
Continuation Education	N/A

Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
SCHOOL DISTRICTS, COUNTY OFFICE OF EDUCATION AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
CHARTER SCHOOLS:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Opinion on State Compliance

In our opinion, Lemoore Union Elementary School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2018.

Other Matters

Other Information

The results of our auditing procedures disclosed instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2018-001.

Lemoore Union Elementary School District's Responses to the Findings

Lemoore Union Elementary School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lemoore Union Elementary School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of 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 outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

M Green and Company, LLP

Visalia, California
December 3, 2018

Findings and Recommendations Section

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
One or more material weaknesses identified?	____ Yes __X__ No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____ Yes __X__ None Reported
Noncompliance material to financial statements noted?	____ Yes __X__ No

2. Federal Awards

Internal control over major programs:	
One or more material weaknesses identified?	____ Yes __X__ No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____ Yes __X__ None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of Uniform Guidance?	____ Yes __X__ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	ESEA (ESSA): Title I, Part A, Basic Grants Low-Income & Neglected

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

3. State Awards

Internal control over state programs:	
One or more material weaknesses identified?	____ Yes __X__ No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____ Yes __X__ None Reported

Type of auditors' report issued on compliance for state programs:	Unmodified

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

FINDING 2016-001
61000
STATE COMPLIANCE – CLASSROOM TEACHER SALARIES

Criteria
Education Code Section 41372 requires that the payment of classroom teachers' salaries and benefits meet or exceed 60% (for elementary districts) of total expenditures of the District.

Condition
The District only spent 57.81% of their current expense of education ($28,767,119) on classroom teachers' salaries and benefits ($16,630,325), which is below the required level.

Questioned Costs
Not Applicable

Proper Perspective
The finding is systemic to the entire District.

Effect
The deficiency amount was determined to be $630,000; therefore, the District is out of compliance with Education Code Section 41372.

Cause
The deficiency is due to the change in the funding model with implementation of the Local Control Funding Formula.

Recommendation
We recommend the District continue to work on this requirement and apply for a waiver when needed.

Corrective Action Plan
The deficiency is due to the change in the State education funding model. With the implementation of the Local Control Funding Formula (LCFF) the State removed former categorical resources which were excluded from CEA calculations. Now the Local Control Accountability Plan (LCAP), which is executed through supplemental and concentration grant funds are included in General Fund Unrestricted Expenses and the CEA calculation. The more the District spends closing the achievement gap with pupil support services like counseling and nursing the further we are from achieving Education Code 41372 requirements. The State introduced the LCFF and LCAP with the idea of giving LEA's subsidiarity and addressing our students' needs at the local level, however, this concept is not aligned with Education Code 41372.

FINDING 2018-001
40000
STATE COMPLIANCE – AFTER SCHOOL EDUCATION AND SAFETY PROGRAM

Criteria

Pursuant to Education Code Section 8482.3(f)(10)(c), applicants of the After School Education and Safety Program (ASES) are required to provide information on attendance of participating pupils of the program to the department. Furthermore, Education Code Sections 14502.1 and 14503 specify audits of ASES shall be conducted in accordance with guidance provided within the California K-12 Audit Guide adopted by the Education Audit Appeals Panel. The K-12 Audit Guide requires the number of students served, as that term is used in the Attendance Report, for each selected school to be supported by written records that document pupil participation. Additionally, Education Code Section 8483 states that elementary school pupils must participate in the full day of the program every day during which pupils participate. However, Education Code Section 8483 further states that every After School Education and Safety Program may establish a policy regarding reasonable early daily release of pupils from the program.

Condition

At Lemoore Elementary School, out of five classes tested for six months of attendance, there was one error noted, where the sign in/out attendance card did not indicate an early release code for a student that left the program early.

Questioned Costs

Not Applicable

Proper Perspective

This was isolated to the ASES program reporting for the District at Lemoore Elementary School.

Effect

The District is out of compliance with the State requirements.

Cause

Oversight by ASES staff to ensure a parent indicated an early release code on the sign in/out attendance card.

Recommendation

We recommend the District ASES staff take more care in reviewing the daily sign in/out sheets to ensure all students leaving early have the appropriate early release code noted.

Corrective Action Plan

The District will review the finding with ASES staff subcontracted through West Hills Community College. Protocols for student early release notations have been established and the District business services staff will review ASES attendance logs to ensure procedures are implemented by West Hills Community College staff.

M. Green and Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

Tulare
Visalia
Lindsay
Hanford

Post Office Box 3330 • Visalia, California 93278-3330 • Telephone (559) 627-3900 • FAX (559) 625-1606
E-mail: visalia@mgreencpas.com • Web Site: www.mgreencpas.com

Letter to Management

Board of Trustees
Lemoore Union Elementary School District
100 Vine Street
Lemoore, California 93245

Dear Members of the Board of Trustees:

We have completed our audit of Lemoore Union Elementary School District for the year ended June 30, 2018. The following items came to our attention which we are providing for your consideration:

Investment Activity

The District does not record the cash balance nor the annual activity of the investment held in the SISC Investment Pool. We recommend the District record all activity of the investment at least on a quarterly basis to properly reflect the account balance.

Stores Inventory

The District did not adjust stores inventory in the general ledger to the actual inventory count at year end. We recommend the District adjust this account at year end once the physical inventory count has been taken to properly reflect the account balance in the general ledger.

Interfund Activity

During our review of interfund activity, we noted that the prior year interfund balances had not been repaid in the current fiscal year. The nature of this balance is short term and should be cleared at year end. We recommend the District take more care in reviewing interfund balances to ensure prior year amounts are repaid when due. If it is not possible to pay the balance due, we recommend that a transfer be made between funds to clear the balance.

Prior Year Issues

Investment Activity: The District did not record the cash balance or the annual activity of the investment held in the SISC Investment Pool. We recommended the District record all activity of the investment at least on a quarterly basis to properly reflect the account balance. This issue was not resolved. Our recommendation has been repeated in the current year.

Stores Inventory: The District did not adjust stores inventory in the general ledger to the actual inventory count at year end. We recommended the District adjust this account at year end once the physical inventory count had been taken to properly reflect the account balance in the general ledger. This issue was not resolved. Our recommendation has been repeated in the current year.

Other Postemployment Benefits: A new actuarial valuation for Other Postemployment Benefits was to be completed for the 2017-18 financial statements in accordance with GASB Statement No. 75. We recommend the District contact their actuary and obtain a new actuarial valuation for the 2017-18 school year to be in compliance with GASB Statement No. 75, which became effective July 1, 2017. This recommendation was implemented.

We would like to thank management and all of the office personnel for the excellent cooperation we received during our audit. We look forward to working with you again in 2019 and beyond.

Very truly yours,

M. Green and Company, LLP

M. GREEN AND COMPANY LLP
Certified Public Accountants

December 3, 2018

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
2016-001 The District only spent 57.36% of their 2016-17 expense of education ($27,403,332) on classroom teachers' salaries and benefits ($15,717,744), which was below the required level. We recommended the District continue to work on this requirement and apply for a waiver when needed.	Not implemented	See current year finding 2016-001
2017-001 The District did not adopt the Educator Effectiveness plan in a subsequent public meeting delineating how the funds would be spent. We recommended the District adopt the plan in a subsequent public meeting delineating how Educator Effectiveness Funds allocated would be spent. In addition, we recommended the minutes of the school board clearly reflect these actions.	Implemented	

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Series 2019 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, proposes to render its final approving opinion with respect to the Series 2019 Bonds in substantially the following form:

[Date of Delivery]

Lemoore Union Elementary School District
Lemoore, California

Lemoore Union Elementary School District
(Kings County, California)
General Obligation Bonds, Election of 2018, Series 2019
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Lemoore Union Elementary School District (the "District"), which is located in the County of Kings (the "County"), in connection with the issuance by the District of $7,500,000 aggregate principal amount of bonds designated as "Lemoore Union Elementary School District (Kings County, California) General Obligation Bonds, Election of 2018, Series 2019" (the "Series 2019 Bonds"), representing part of an issue in the aggregate principal amount of $26,000,000 authorized at an election held in the District on November 6, 2018. The Series 2019 Bonds are issued under and pursuant to a resolution of the Board of Trustees of the District adopted on February 12, 2019 (the "Resolution").

In such connection, we have reviewed the Resolution, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), certificates of the District, the County and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2019 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2019 Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts or counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Resolution, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement, dated March 12, 2019, or other offering material relating to the Series 2019 Bonds and express no opinion with respect thereto.

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

1. The Series 2019 Bonds constitute valid and binding obligations of the District.

2. The Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Series 2019 Bonds and the interest thereon.

4. Interest on the Series 2019 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2019 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2019 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Lemoore Union Elementary School District (the "District") in connection with the issuance of $7,500,000 aggregate principal amount of Lemoore Union Elementary School District (Kings County, California) General Obligation Bonds, Election of 2018, Series 2019 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on February 12, 2019 (the "Resolution"). The District 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 Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean, for the purposes of the Listed Events set out in Section 5 (a)(x) and 5(b)(viii), 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 defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" shall mean the Official Statement, dated March 12, 2019 (including all exhibits or appendices thereto), relating to the offer and sale of Bonds.

"Participating Underwriter" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean 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 nine months after the end of the District's fiscal year (which due date shall be April 1 of each year, so long as the District's fiscal year ends on June 30), commencing with the report for the 2018-19 Fiscal Year (which is due not later than April 1, 2020), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 hereof. The Annual Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 hereof; provided, however, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a), the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; 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 to the MSRB pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. <u>Content of Annual Reports</u>. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) The adopted budget of the District for the then current fiscal year.

(ii) The District's average daily attendance.

(iii) The District's outstanding debt.

(iv) Information regarding total assessed valuation of taxable properties within the District for the then current fiscal year, if and to the extent provided to the District by the County of Kings (the "County").

(v) Information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District, if and to the extent provided to the District by the County for the then current fiscal year

(vi) Information regarding total secured tax charges and delinquencies on taxable properties within the District for the last completed fiscal year, if and to the extent provided to the District by the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall 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 events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) principal and interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) tender offers;

(vii) defeasances;

(viii) rating changes;

(ix) bankruptcy, insolvency, receivership or similar event of the obligated person; or

(x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

(i) unless described in paragraph 5(a)(v), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) modifications to rights of Bond Holders;

(iii) Bond calls;

(iv) release, substitution, or sale of property securing repayment of the Bonds;

(v) non-payment related defaults;

(vi) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) appointment of a successor or additional paying agent or the change of name of a paying agent; or

(viii) incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3 hereof, as provided in Section 3(b) hereof.

(d) Upon the occurrence of a Listed Event described in Section 5(a) or upon the occurrence of a Listed Event described in Section 5(b) which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

(e) The District intends to comply with the Listed Events described in subsection (a)(x) and subsection (b)(viii), and the definition of "Financial Obligation" in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in Release No.

34-83885, dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. 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 a filing with the MSRB.

