NEW ISSUE -- FULL BOOK-ENTRY **Insured Rating: S&P: "AA"**
BANK QUALIFIED **Underlying Rating: S&P: "A+"**
See "Ratings"

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes and is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are eligible and the District has designated them as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Matters."

$4,050,000
2019 GENERAL OBLIGATION REFUNDING BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF THE MOJAVE UNIFIED SCHOOL DISTRICT (KERN COUNTY, CALIFORNIA)

Dated: Date of Delivery **Due: August 1, as set forth on inside cover**

The Mojave Unified School District (the "District"), on behalf of the School Facilities Improvement District No. 2 (the "Improvement District") is issuing the 2019 General Obligation Refunding Bonds of School Facilities Improvement District No. 2 of the Mojave Unified School District (the "Bonds"), to provide funds (i) to currently refund a portion of the District's General Obligation Bonds of School Facilities Improvement District No. 2 of the Mojave Unified School District, Election of 2008, Series 2009, and (ii) to pay costs of issuance of the Bonds.

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

The Bonds are subject to optional redemption prior to maturity. See "The Bonds – Redemption."

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

Interest on the Bonds accrues from their date of delivery and is payable on August 1, 2019, and semiannually thereafter on February 1 and August 1 of each year, at the rates shown on the inside cover. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, Los Angeles, California, as Paying Agent, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. See "Bond Insurance" and Appendix G – "Specimen Municipal Bond Insurance Policy."

This cover page contains information for quick reference only. It is not a summary of all the provisions of the Bonds. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision.

MATURITY SCHEDULE
(SEE INSIDE FRONT COVER)

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel and Disclosure Counsel to the District. Certain matters will also be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California, as Counsel to the Underwriter. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company, on or about May 30, 2019.

Dated: April 30, 2019

$4,050,000
2019 GENERAL OBLIGATION REFUNDING BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2
OF THE MOJAVE UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)

Maturity Schedule

$4,050,000 Serial Bonds

Maturity Date August 1	Principal Amount	Interest Rate	Yield	CUSIP®†
2019	$ 60,000	2.000%	1.400%	608405 BS4
2020	255,000	3.000	1.440	608405 BT2
2021	280,000	4.000	1.460	608405 BU9
2022	315,000	4.000	1.520	608405 BV7
2023	340,000	4.000	1.580	608405 BW5
2024	375,000	4.000	1.660	608405 BX3
2025	405,000	4.000	1.680	608405 BY1
2026	440,000	4.000	1.720	608405 BZ8
2027	485,000	4.000	1.760	608405 CA2
2028	525,000	4.000	1.860c	608405 CB0
2029	570,000	4.000	1.990c	608405 CC8
Total	$4,050,000			

c = Priced to call at par on August 1, 2027

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP® numbers are provided for convenience of reference only. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the District, the County, Bond Counsel, Disclosure Counsel, or the Municipal Advisor are responsible for the selection or correctness of the CUSIP® numbers set forth above.

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

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter.