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

Section 9. Amendment; Waiver. 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 Section 3(a) hereof, Section 4 hereof, or Section 5(a) or (b) hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by the Holders in the same manner as 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.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, 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 in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, 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; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County or in U.S. District Court in or nearest to the County. 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. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and (if the Dissemination Agent is other than the District), the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: March 27, 2019

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

By: ___________________________________

ACCEPTED AND AGREED TO:

ISOM ADVISORS,
A DIVISION OF URBAN FUTURES, INC.,
as Dissemination Agent

By: ___________________________________
Managing Principal

EXHIBIT A

NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	LEMOORE UNION ELEMENTARY SCHOOL DISTRICT
Name of Issue:	Lemoore Union Elementary School District (Kings County, California) General Obligation Bonds, Election of 2018, Series 2019
Date of Issuance:	March 27, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate of the District, dated __________, 2019. [The District anticipates that the Annual Report will be filed by _____________.]

Dated:_______________

LEMOORE UNION ELEMENTARY SCHOOL DISTRICT

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APPENDIX E

KINGS COUNTY INVESTMENT POLICY AND POOLED SURPLUS INVESTMENTS

The following information has been supplied by the County of Kings (the "County") Department of Finance (the "Department of Finance"). Neither the District nor the Underwriter can make any representations regarding the accuracy and completeness of the information.

Neither the District nor the Underwriter has made an independent investigation of the investments in the County Investment Pool (the "Investment Pool") or an assessment of the current Statement of Investment Policy (the "Investment Policy"). The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein.

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COUNTY OF KINGS

DIRECTOR OF FINANCE'S

STATEMENT OF

INVESTMENT POLICY

JANUARY 1, 2019

James P. Erb, CPA
Director of Finance

Approved by CTOC	December 7, 2018
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I. AUTHORITY

Kings County Ordinance No.557, adopted on January 14, 1997 as an urgency ordinance, delegated to the County Director of Finance the authority to continue to invest or reinvest the funds of the County and the funds of other depositors in the County treasury, pursuant to Section 53600 et seq., inclusive of Section 53684, of the California Government Code. The County Director of Finance, as agent of the county, trustee, and fiduciary, assumes full responsibility for the investment program. The Board of Supervisors shall annually review the Director of Finance's performance and may annually renew this delegation of authority for a one-year period pursuant to Government Code 53607. The Board of Supervisors may also revoke the investment authority by County ordinance.

II. POLICY STATEMENT

Annually, the County Director of Finance shall prepare an Investment Policy, pursuant to G.C. 27133 and G.C. 53646, that will be reviewed by the County Treasury Oversight Committee and rendered for approval to the Board of Supervisors and local agencies.

The purpose of this Statement of Investment Policy (Policy) is to establish cash management and investment guidelines for the County Director of Finance, who is responsible for the stewardship of the Kings County Investment Pool. Each transaction and the entire portfolio must comply with California Government Code Section 53601 et seq., Section 53635 et seq., and this policy. All portfolio activities will be judged by the Standard of Prudence and ranking of investment objectives. Those activities which violate its spirit and intent will be deemed to be contrary to the policy.

III. POOLED INVESTMENT FUND OVERSIGHT COMMITTEE

In accordance with California Government Code Section 27130 et seq., the Board of Supervisors, in consultation with the County Director of Finance, has created a County Treasury Oversight Committee (Resolution No. 95-081, December 5, 1995) to allow local agency representatives participation in the policies that guide the investment of depositor funds. The primary responsibilities of the committee include: (a) to review and monitor the County Director of Finance's Statement of Investment Policy, (b) to cause an annual audit to be conducted to determine the County Treasury's compliance, and (c) to establish criteria for depositor withdrawal of funds for the purpose of investing or depositing outside the County Treasury pool. The meeting of the Oversight Committee shall be open to the public and subject to the Ralph M. Brown Act.

A member of the Oversight Committee may not be employed by an entity that has contributed to the campaign for any member of a legislative body of any local agency that has deposited funds into the county treasury, in the previous three years or during the period that the employee is a member of the committee. While serving on the Oversight Committee, a member may not directly or indirectly raise money for any member of a legislative body of any local agency that has deposited funds into the county treasury. Finally, a member may not secure employment with, or be employed by, bond underwriters, bond counsel, security brokerages or dealers, or a financial services firms, with whom the Director of Finance is doing business during the period that the person is a member of the committee or for one year after leaving the committee.

The Oversight Committee is not allowed to direct individual investment decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County treasury and investment operations.

IV. INVESTMENT OBJECTIVES

The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are ranked in order of importance.

A. SAFETY OF PRINCIPAL - The preservation of principal is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they are from securities default or erosion of market value. The objective will be to mitigate credit risk and interest rate risk.

1. Credit Risk is the risk of loss due to the failure of the security issuer or backer. Credit risk is mitigated by: (a) limiting investments to the safest types of securities; (b) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Treasury will do business; and (c) diversifying the investment portfolio so that potential losses on individual securities will be minimized.

2. Interest Rate Risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. Interest rate risk is mitigated by: (a) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and (b) by investing operating funds primarily in shorter-term securities.

B. LIQUIDITY - As a second objective, the Pooled Investment Fund should remain sufficiently flexible to enable the County Director of Finance to meet all operating requirements which may be reasonably anticipated in any depositor's fund. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). No more than 35% of the portfolio may be invested in securities maturing in three to five years and during peak tax collection no more than 30%. Percent restrictions shall be applicable only for the date of purchase. Any future percent deviations due to cash flow demands reducing the total investment portfolio shall not be considered out of compliance. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets (dynamic liquidity).

C. PUBLIC TRUST - In managing the Pooled Investment Fund, the County Director of Finance and the authorized investment staff should avoid any transactions that might impair public confidence in Kings County and the participating local agencies. Investments should be made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

D. MAXIMUM RATE OF RETURN - As the fourth objective, the Pooled investment Fund is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities can be sold prior to maturity for the following reasons: (1) a declining credit security to minimize loss of principal; (2) a security swap to improve the quality, yield, or target duration in the portfolio; (3) the liquidity needs of the portfolio require that the security be sold; (4) a call notification of a make-whole bond which, given unfavorable market conditions, could deteriorate the price of the bond on the redemption date, or (5) to realize a profit. If there is a realized loss of principal, the loss will first be allocated against the interest earned in the current quarter on the sold security. If the security's current interest is not sufficient to cover the loss, then the Director of Finance may allocate the loss against a profit realized from selling a security in the same quarter, and/or the total current and future portfolio interest earnings. In the event of an imminent loss of principal for which the security's interest would not be sufficient to cover the loss, the Director of Finance may withhold from the total current and future portfolio interest earnings to reserve against a future maximum anticipated actual loss.

V. STANDARD OF CARE

A. PRUDENCE - The County Director of Finance, as a trustee and therefore a fiduciary, is subject to the Prudent Investor Standard-which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer 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 county and other depositors, 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 county and the other depositors."
The standard of prudence to be used by investment staff shall be the "prudent person" standard, which provides, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, liquidity needs, as well as the probable income to be derived." This standard shall be applied in the context of managing an overall portfolio.

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds the County Director of Finance shall act with the care, skill, prudence and diligence to meet the aims of the investment objectives listed in order in Section IV., Investment Objectives. Investment staff acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

B. ETHICS AND CONFLICT OF INTEREST - Treasury staff involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. The investment staff shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. The investment staff shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the treasury.
Pursuant to Government Code Section 27133(d), the County Director of Finance, individual Treasury employees, or any member of the County Treasury Oversight Committee may not accept honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the County Treasury conducts business in an amount exceeding $50.00.

C. DELEGATION OF AUTHORITY - Authority to manage the investment program is granted to the County Director of Finance by the Kings County Board of Supervisors. The moneys invested will be actively managed by the Director of Finance and his/her staff, who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this Policy. No person may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the Director of Finance. The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate staff. (See also Safekeeping and Custody, Internal Controls VI B. below). The authority to execute investment transactions for the portfolio shall be limited to the Assistant Director of Finance - Treasury, the Treasury Manager, and in the absence of the Treasury Manager, the Accounting Specialist-Treasury Operations.

VI. SAFEKEEPING AND CUSTODY

A. DEPOSITORY INSTITUTIONS – As far as possible, all money belonging to, or in the custody of the County Director of Finance shall be deposited for safekeeping in state or national banks selected by the Director of Finance, or may be invested as set forth in Section VII. To be eligible to receive funds, the bank shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisorial agency of its record of meeting the credit needs of California's communities pursuant to Section 2906 of Title 12 of the United States Code.

B. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS - Schedule 1-Statement of Authorized Firms, on page 15, is a list of County Director of Finance approved financial institutions and broker/dealers authorized to provide investment services to the Treasury. Authorized firms can be added or deleted only with the Director of Finance's approval. Any changes will result in modification to Schedule 1, but will not be considered a revision to this policy. Changes to authorized firms shall be reported to the County Treasury Oversight Committee and Board of Supervisors within two (2) weeks. The authorized parties include "primary" dealers or divisions of a primary dealers, selected on the basis of creditworthiness, capital adequacy, availability of investment inventory, and experience in trading in authorized investments. Firms utilized for money market mutual funds must either attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized statistical-rating organizations (NRSRO) OR have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience (i) investing in the securities and obligations as authorized in G.C. 53601, or (ii)managing money market mutual funds; and have assets under management in excess of five hundred million dollars ($500,000,000). All financial institutions and broker/dealers who desire to become qualified firms for County Treasury investment transactions must supply the audited financial statements, proof of National Association of Securities Dealers (NASD) certification, proof of State registration, completed broker/dealer questionnaire, and certification of having read the Kings County Investment Policy. An annual review of the financial condition of qualified firms will be conducted by the Assistant Director of Finance - Treasury.

The Treasury shall not do any investment business with any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution, in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to any member of the Board of Supervisors or any candidate for those offices. Firms must provide corporate policy statements regarding compliance with political contributions limitations of Rule G-37.

C. INTERNAL CONTROLS - The County Director of Finance is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the investment portfolio are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

<u>Daily</u>, or when next available, the County Director of Finance or designee will

(1) Review and initial all Investment Purchase Orders to verify compliance with the overall Policy, Investment Parameters, and Authorized Institutions.

(2) Review and initial the "Daily Balance Sheet" to insure continuous compliance of portfolio investments (percentage distribution) to the Policy and Investment Parameters.

<u>Weekly</u>, the County Director of Finance or designee will verify that the Portfolio Percentage Report by investment type is balanced to the Daily Balance Sheet.

<u>Monthly</u>, all funds maintained by the County Director of Finance, including cash in treasury, deposits in transit, Kings County Department of Finance's checking account balance, and investment holdings will be audited by the County Department of Finance – Accounting Division.

Quarterly, the County Director of Finance or designee will report compliance of the investment portfolio to the Director of Finance's Statement of Investment Policy. (See Section IX. Reporting Methods on page12)

Annually, the County Treasury Oversight Committee shall hire an external auditor to conduct an independent review to assure compliance of the Director of Finance's investment activities with the Statement of Investment Policy.

D. SAFEKEEPING - All securities purchased either outright or on repurchase agreements shall be held in safekeeping by a third party bank trust department acting as agent for the County under terms of a custody agreement executed by the bank and the Director of Finance. The only exceptions authorized are purchases from Local Agency Investment Fund (LAIF), collateralized time deposits, collateralized bank money market accounts, and investments in money market mutual funds.

E. VOLUNTARY DEPOSITORS - If a local agency determines the agency has excess funds which are not required for immediate use and with the consent of the County Director of Finance, the legislative or governing body may, by resolution or minute order, authorize the deposit of excess funds into the County Treasury for the purpose of investment pursuant to Government Code Section 53635. At no time will the County Treasury accept deposits of personal funds unless by Court order.

The County Director of Finance shall, on a case by case basis, determine the terms and conditions under which a city, public district, or any public or municipal corporations located within Kings County, and not required to deposit their funds in the County Treasury, may voluntarily deposit funds for investment purposes. The County Director of Finance shall evaluate each proposed deposit request prior to approving the deposit into the Treasury. The County Director of Finance must make a finding that the proposed deposit will not adversely affect the interests of the other depositors in the County Investment pool, prior to approving the deposit.

F. WITHDRAWAL OF FUNDS FOR EXTERNAL INVESTMENT -The County Treasury Oversight Committee's approved policy statement on "Treasury Restrictions on Withdrawal for External Investment" establishes the terms and conditions for Treasury depositors withdrawing funds for investment outside the County investment pool. (See Appendix A on page 17 and 18)

Any local agency, public entity, or public official that has funds on deposit in the County Treasury investment pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the County Treasury pool, shall submit a resolution or minute order approved by the legislative or governing body requesting the withdrawal of the funds. Funds withdrawn shall become the responsibility of the requesting legislative body, and the Director of Finance will be held harmless from liability.

The County Director of Finance shall evaluate each proposed withdrawal for its consistency with the County Treasury Oversight Committee policy prior to approving the withdrawal. The County Director of Finance must also make a finding that the proposed withdrawal will not adversely affect the interests of the other depositors in the County Treasury pool, prior to approving the withdrawal.

VII. SUITABLE AND AUTHORIZED INVESTMENTS

A. **INVESTMENT TYPES** - The County treasury may invest money among the following authorized investments and within the limits imposed by Government Code 53601 et seq. or 53635 et seq., or as more further restricted in Schedule 2-Investment Parameters on page 16:

1. **United States Treasury Bills, Notes, Bonds, and Certificates of Indebtedness**, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

2. **Registered state warrants or treasury notes or bonds of the State of California,** including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State.

3. **Registered treasury notes or bonds of any of the other 49 states** including bonds payable solely out of the revenues from revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

4. **Bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California**, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

5. **Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments,** including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

6. **Banker's Acceptances (BA)** otherwise known as Bills of Exchange or Time Drafts, both domestic and foreign, drawn on and accepted by a commercial bank.

7. **Commercial Paper (CP)** of "prime" quality issued by corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000).

8. Negotiable Certificates of Deposit issued by a nationally or state chartered bank or a savings association or federal association, or by a federally- or state-licensed branch of a foreign bank.

9. Certificates of Deposit Account Registry Service (CDARS) placed with a local CDARS member. CDARS are fully insured as to principal and interest that may be accrued by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).

10. Collateralized Time Deposits issued by a nationally or state-chartered bank or savings and loan association within the State of California with an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisorial agency of its record of meeting the credit needs of California's communities pursuant to Section 2906 of Title 12 of the United States Code.

11. Repurchase Agreements or Reverse Repurchase Agreements, or Securites Lending Agreement purchased in compliance with the Government Code 53601(j). Repurchase agreements must be issued by nationally or state-chartered banks or primary security dealers with whom the County Director of Finance has entered into a Master Repurchase Agreement.

12. Medium Term Corporate Notes (MTN), defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

13. Shares of Beneficial Interest issued by diversified management companies (1) that invests in the securities and obligations as authorized by subdivision (a) to (k), inclusive, or subdivisions (m) to (o) inclusive of Government Code 53601, and that comply with the investment restrictions of Article 2 of the Government Code (commencing with Section 53630), or (2) that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. (15 U.S.C. Sec 80a-l, and following.)

14. Local Agency Investment Fund (LAIF) an investment pool created by Government Code 16429.1 in which the State Treasurer invests pooled political subdivision funds.

15. Notes, Bonds, or other obligations secured by a valid first priority security interest in eligible securities listed in Section 53651 having a market value at least equal to that required by Section 53652.

16. Shares of beneficial interest issued by joint powers authority organized pursuant to Government Code Section 6509.7 that invests as authorized in subdivision (l) (2) of Government Code Section 53601.

17. Supranational Debt Obligations United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-

American Develoment Bank (IADB) only, eligible for purchase and sale within the United States. Authorized by CGC 53601 (q) and this policy.

B. RESTRICTIONS ON AUTHORIZED INVESTMENTS- In accordance with G.C. 53601.6, the County Treasury shall not invest any funds in inverse floaters, range notes, or mortgage derived interest-only strips. Additionally, no funds shall be invested in any security that could result in zero interest accrual if held to maturity. No funds shall be invested in Medium Term Corporate Notes with a make-whole call provision that, at time of purchase, are priced at a premium. No shares of beneficial interest will be purchased where the principal dollars invested are subject to daily net asset value (NAV) adjustments of the fund's portfolio except for the CalTrust. The Treasury shall not invest in financial options and futures contracts directly, but may purchase authorized investments of callable securities with imbedded call provisions. The Treasury will not purchase an authorized investment below the credit quality restriction of Schedule 2 - Investment Parameters, but may elect to hold an instrument to maturity that has been later downgraded by the nationally recognized statistical-rating organization i.e. Moody's, Standard and Poors, or Fitch.

C. COMPETITIVE BIDDING - Bids for investment products shall be taken from a minimum of three authorized institutions. Awards will be made giving consideration to safety, liquidity, a balanced portfolio, and diversification. Exceptions to the above would involve repurchase agreements, securities possessing unique characteristics which would make competitive bidding impractical, or market circumstances in which competitive bidding could be adverse to the best interest of the Director of Finance's investment program.

D. COLLATERALIZATION - In accordance with California Government Code 53652, 53601 (j) full collateralization of public deposits is required for collateralized time deposits, collateralized bank money market accounts, and repurchase agreements. The Director of Finance may waive collateralization for that portion of any deposit that is fully insured by the FDIC per Government Code 53653.

VIII. INVESTMENT PARAMETERS

A. DIVERSIFICATION - The investments will be diversified by security type and institution within the percent restrictions of Government Code 53601, 53601.8, 53635, 53635.2, and 53635.8 or as further defined in Schedule 2, Investment Parameters. Percent restrictions shall be applicable only for the date of purchase. Any future percent deviations due to cash flow demands reducing the total investment portfolio shall not be considered out of compliance. Maximum investment amounts in any issuer name shall be limited as provided in the Investment Parameters on page 16.

B. MAXIMUM MATURITIES - Maturity limitations for each instrument type shall be restricted as provided in Government Code 53601, 53601.8, 53635, and 53635.8 or as further defined in Schedule 2 - Investment Parameters on page 16. No investment shall be made in any security, other than a security underlying a repurchase agreement authorized in this policy, which at the time of investment has a term remaining to maturity in excess of five years, unless a legislative body has granted express authority to make that investment either specifically or as part of an investment program approved by that legislative body no less than three months prior to the investment.

IX. REPORTING

A. METHODS - The County Director of Finance or designee shall prepare an investment report at least quarterly, including a succinct management summary that provides a clear picture of the status of the investment portfolio. This summary will be prepared in a manner, which will allow the reader to ascertain whether investment activities have conformed to the investment policy.
The report will be provided within 30 days following the end of the quarter covered by the report and submitted to the County Board of Supervisors, County Administrative Officer, Finance Director, other members of the County Treasury Oversight Committee, and pool participants.

The report will include the following:

1. A Statement of Compliance with the Investment Policy.

2. A listing of individual securities and moneys held at the end of the reporting period to include:
   (a) The type of instrument.
   (b) The name of the issuer.
   (c) Purchase date, maturity date, and days to maturity.
   (d) Issuers rating.(Long term or short term, as appropriate)
   (e) Par and dollar amount invested in each security.
   (f) The current market value of securities as of the date of the report and the source of the valuation.

3. A statement estimating the ability of the County Treasury to meet its pool's expenditure requirement for the next six months.

4. A statement of the method of interest accounting used.

5. Portfolio Sector Allocation and Quality Allocation graphs.

6. A Statement of Interest Earnings Report for the Quarter.

7. If applicable, a description of any of the local agency's funds, investments, or programs, that are under the management of contracted parties, but excluding funds deposited into the Local Agency Investment Fund administered by the State Treasurer.

B. QUARTERLY INTEREST CALCULATION AND APPORTIONMENT - Gross interest for the quarter is the total interest earned on an accrual basis on the Treasury portfolio investments for that quarter. Administrative expenses pursuant to G.C. 27013 are deducted to arrive at net interest to be apportioned. Administrative expenses consist of audit expenses, direct banking expenses, not otherwise recovered directly from Treasury depositors, safekeeping fees, plus actual quarterly Treasury operational expenses. The net earnings for the quarter are divided by the Treasury's total average daily balance creating an "interest allocation factor" or "daily interest factor" for each average dollar invested. Multiply the "interest allocation factor" by the quarterly average daily balance of each fund to determine the interest earnings for each fund. Interest is apportioned quarterly to all depositors in the Treasury pool. The "interest allocation factor" can be converted into the annualized quarterly interest rate; multiply the factor by the number of days in the year, and divide that answer by the number of days in the quarter.

X. POLICY EXCEPTIONS & REVISIONS

A. EXEMPTION - Any previously legal investments, that settled prior to the effective date and that no longer meet the current guidelines of this Policy, shall be exempted from the new requirements. At maturity or liquidation, such moneys shall be reinvested only as provided by this Policy.

Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance thereof. The proceeds of sales, or funds set aside for the repayment, of any notes or other indebtedness issued shall not be invested for a term that exceeds the term of the notes.

B. AMENDMENTS - This policy shall be reviewed at least on an annual basis. Any changes shall be submitted by the Director of Finance to the County Treasury Oversight Committee for consideration and comments, and the Board of Supervisors for review and approval.

KINGS COUNTY DIRECTOR OF FINANCE'S
SCHEDULE 1 - STATEMENT OF AUTHORIZED FIRMS

The Treasury is authorized to conduct investment security transactions with the following investment firms and broker/dealers, designated by the Federal Reserve Bank as primary government dealers or divisions of primary dealers. Security transactions with firms, other than those appearing on this list, are prohibited.

A. Firms designated by the Federal Reserve Bank as Primary Government Dealers or a division of a Primary Dealer:

UBS Financial Services Inc., an affiliate of UBS Securities LLC
RBC Capital Markets, LLC
Jefferies LLC
Wells Fargo Securities, LLC

B. Firms designated for the purchase of money market mutual funds pursuant to G.C. 53601 (l) and (p):

BlackRock
Bank of the West
CalTRUST

C. Firms designated for repurchase agreements with Master Repurchase Agreements on file:

UBS Financial Services Inc., an affiliate of UBS Securities LLC

D. State of California, Local Agency Investment Fund

E. Purchases directly from major issuers of commercial paper, bankers acceptances, negotiable certificates of deposit, or collateralized time deposits, meeting the requirements set forth in section 53635, 53601(g), 53601(i), 53601(n), respectively, and 53635.2 of the California Government Code.

To ensure compliance with the County Director of Finance's Investment Policy, firms designated in A and C above are supplied a complete copy of the policy and must certify having read it.

James P. Erb, CPA, Director of Finance

Dated: January 1, 2019

SCHEDULE 2 – INVESTMENT PARAMETERS (Revised 11/18/15)

AUTHORIZED INVESTMENTS	DIVERSIFICATION	PURCHASE RESTRICTIONS	MATURITY	CREDIT QUALITY (NRSRO)
U.S. Treasury notes, bills, bonds or other certificates of indebtedness	95% Max.	None	Max. 5 years	N/A
Notes, participations, or obligations issued by Federal agencies or United States government-sponsored enterprises (GSE)	85% Max.	None	Max. 5 years	N/A
Bonds, notes, warrants or certificates of indebtedness issued by the State of California or local agencies or County of Kings or any other State	20% or $20mm Max.	None	Max. 5 years unless prior BOS approval	L/T rating A or A2 or better
Bankers Acceptances	40% Max.	Max. $5mm any one name	Max. 180 days	S/T rating A-1 or P-1 L/T rating (if Out-standing) AA- or Aa3 or better
Commercial paper of corporations organized and operating within the U.S. with total assets exceeding $500 mm	40% Max.	Max. 10% in any one name, No Extendable CP	Max. 270 days.	S/T rating A-1 or P-1 L/T rating (if Out-standing) AA- or Aa3 or better
State of California Local Agency Investment Fund	Max. Dollars allowed by State Treasurer	Max. Transactions allowed by State Treasurer	Overnight liquidity	N/A
Negotiable CD's issued by National or State chartered banks or a federally- or *state*- licensed branch of a foreign bank	25% Max. (CDs + CDARS)	G.C. 53638 policy restrictions	Max. 3 years	L/T rating AA- or Aa3 or better
Certificates of Deposit Account Registry Service (CDARS)	25% Max (CDs + CDARS)	G.C. 53601.8 & 53635.8 conditions apply	Max. 3 years	100% FDIC/NCUA insured as to Principal and Interest
Collaterized Time Deposits.	10% Max.	Collateral policy restrictions G.C. 53601(n)	Max. 24 months	
Repurchase Agreements with collateral restricted to U. S. Treasury, Federal Agencies, or United States government-sponsored enterprises (GSE)	10% Max.	Master Repurchase and Tri-Party Custodial Agreements to be on file. 102% haircut	Max. 1 year	
Reverse Repurchase Agreements or Securities Lending on U.S. Treasury & Federal Agency Securities in portfolio	10% Max with approval of the Director of Finance	G.C. 53601(j) Reverse Repurchase and Securities Lending restrictions	Max. 92 days unless guaranteed spread	
Corporate Notes on U.S. Corp or U.S. Subsidiary of a foreign corp.	30% Max.	Max. $15mm any one name Make - Whole Call Restrictions	Max. 5 years	L/T rating AA- or Aa3 or better
Asset Backed Securities on U.S. Corp.	0% Max.	Not authorized	Not authorized	Not Authorized
Money Market mutual funds that invest in eligible securities meeting Government Code requirements.	20% Max. 10% per fund	Fund 5 years or more old NAV pricing ***restriction*** No front or back loads	Overnight liquidity	L/T rating: Highest rating from two NRSRO, i.e. AAA, Aaa, etc. Retain Investment Advisor per G.C. 53601(l) & (p)
Supranationals – Washington dollar denominated IBRD, IFC or IADB	20% Max. 10% per Name	Max. 10% in any one name	Max. 5 years	L/T rating: Highest rating from two NRSRO, i.e. AAA, Aaa, etc.

APPENDIX A

COUNTY TREASURY OVERSIGHT COMMITTEE

Policy Statement and Authorized Practice Approved March 4, 1996

Treasury Restrictions on Withdrawal for External Investment

Authorization: Pursuant to Government Code Section 27130 and Kings County Board of Supervisor's Resolution No. 95-081, dated December 5, 1995, the Kings County Treasury Oversight Committee is authorized to establish criteria on the withdrawal of funds on deposit in the County Treasury investment pool for the purpose of investing or depositing those funds outside the County Treasury pool.

Request for Withdrawal: Any local agency, public entity, or public official that has funds on deposit in the County Treasury investment pool and that seeks to withdraw funds for external deposit or investment, shall first submit a request by resolution or minute order approved by the legislative or governing body for withdrawal of the funds.

Assessment of Withdrawal Impact: The County Director of Finance shall evaluate all requests for withdrawal to determine if the interests of the other Treasury depositors in the County Treasury pool will be adversely affected. If the County Director of Finance determines that the combined number of requests or total dollar amount requested is sufficient to constitute a "run on the treasury", no withdrawal requests shall be processed until the County Treasury Oversight Committee has reviewed the treasury financial position and assists the Director of Finance in establishing an action plan.

Approval or Disapproval: The County Director of Finance shall approve all requests upon the finding that other Treasury depositors will not be adversely affected. If other Treasury depositors are perceived to be adversely impacted, the County Director of Finance may postpone action on any withdrawal request until the County Treasury Oversight Committee has reviewed the situation.

Approved Withdrawal Criteria: Approved withdrawals will be processed dependent on availability of funds, the type of investments required to be liquidated, market conditions, settlement periods, and dollar amounts to be withdrawn. The following are target goals for withdrawals:

a. If adequate liquidity exists in short term investments and requires minimal liquidation and settlement, withdrawals of amounts up to $1,000,000.00 shall be processed immediately upon the County Director of Finance's approval.

b. If the County Treasury liquidity position is such as to require liquidation of more difficult investment(s), the below processing times shall apply based on the withdrawal dollar amounts and market factors.

(1). If the withdrawal amount is less than $1,000,000.00, and favorable market conditions exist, requests shall be processed within three workdays.

(2). If the withdrawal amount is greater than $1,000,000.00, or unfavorable market conditions exist, requests shall be processed within five workdays.

Disclaimer of Liability: Any and all funds withdrawn from the County Treasury investment pool for the purpose of investing or depositing such funds outside the pool shall become the responsibility of the legislative body requesting the action. The County Director of Finance or County of Kings shall in no manner be held responsible or liable for withdrawn funds or investments purchased with said funds. The request of any legislative body, by resolution or minute order, authorizing the withdrawal of funds for deposit or investment outside the County Treasury investment pool must provide a disclaimer of liability. The Director of Finance shall not honor any such withdrawal request if a disclaimer clause is not provided.

GLOSSARY OF TERMS

AGENCIES OR FEDERAL AGENCIES: Federal sponsored agency securities including discount notes, or interest bearing notes, and bonds. The agencies were created by Congress to reduce the cost of capital for certain borrowing sectors of the economy deemed to be important enough to warrant assistance, such as farmers, homeowners, and students.

ASKED PRICE: The lowest price at which a dealer is willing to sell a security.

BANKERS ACCEPTANCES (BA'S): A time draft or bill of exchange that is accepted payment by banks engaged in financing of international trade. The accepting institution guarantees payment of the bill as well as the issuer.

BID: Price at which someone is willing here and now to purchase a security.

BOOK VALUE: The value at which a security is carried on the inventory list or other financial records of an investor. The Book Value my differ significantly from the security's current value in the market.

BROKER: Person or firm acting as intermediary between buyer and seller.

CALLABLE BOND: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CERTIFICATES OF DEPOSIT (CD'S): A time deposit with a specific maturity evidenced by a certificate. They are issued in two forms negotiable and collateralized.

> **Negotiable Certificates of Deposit:** May be sold by one holder to another prior to maturity. The issuing bank agrees to pay the amount of the deposit plus interest earned to the BEARER of the certificate at maturity.
>
> **Collateralized Time Deposits:** These certificates are collateralized and are not money market instruments since they cannot be traded in the secondary market. They are issued on a fixed maturity basis and fixed payee.

CERTIFICATE OF DEPOSIT ACCOUNT REGISTRY SERVICES (CDARS): Certificates of Deposit that are placed by a member bank with commercial banks, savings banks, savings and loan associations, or credit unions, such that the principal and all accrued interest during the term of the certificate are fully insured by either the FDIC OR NCUA.

COLLATERAL: Securities pledged by a bank to secure deposits of public funds, or an asset pledged by a borrower to a lender.

COMMERCIAL PAPER: An unsecured short-term promissory note issued by corporations with maturities ranging from 2 to 270 days.

COUNTY TREASURY OVERSIGHT COMMITTEE: A committee established by Board of Supervisors Resolution No. 95-081, dated December 5, 1995 to allow local agency representatives participation in the policies that guide the investment of depositor funds. The primary responsibilities include: (1) review and monitor the County Director of Finance's investment policy, (2) cause an annual audit to be conducted to determine the county treasury's compliance, and (3) establish criteria for depositor withdrawal of funds for the purpose of investing or depositing outside the county treasury pool.

COUPON RATE: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transaction, buying and selling for his own account.

DEBENTURE: A longer-term debt instrument issued by a corporation that is unsecured by other collateral. Hence, only the good faith and credit standing of the issuer backs the security.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery vs. payment and delivery vs. receipt. Delivery vs. payment is delivery of securities with an exchange of money for the securities. Delivery vs. receipt is delivery of securities with an exchange of a signed receipt for the securities.

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. U.S. Treasury Bills

DIVERSIFICATION: A process of investing assets among a range of security types by sector, maturity, and quality rating.

DOLLAR WEIGHTED AVERAGE MATURITY: The sum of the amount of each outstanding investment multiplied by the number of days to maturity, divided by the total amount of outstanding investments.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g. S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per deposit.

FEDERAL FARM CREDIT BANKS (FFCB): is a nationwide system of lending institutions that provide credit and related services to farmers, ranchers, producers and harvesters of agricultural products, and other farm related businesses.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan association. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC) : is a federally chartered and stockholder-owned corporation. Freddie Mac purchases mortgage loans from qualified financial institutions and resales these loans in the form of guaranteed mortgage securities.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional Federal Reserve Banks, their 24 branches, and all national and state banks that are members of the system.

FLOATER: A derivative that has its coupon determined by using the yield of other securities.

FUTURES: Futures contracts are the units of trading at a commodity exchange. They are legally binding agreements made within the confines of an exchange trading area. All futures contracts call for the purchase or sale of a physical commodity of financial instrument on dates from one month to more than two years in the future.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae) Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institution. Security holder is protected by full faith and credit of the U.S. Government. Ginnie MAE securities are backed by the FHA, VA, or FMHM mortgages. The term "passthroughs" is often used to describe Ginnie Maes.

GOVERNMENT-SPONSORED ENTERPRISES (GSE): General term for several privately owned, publicly chartered agencies created to reduce borrowing costs for certain sectors of the economy such as farmers, homeowners and students. The GSEs that issue debt instruments include: Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit System, Federal Agricultural Mortgage Corporation, and the Student Loan Marketing Association.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable sales can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the California State Treasurer for investment and reinvestment.

MARKET RISK: The risk that the value of a security will rise or decline as a result of changes in market conditions.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase--reverse repurchase agreements that establishes each party's rights in the transaction. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, banker's acceptances, etc.) are issued and traded.

MONEY MARKET MUTUAL FUND: Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, etc.).

NATIONALLY RECOGNIZED STATISTICAL-RATING ORGANIZATION (NRSRO) Independent credit rating agencies which are utilized to analyze and rate the quality of the issuers underlying debt.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.)

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

OPTIONS: The buyer of a call option has the right to buy the underlying security at fixed price. The option seller is obligated to sell the security if the buyer chooses to exercise the option.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealer, banks and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In California the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities approved by the State, the authorized investments. The trustee may invest in a security if it is one, which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REINVESTMENT RISK: The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

REPURCHASE AGREEMENT (RP or REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, this is increasing bank reserves.

REVERSE REPURCHASE AGREEMENT: A dealer of securities buys securities from an investor with an agreement to sell them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" or "investor" money for the period of the agreement, and the terms of the agreement are structured to compensate the dealer for this. Investors use reverse-repos to meet temporary cash shortages without liquidating the investments.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITY: Any investment instrument authorized for purchase under Government Code 53601 or 53635.

SECURITIES AND EXCHANGE COMMISSION (SEC): Agency created by Congress to protect investor in securities transactions by administering securities legislation.

SECURITIES LENDING AGREEMENT: An agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral.

SUPRANATIONALS: An international organization, or union, whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping.

SURPLUS FUNDS: All moneys are not required to meet the banks demands on the treasury to redeem check warrants on any given day are considered "surplus funds" for investments.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY NOTES: A interest bearing security issued by the U.S. Treasury to finance the Federal debt with a maturity range of from zero to ten years.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities between ten to thirty years.

TRI-PARTY CUSTODIAL AGREEMENT: A third party custodian bank agrees to safekeep the repo collateral in a segregated custody account for the client. The custodian bank independently prices the collateral and ensures that the collateral is properly securitized.

UNIFORM NET CAPITAL RULE (SEC RULE 15C3-1): Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one-reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security.

(b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period of the date of purchase to the date of maturity of the bond.

YIELD-TO-CALL (YTC): The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

YIELD CURVE: A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

YIELD-TO-MATURITY: The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

COUNTY OF KINGS
DEPARTMENT OF FINANCE

JAMES P. ERB, CPA ▪ DIRECTOR OF FINANCE
1400 W. LACEY BLVD ▪ HANFORD, CA 93230

ACCOUNTING DIVISION
(559) 852-2455 ▪ FAX: (559) 587-9935

TAX COLLECTOR ▪ TREASURER DIVISION
TAX: (559) 852-2479 ▪ TREASURER (559) 852-2477
FAX: (559) 582-1236

DATE: January 28, 2019

TO: Treasury Depositors
Board of Supervisors
County Treasury Oversight Committee

FROM: James P. Erb, CPA, Director of Finance J.E.

SUBJECT: Quarterly Portfolio Compliance Report

Enclosed is the Kings County Treasurer's - Quarterly Compliance Report for the period October 1 – December 31, 2018. The interest rate for the quarter for funds held by the Treasury was 1.8208%.

If you have any questions on the report or the portfolio, please feel free to call Tammy Phelps, Assistant Director of Finance - Treasury, at 852-2462.

Encl. 1

Kings County Treasurer's
Statement of Interest Earnings

For the Period October 1, 2018 - December 31, 2018		
POOLED INVESTMENT ACCOUNT:		
Gross Interest Earnings (on Accrual Basis)		$1,829,210
Less:	Administrative Expenses	(104,398)
	Banking Expenses	(3,680)
Net Interest Earnings Apportioned		$1,721,132
Portfolio Return of Investment:		
Average Pooled Funds Invested		$366,659,758
Gross Yield on Investments		1.9793%
Net Yield on Investments		1.8623%
Treasury Return on Investment:		
Average Pooled Funds In Treasury		$375,025,908
Gross Yield Pooled Treas Funds		1.9351%
Net Yield on Pooled Treasury Funds		1.8208%
DIRECT INVESTMENT ACCOUNT:		
Average Direct Funds Invested		$0
TOTAL AVERAGE FUNDS INVESTED:		$366,659,758

YIELD TRENDS Gross Yield History*		
Quarter	Pool	LAIF
Dec-18	1.9793%	2.3994%
Sep-18	1.8644%	2.1570%
Jun-18	1.7292%	1.9042%
Mar-18	1.4226%	1.5095%
Dec-17	1.3133%	1.2049%
Sep-17	1.2618%	1.0741%
Jun-17	1.2309%	0.9239%
Mar-17	1.1653%	0.7761%
Dec-16	1.1055%	0.6778%
Sep-16	0.9785%	0.6046%
Jun-16	1.0600%	0.5473%
Mar-16	0.8967%	0.4643%
Dec-15	1.0016%	0.3672%
Sep-15	0.8794%	0.3195%
Jun-15	0.8477%	0.2836%
Mar-15	0.7391%	0.2601%
Dec-14	0.9132%	0.2542%
Sep-14	0.7690%	0.2418%

*The yield history represents gross portfolio yields; costs have not been deducted.

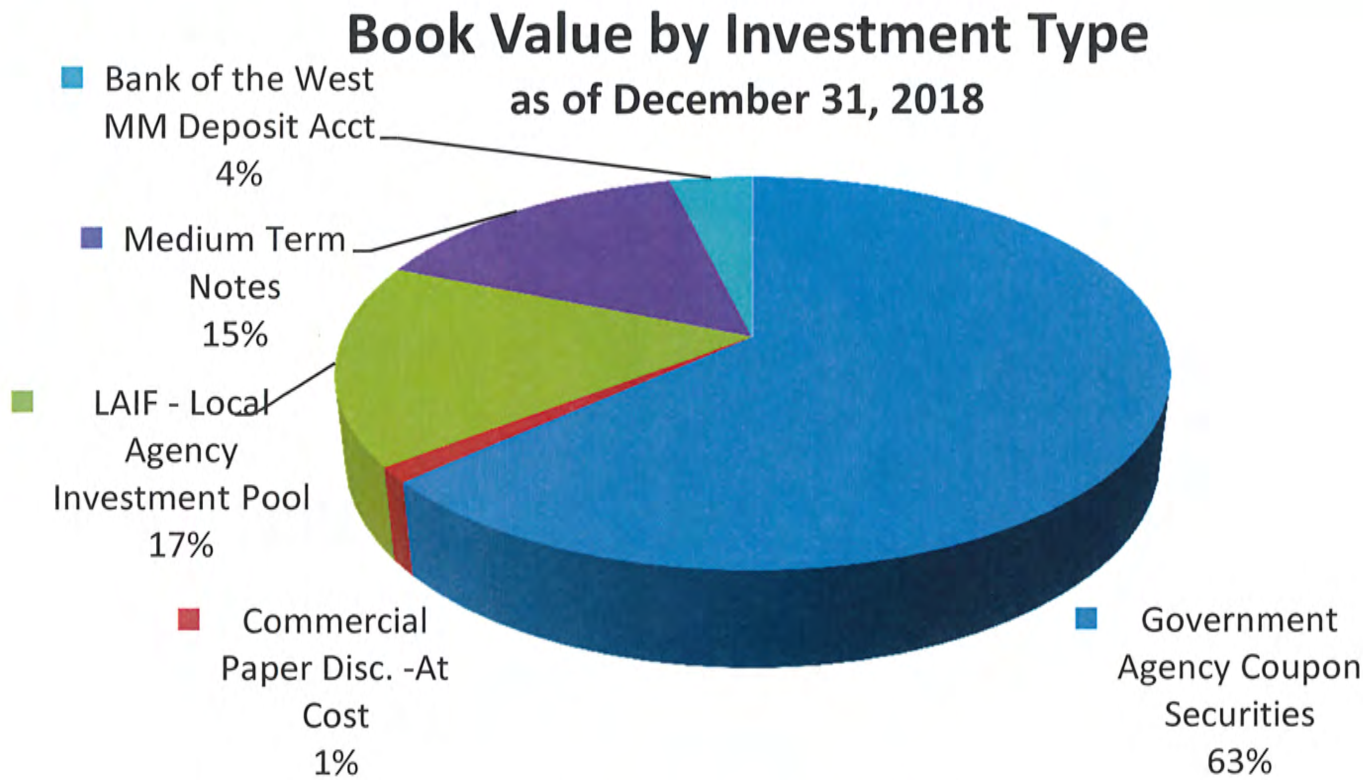
Kings County Treasurer's
Liquidity Projections for the Period January 1, 2019 - December 31, 2019
(In Thousands)

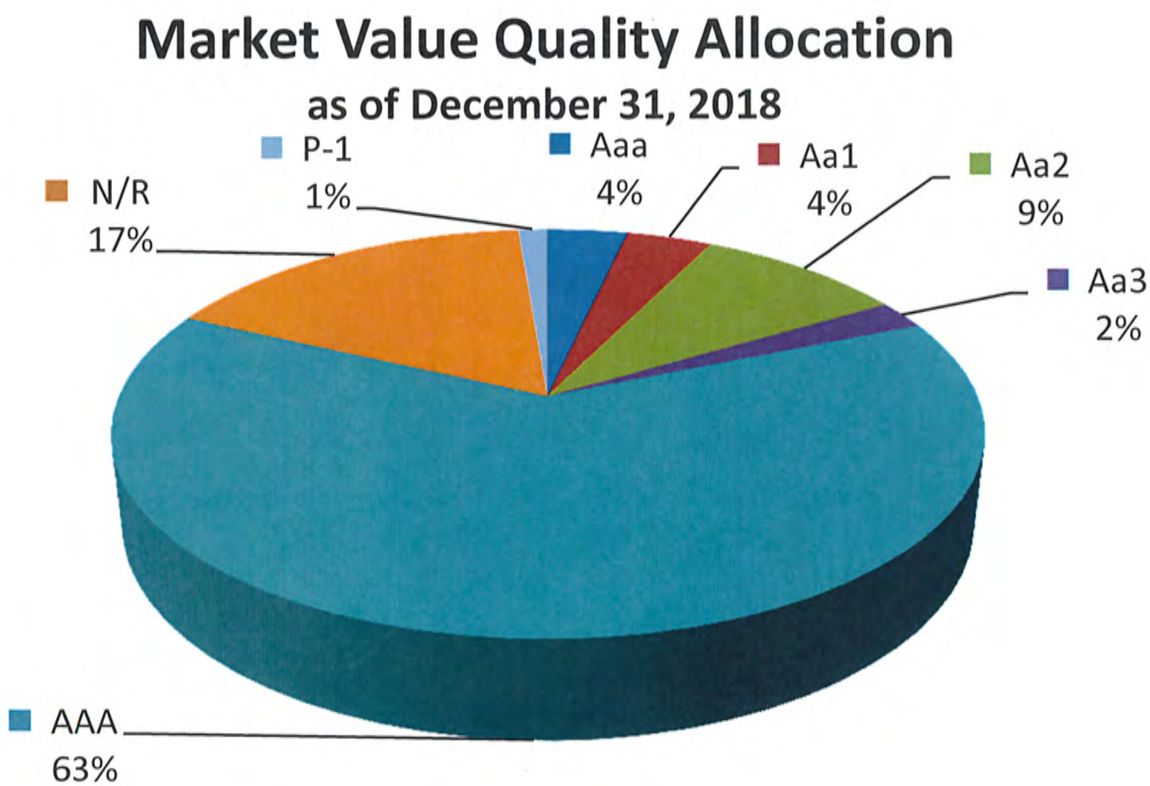
	A	B	C		D	E	F	G
ACTUAL MONTH/ YEAR	TREASURER'S RECEIPTS ACTUAL	TREASURER'S DISBURSEMENTS ACTUAL	TREASURER'S SURPLUS or (DEFICIT) (A-B)	INVESTMENTS				ESTIMATE SURPLUS (F+C)
				MONTH YEAR	PORTFOLIO MATURITIES	LAIF	TOTAL (D+E)	
Jul-18	44,809	72,602	(27,793)	Jul-19	4,000	65,000	69,000	41,207
Aug-18	41,604	63,599	(21,995)	Aug-19	19,000	41,207	60,207	38,212
Sep-18	74,862	56,531	18,331	Sep-19	12,000	38,212	50,212	68,543
Oct-18	57,587	64,050	(6,463)	Oct-19	14,000	65,000	79,000	72,537
Nov-18	82,940	62,579	20,361	Nov-19	16,000	65,000	81,000	101,361
Dec-18	116,283	96,209	20,074	Dec-19	16,000	65,000	81,000	101,074
Jan-18	60,211	88,528	(28,317)	Jan-19	5,000	65,000	70,000	41,683
Feb-18	48,788	58,190	(9,402)	Feb-19	15,000	41,683	56,683	47,281
Mar-18	72,019	60,881	11,138	Mar-19	11,000	47,281	58,281	69,419
Apr-18	93,597	65,745	27,852	Apr-19	2,000	65,000	67,000	94,852
May-18	66,853	75,978	(9,125)	May-19	4,000	65,000	69,000	59,875
Jun-18	85,281	63,499	21,782	Jun-19	14,000	59,875	73,875	95,657
TOTALS	844,834	828,391	16,443		132,000			

NOTE: Maximum LAIF balance was increased on January 1, 2016 from $50,000,000 to $65,000,000.

Sufficient liquidity exists to meet the mandated six months cash flow expenditure requirements. The historical receipts have been adjusted for expected non-re-occurring participant activity.

KINGS COUNTY POOLED INVESTMENTS
PORTFOLIO STATISTICS





Kings County Investment Pool
Portfolio Management
Portfolio Summary
December 31, 2018

Kings County
1400 W. Lacey Blvd.
Kings County Govt. Center
Hanford, CA
(559)582-3211

Investments	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM 365 Equiv.	YTM 360 Equiv.
Government Agency Coupon Securities	248,050,000.00	246,550,954.00	248,075,115.78	63.35	603	1.936	1.909
Commercial Paper Disc. -At Cost	5,000,000.00	4,974,950.00	4,919,333.33	1.26	65	2.521	2.486
LAIF - Local Agency Investment Pool	65,000,000.00	65,000,000.00	65,000,000.00	16.60	1	2.210	2.180
Medium Term Notes	59,000,000.00	58,354,540.00	58,558,944.50	14.95	700	2.409	2.376
Bank of the West MM Deposit Acct	15,052,190.61	15,052,190.61	15,052,190.61	3.84	1	2.110	2.081
Investments	**392,102,190.61**	**389,932,634.61**	**391,605,584.22**	**100.00%**	**488**	**2.066**	**2.038**

Cash and Accrued Interest	Par Value	Market Value	Book Value	% of Portfolio	Days to Maturity	YTM 365 Equiv.	YTM 360 Equiv.
Passbook/Checking (not included in yield calculations)	15,298,884.47	15,298,884.47	15,298,884.47		1	1.000	0.986
Accrued Interest at Purchase *		0.00	0.00				
Ending Accrued Interest		1,693,376.68	1,693,376.68				
Subtotal		16,992,261.15	16,992,261.15				
Total Cash and Investments Value	**407,401,075.08**	**406,924,895.76**	**408,597,845.37**		**488**	**2.066**	**2.038**

Total Earnings	December 31 Month Ending	Fiscal Year To Date
Current Year	666,276.17	3,520,093.27
Average Daily Balance	**395,215,558.87**	**361,891,676.31**
Effective Rate of Return	**1.98%**	**1.93%**

* 92,629.03 Accrued at Purchase is Included in Book Value.

The Pooled Portfolio was in compliance during the quarter ending December 31, 2018, with California Government Code Sections 53601 et.seq. and 53635, and the Director of Finance's Statement of Investment Policy dated January 1, 2018. Market prices are provided by Union Bank of California and are as of the last business day of the month. Ratings listed in the Portfolio Reports are issued by Moody's Rating Agency. If you have any questions about the Pooled Investment Fund, please call Tammy Phelps, Assistant Director of Finance - Treasury, at (559) 852-2462.

J. P. Erb 1-28-2019

James P. Erb, CPA, Kings County Director of Finance

Reporting period 12/01/2018-12/31/2018

Run Date: 01/14/2019 - 13:49

Portfolio POOL
RC
PM (PRF_PM1) 7.3.0
Report Ver. 7.3.5

Kings County Investment Pool
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	YTM 360	Days to Maturity	Maturity Date
Government Agency Coupon Securities												
3133EG2S3	160044	Federal Farm Credit Bank		01/03/2017	2,000,000.00	1,999,940.00	1,999,605.00	1.280	AAA	1.302	2	01/03/2019
3133EFVD6	150047	Federal Farm Credit Bank		02/01/2016	2,000,000.00	1,998,480.00	2,000,000.00	1.320	AAA	1.302	31	02/01/2019
3130A8XU2	160005	Federal Home Loan Banks		08/08/2016	2,000,000.00	1,997,080.00	2,000,000.00	1.020	AAA	1.006	38	02/08/2019
3130A8V26	160003	Federal Home Loan Banks		08/12/2016	2,000,000.00	1,996,820.00	2,000,000.00	1.050	AAA	1.036	42	02/12/2019
3134G9EB9	150067	Federal Home Loan Mort. Co.		05/13/2016	2,000,000.00	1,997,420.00	2,000,000.00	1.200	AAA	1.184	43	02/13/2019
3135G0ZA4	150034	Federal Nat'l Mortgage Assoc.		01/12/2016	2,000,000.00	1,998,440.00	2,005,810.92	1.875	AAA	1.263	49	02/19/2019
3130A8YM9	160006	Federal Home Loan Banks		08/30/2016	2,000,000.00	1,995,400.00	2,000,000.00	1.000	AAA	0.986	58	02/28/2019
3130A86L2	150074	Federal Home Loan Banks		06/01/2016	2,000,000.00	1,995,860.00	2,000,000.00	1.200	AAA	1.184	59	03/01/2019
3136G3AP0	150052	Federal Nat'l Mortgage Assoc.		03/15/2016	2,000,000.00	1,995,100.00	2,000,000.00	1.250	AAA	1.233	73	03/15/2019
3136G3BR5	150054	Federal Nat'l Mortgage Assoc.		03/22/2016	2,000,000.00	1,994,700.00	2,000,000.00	1.300	AAA	1.282	80	03/22/2019
3134G8WG0	150059	Federal Home Loan Mort. Co.		04/26/2016	2,000,000.00	1,992,060.00	2,000,000.00	1.200	AAA	1.184	115	04/26/2019
3134G92M8	160004	Federal Home Loan Mort. Co.		08/22/2016	2,000,000.00	1,989,380.00	2,000,000.00	1.125	AAA	1.110	141	05/22/2019
3136G2Y76	150051	Federal Nat'l Mortgage Assoc.		02/24/2016	2,000,000.00	1,990,420.00	2,000,000.00	1.300	AAA	1.282	143	05/24/2019
3133EGCA1	150072	Federal Farm Credit Bank		06/03/2016	2,000,000.00	1,987,520.00	1,999,800.00	1.060	AAA	1.066	153	06/03/2019
3136G3AQ8	150053	Federal Nat'l Mortgage Assoc.		03/07/2016	2,000,000.00	1,989,660.00	2,000,000.00	1.320	AAA	1.302	157	06/07/2019
3135G0K77	150071	Federal Nat'l Mortgage Assoc.		06/13/2016	2,000,000.00	1,988,560.00	2,000,000.00	1.250	AAA	1.233	163	06/13/2019
3134G9QW0	150075	Federal Home Loan Mort. Co.		06/14/2016	2,000,000.00	1,988,440.00	2,000,000.00	1.280	AAA	1.262	164	06/14/2019
3136G3PS8	150073	Federal Nat'l Mortgage Assoc.		06/14/2016	2,000,000.00	1,988,040.00	2,000,000.00	1.200	AAA	1.184	164	06/14/2019
3136G3RD9	150080	Federal Nat'l Mortgage Assoc.		06/21/2016	2,000,000.00	1,989,140.00	2,000,000.00	1.375	AAA	1.356	171	06/21/2019
3134G9SL2	150079	Federal Home Loan Mort. Co.		06/28/2016	2,000,000.00	1,987,360.00	2,000,000.00	1.300	AAA	1.282	178	06/28/2019
3137EAEB1	160024	Federal Home Loan Mort. Co.		11/15/2016	2,000,000.00	1,980,920.00	1,993,621.58	0.875	AAA	1.183	199	07/19/2019
3134G8Y86	150061	Federal Home Loan Mort. Co.		04/26/2016	2,000,000.00	1,983,720.00	2,000,000.00	1.250	AAA	1.233	206	07/26/2019
3137EADK2	150035	Federal Home Loan Mort. Co.		01/12/2016	2,000,000.00	1,983,360.00	1,997,466.77	1.250	AAA	1.361	212	08/01/2019
3136G3Q99	160002	Federal Nat'l Mortgage Assoc.		08/15/2016	2,000,000.00	1,983,100.00	2,000,000.00	1.250	AAA	1.233	226	08/15/2019
3134G9CX3	150064	Federal Home Loan Mort. Co.		05/16/2016	2,000,000.00	1,982,380.00	2,000,000.00	1.300	AAA	0.872	227	08/16/2019
3136G2XJ1	150050	Federal Nat'l Mortgage Assoc.		02/23/2016	2,000,000.00	1,982,740.00	2,000,000.00	1.270	AAA	1.253	234	08/23/2019
3135G0P49	160029	Federal Nat'l Mortgage Assoc.		11/17/2016	2,000,000.00	1,978,680.00	1,994,511.89	1.000	AAA	1.263	239	08/28/2019
3133EGTB1	160009	Federal Farm Credit Bank		09/06/2016	2,000,000.00	1,980,880.00	1,999,333.33	1.190	AAA	1.207	248	09/06/2019
3133EGTT2	160010	Federal Farm Credit Bank		09/12/2016	2,000,000.00	1,980,460.00	2,000,000.00	1.200	AAA	1.184	254	09/12/2019
313383VN8	160031	Federal Home Loan Banks		11/18/2016	2,000,000.00	1,990,940.00	2,013,343.05	2.000	AAA	1.300	255	09/13/2019
3136G3BB0	150055	Federal Nat'l Mortgage Assoc.		03/16/2016	2,000,000.00	1,982,300.00	2,000,000.00	1.375	AAA	1.356	258	09/16/2019
3135G0P31	160008	Federal Nat'l Mortgage Assoc.		09/20/2016	2,000,000.00	1,980,960.00	2,000,000.00	1.300	AAA	1.282	262	09/20/2019
3136G4AE3	160011	Federal Nat'l Mortgage Assoc.		09/27/2016	2,000,000.00	1,978,980.00	2,000,000.00	1.200	AAA	1.184	269	09/27/2019
3135GOR39	160023	Federal Nat'l Mortgage Assoc.		11/15/2016	2,000,000.00	1,973,500.00	1,994,322.95	1.000	AAA	1.272	296	10/24/2019
3130A7QP3	150062	Federal Home Loan Banks		04/25/2016	2,000,000.00	1,978,760.00	2,000,000.00	1.350	AAA	1.332	297	10/25/2019
3135G0J95	150063	Federal Nat'l Mortgage Assoc.		04/28/2016	2,000,000.00	1,979,060.00	2,000,000.00	1.350	AAA	1.332	300	10/28/2019

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Government Agency Coupon Securities												
3136G4EM1	160013	Federal Nat'l Mortgage Assoc.		10/28/2016	2,000,000.00	1,977,240.00	2,000,000.00	1.250	AAA	1.233	300	10/28/2019
3136G4FY4	160015	Federal Nat'l Mortgage Assoc.		11/08/2016	2,000,000.00	1,976,460.00	2,000,000.00	1.250	AAA	1.233	311	11/08/2019
3130AA3R7	160027	Federal Home Loan Banks		11/17/2016	2,000,000.00	1,978,340.00	2,000,095.94	1.375	AAA	1.351	318	11/15/2019
3133EGJ30	160020	Federal Farm Credit Bank		11/18/2016	2,000,000.00	1,972,280.00	2,000,000.00	1.100	AAA	1.085	321	11/18/2019
3136G3Z40	160007	Federal Nat'l Mortgage Assoc.		08/22/2016	2,000,000.00	1,974,460.00	2,000,000.00	1.200	AAA	1.184	325	11/22/2019
3136G3MK8	150070	Federal Nat'l Mortgage Assoc.		05/25/2016	2,000,000.00	1,976,860.00	2,000,000.00	1.350	AAA	1.332	328	11/25/2019
3136G3RC1	150078	Federal Nat'l Mortgage Assoc.		05/27/2016	2,000,000.00	1,977,740.00	2,000,000.00	1.400	AAA	1.381	328	11/25/2019
3136G3LV5	150069	Federal Nat'l Mortgage Assoc.		05/26/2016	2,000,000.00	1,976,780.00	2,000,000.00	1.350	AAA	1.332	329	11/26/2019
3134GAWS9	160018	Federal Home Loan Mort. Co.		11/29/2016	2,000,000.00	1,974,040.00	2,000,000.00	1.200	AAA	1.184	332	11/29/2019
3130AA4M7	160026	Federal Home Loan Banks		12/02/2016	2,000,000.00	1,979,800.00	2,000,000.00	1.500	AAA	1.479	335	12/02/2019
3133EGT88	160040	Federal Farm Credit Bank		12/12/2016	2,000,000.00	1,976,700.00	2,000,000.00	1.450	AAA	1.430	345	12/12/2019
3136G3RL1	150077	Federal Nat'l Mortgage Assoc.		06/16/2016	2,000,000.00	1,978,580.00	2,000,000.00	1.500	AAA	1.479	349	12/16/2019
3133EGW92	160047	Federal Farm Credit Bank		01/10/2017	2,000,000.00	1,977,480.00	2,000,000.00	1.500	AAA	1.479	352	12/19/2019
3136G3RP2	150082	Federal Nat'l Mortgage Assoc.		06/23/2016	2,000,000.00	1,978,320.00	2,000,000.00	1.500	AAA	1.479	356	12/23/2019
3136G4JK0	160035	Federal Nat'l Mortgage Assoc.		12/27/2016	2,000,000.00	1,979,120.00	2,000,000.00	1.550	AAA	1.529	360	12/27/2019
3130AADC9	160039	Federal Home Loan Banks		12/30/2016	2,000,000.00	1,978,640.00	2,000,000.00	1.500	AAA	1.479	363	12/30/2019
3134GAYY4	160025	Federal Home Loan Mort. Co.		12/30/2016	2,000,000.00	1,977,700.00	2,000,000.00	1.500	AAA	1.479	363	12/30/2019
3133EG3J2	160045	Federal Farm Credit Bank		01/10/2017	2,000,000.00	1,980,640.00	1,999,890.00	1.550	AAA	1.532	374	01/10/2020
3136G4KM4	160043	Federal Nat'l Mortgage Assoc.		01/17/2017	2,000,000.00	1,982,400.00	2,000,000.00	1.750	AAA	1.726	381	01/17/2020
3136G3J55	160001	Federal Nat'l Mortgage Assoc.		07/27/2016	2,000,000.00	1,972,480.00	1,999,357.14	1.270	AAA	1.274	391	01/27/2020
3133EG5R2	160052	Federal Farm Credit Bank		02/06/2017	2,000,000.00	1,981,700.00	2,000,000.00	1.670	AAA	1.647	401	02/06/2020
3133EJCN7	170017	Federal Farm Credit Bank		03/15/2018	3,000,000.00	2,985,150.00	2,989,678.08	2.070	AAA	2.274	409	02/14/2020
3130A9W49	160017	Federal Home Loan Banks		11/25/2016	2,000,000.00	1,970,100.00	2,000,000.00	1.250	AAA	1.233	419	02/24/2020
3130ADR61	170019	Federal Home Loan Banks		03/16/2018	3,000,000.00	2,989,380.00	2,996,486.20	2.270	AAA	2.318	430	03/06/2020
313378J77	160028	Federal Home Loan Banks		11/17/2016	2,000,000.00	1,982,900.00	2,014,457.19	1.875	AAA	1.361	437	03/13/2020
3134GBEB4	160058	Federal Home Loan Mort. Co.		03/30/2017	2,000,000.00	1,978,600.00	2,000,000.00	1.700	AAA	1.677	451	03/27/2020
3130AB4C7	160060	Federal Home Loan Banks		04/24/2017	2,000,000.00	1,977,920.00	2,000,000.00	1.700	AAA	1.677	479	04/24/2020
3136G4FG3	160014	Federal Nat'l Mortgage Assoc.		10/27/2016	2,000,000.00	1,970,260.00	2,000,000.00	1.375	AAA	1.356	482	04/27/2020
3130AAK56	160046	Federal Home Loan Banks		01/30/2017	2,000,000.00	1,978,640.00	2,000,000.00	1.750	AAA	1.726	485	04/30/2020
3137EADR7	160030	Federal Home Loan Mort. Co.		11/17/2016	2,000,000.00	1,969,120.00	1,999,852.41	1.375	AAA	1.361	486	05/01/2020
3133EGD69	160019	Federal Farm Credit Bank		11/07/2016	2,000,000.00	1,967,940.00	1,999,571.43	1.320	AAA	1.316	492	05/07/2020
3130A9VT5	160016	Federal Home Loan Banks		11/22/2016	2,000,000.00	1,964,600.00	2,000,000.00	1.250	AAA	1.233	507	05/22/2020
3136G4JB0	160033	Federal Nat'l Mortgage Assoc.		11/30/2016	2,000,000.00	1,974,400.00	2,000,000.00	1.625	AAA	1.603	511	05/26/2020
3134GAYM0	160022	Federal Home Loan Mort. Co.		11/28/2016	2,000,000.00	1,968,380.00	2,000,000.00	1.400	AAA	1.381	513	05/28/2020
3133EGP33	160032	Federal Farm Credit Bank		12/01/2016	2,000,000.00	1,975,340.00	2,000,000.00	1.650	AAA	1.627	517	06/01/2020
313383HU8	160034	Federal Home Loan Banks		11/30/2016	2,000,000.00	1,976,920.00	2,007,802.83	1.750	AAA	1.462	528	06/12/2020

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Government Agency Coupon Securities												
3134GSD51	180009	Federal Home Loan Mort. Co.		12/12/2018	3,000,000.00	3,001,380.00	2,999,100.00	3.000	Aaa	2.979	528	06/12/2020
3130ABNQ5	160066	Federal Home Loan Banks		06/28/2017	2,000,000.00	1,972,520.00	1,999,499.07	1.625	AAA	1.620	542	06/26/2020
3130ABPV2	160068	Federal Home Loan Banks		06/30/2017	2,000,000.00	1,971,920.00	2,000,000.00	1.690	AAA	1.667	545	06/29/2020
3136G4JN4	160036	Federal Nat'l Mortgage Assoc.		12/29/2016	2,000,000.00	1,976,100.00	2,000,000.00	1.700	AAA	1.677	545	06/29/2020
3133EHSE4	170000	Federal Farm Credit Bank		07/24/2017	2,000,000.00	1,973,140.00	2,000,000.00	1.700	AAA	1.677	570	07/24/2020
3136G4LG6	160055	Federal Nat'l Mortgage Assoc.		02/28/2017	2,000,000.00	1,973,400.00	2,000,000.00	1.800	AAA	1.775	605	08/28/2020
313370US5	180013	Federal Home Loan Banks		12/10/2018	3,000,000.00	3,015,870.00	3,026,062.92	2.875	AAA	2.742	619	09/11/2020
3130AE2V1	170028	Federal Home Loan Banks		04/30/2018	3,000,000.00	2,998,470.00	3,000,000.00	2.550	AAA	2.515	668	10/30/2020
3133EJ2M0	180012	Federal Farm Credit Bank		12/11/2018	3,000,000.00	3,002,400.00	3,000,000.00	2.960	AAA	2.919	710	12/11/2020
3134GB6C1	170010	Federal Home Loan Mort. Co.		12/18/2017	3,000,000.00	2,964,690.00	3,000,000.00	2.000	AAA	1.973	717	12/18/2020
3134GBSW3	160067	Federal Home Loan Mort. Co.		06/28/2017	2,000,000.00	1,967,660.00	1,999,770.33	1.750	AAA	1.732	721	12/22/2020
3134GB5E8	170009	Federal Home Loan Mort. Co.		12/28/2017	3,000,000.00	2,962,320.00	3,000,000.00	2.000	AAA	1.973	727	12/28/2020
3130ADC26	170013	Federal Home Loan Banks		01/29/2018	3,000,000.00	2,974,410.00	3,000,000.00	2.200	AAA	2.170	759	01/29/2021
3134GSDF9	170015	Federal Home Loan Mort. Co.		02/28/2018	3,000,000.00	2,992,530.00	3,000,000.00	2.420	AAA	2.387	787	02/26/2021
3133EJ2S7	180014	Federal Farm Credit Bank		12/12/2018	3,000,000.00	3,012,720.00	2,996,190.00	2.770	AAA	2.791	801	03/12/2021
3136G4SA2	170029	Federal Nat'l Mortgage Assoc.		04/30/2018	3,000,000.00	3,000,750.00	3,000,000.00	2.650	AAA	2.614	850	04/30/2021
3134GSK79	180015	Federal Home Loan Mort. Co.		12/28/2018	3,000,000.00	3,002,490.00	3,000,000.00	3.030	AAA	2.988	909	06/28/2021
3130ADJ45	170014	Federal Home Loan Banks		01/30/2018	3,000,000.00	2,986,890.00	3,000,000.00	2.375	AAA	2.342	941	07/30/2021
3134GSL52	180017	Federal Home Loan Mort. Co.		12/28/2018	3,000,000.00	3,001,950.00	3,000,000.00	3.070	AAA	3.029	1,001	09/28/2021
3130AFCU9	180008	Federal Home Loan Banks		11/26/2018	3,000,000.00	3,008,880.00	2,997,000.00	3.125	Aaa	3.117	1,060	11/26/2021
3134GSRX5	180002	Federal Home Loan Mort. Co.		07/26/2018	3,000,000.00	3,003,540.00	3,000,000.00	3.000	AAA	2.959	1,121	01/26/2022
3134GSSC0	180003	Federal Home Loan Mort. Co.		07/30/2018	3,000,000.00	3,000,480.00	3,000,000.00	3.020	AAA	2.979	1,123	01/28/2022
3134GSNT8	170033	Federal Home Loan Mort. Co.		06/28/2018	3,000,000.00	3,001,410.00	3,000,000.00	3.000	AAA	2.960	1,182	03/28/2022
3133EJLA5	170027	Federal Farm Credit Bank		04/18/2018	3,000,000.00	3,001,290.00	3,000,000.00	2.830	AAA	2.791	1,203	04/18/2022
3133EJPH6	170031	Federal Farm Credit Bank		05/17/2018	3,000,000.00	3,003,660.00	3,000,000.00	3.000	AAA	2.959	1,232	05/17/2022
3134GSJH9	170023	Federal Home Loan Mort. Co.		04/11/2018	3,000,000.00	3,000,060.00	3,000,000.00	2.875	AAA	2.836	1,287	07/11/2022
3133EJUQ0	180004	Federal Farm Credit Bank		07/18/2018	3,000,000.00	3,003,390.00	3,000,000.00	3.070	AAA	3.028	1,294	07/18/2022
3133EJKZ1	170024	Federal Farm Credit Bank		04/12/2018	3,000,000.00	3,000,060.00	3,000,000.00	3.000	AAA	2.959	1,380	10/12/2022
3134GSGV1	170020	Federal Home Loan Mort. Co.		03/27/2018	3,050,000.00	3,051,464.00	3,047,666.75	3.050	AAA	3.026	1,546	03/27/2023
3130ADV41	170021	Federal Home Loan Banks		03/28/2018	3,000,000.00	3,000,300.00	3,000,000.00	3.080	AAA	3.038	1,547	03/28/2023
3130ADZ88	170026	Federal Home Loan Banks		04/17/2018	3,000,000.00	3,001,050.00	3,000,000.00	3.000	AAA	2.959	1,567	04/17/2023
3134GSJK2	170025	Federal Home Loan Mort. Co.		04/26/2018	3,000,000.00	3,000,330.00	3,000,000.00	3.060		3.018	1,576	04/26/2023
3133EJR27	180010	Federal Farm Credit Bank		11/29/2018	3,000,000.00	3,000,480.00	3,004,820.00	3.440	AAA	3.402	1,588	05/08/2023
3130AECF5	170032	Federal Home Loan Banks		06/01/2018	3,000,000.00	3,000,090.00	3,000,000.00	3.250	AAA	3.205	1,603	05/23/2023
3133EJRP6	170035	Federal Farm Credit Bank		06/12/2018	3,000,000.00	3,002,700.00	3,000,000.00	3.170	AAA	3.127	1,623	06/12/2023
3134GSNY7	170034	Federal Home Loan Mort. Co.		06/28/2018	3,000,000.00	3,002,190.00	3,000,000.00	3.250	AAA	3.205	1,639	06/28/2023

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		Subtotal and Average	**241,133,974.25**		**248,050,000.00**	**246,550,954.00**	**248,075,115.78**			**1.909**	**603**	
Commercial Paper Disc. -At Cost												
89233HQ72	180001	Toyota Motor Credit Corp.		07/10/2018	5,000,000.00	4,974,950.00	4,919,333.33	2.420	P-1	2.486	65	03/07/2019
		Subtotal and Average	**4,919,333.33**		**5,000,000.00**	**4,974,950.00**	**4,919,333.33**			**2.486**	**65**	
LAIF - Local Agency Investment Pool												
SYS990001	990001	Local Agency Investment Fund			65,000,000.00	65,000,000.00	65,000,000.00	2.210	N/R	2.180	1	
		Subtotal and Average	**65,000,000.00**		**65,000,000.00**	**65,000,000.00**	**65,000,000.00**			**2.180**	**1**	
Medium Term Notes												
89236TBB0	170016	Toyota Motor Credit Corp.		03/16/2018	3,000,000.00	2,998,590.00	2,995,927.57	2.100	Aa3	2.342	16	01/17/2019
037833BQ2	170004	Apple Inc		11/16/2017	3,000,000.00	2,994,510.00	2,999,293.42	1.700	Aa1	1.723	52	02/22/2019
037833CB4	160037	Apple Inc		12/06/2016	2,000,000.00	1,980,120.00	1,988,758.20	1.100	Aa1	1.657	213	08/02/2019
594918BN3	160048	Microsoft Corp		01/12/2017	2,000,000.00	1,980,100.00	1,992,022.46	1.100	Aaa	1.487	219	08/08/2019
594918BN3	160053	Microsoft Corp		02/06/2017	3,000,000.00	2,970,150.00	2,984,195.12	1.100	Aaa	1.617	219	08/08/2019
084664CK5	160057	Berkshire Hathaway		03/14/2017	2,000,000.00	1,979,000.00	1,991,419.52	1.300	Aa2	1.716	226	08/15/2019
931142DY6	170007	Wal-Mart Stores		11/21/2017	3,000,000.00	2,978,940.00	2,997,148.67	1.750	Aa2	1.822	281	10/09/2019
89236TDH5	170005	Toyota Motor Credit Corp.		11/16/2017	3,000,000.00	2,964,930.00	2,990,979.19	1.550	Aa3	1.832	290	10/18/2019
037833AX8	160038	Apple Inc		12/06/2016	2,000,000.00	1,975,780.00	1,989,315.44	1.550	Aa1	1.894	402	02/07/2020
594918AY0	170011	Microsoft Corp		12/21/2017	3,000,000.00	2,974,470.00	2,991,595.33	1.850	Aaa	2.013	407	02/12/2020
037833CS7	170006	Apple Inc		11/16/2017	3,000,000.00	2,962,200.00	2,990,135.20	1.800	Aa1	1.998	496	05/11/2020
594918AH7	180016	Microsoft Corp		12/12/2018	3,000,000.00	3,020,280.00	3,022,550.00	3.000	Aaa	2.867	639	10/01/2020
594918BG8	170008	Microsoft Corp		11/21/2017	3,000,000.00	2,966,580.00	2,996,338.98	2.000	Aaa	2.035	672	11/03/2020
037833BS8	170012	Apple Inc		12/21/2017	3,000,000.00	2,964,840.00	2,996,926.44	2.250	Aa1	2.261	784	02/23/2021
084670BQ0	170022	Berkshire Hathaway		04/09/2018	3,000,000.00	2,960,640.00	2,968,346.59	2.200	Aa2	2.605	804	03/15/2021
084670BF4	180007	Berkshire Hathaway		11/13/2018	4,000,000.00	4,052,880.00	4,053,311.11	3.400	Aa2	3.232	1,126	01/31/2022
037833AY6	180005	Apple Inc		08/01/2018	2,000,000.00	1,950,000.00	1,941,968.45	2.150	Aa1	2.989	1,135	02/09/2022
931142DU4	180006	Wal-Mart Stores		08/02/2018	3,000,000.00	2,922,330.00	2,911,897.27	2.350	Aa2	3.098	1,444	12/15/2022
084670BJ6	170036	Berkshire Hathaway		06/29/2018	3,000,000.00	2,972,640.00	2,983,712.27	3.000	Aa2	3.087	1,502	02/11/2023
084670BR8	170030	Berkshire Hathaway		04/23/2018	3,000,000.00	2,945,040.00	2,944,118.27	2.750	Aa2	3.156	1,534	03/15/2023
89236TDK8	180011	Toyota Motor Credit Corp.		12/04/2018	3,000,000.00	2,840,520.00	2,828,985.00	2.250	Aa3	3.551	1,751	10/18/2023
		Subtotal and Average	**57,213,204.67**		**59,000,000.00**	**58,354,540.00**	**58,558,944.50**			**2.376**	**700**	
Bank of the West MM Deposit Acct												
SYS999992	999992	Bank of the West		11/29/2018	15,052,190.61	15,052,190.61	15,052,190.61	2.110	Aa2	2.081	1	
		Subtotal and Average	**26,455,534.21**		**15,052,190.61**	**15,052,190.61**	**15,052,190.61**			**2.081**	**1**	

Kings County Investment Pool
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	YTM 360	Days to Maturity
		Total and Average	394,722,046.46		392,102,190.61	389,932,634.61	391,605,584.22			2.038	488

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2019 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2019 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2019 Bonds (the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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 any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the 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, the Paying Agent or the 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 the District or the 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 depository with respect to the Securities at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the

event that a successor depository is not obtained, Security certificates 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, Security 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 the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer 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, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

____
Authorized Officer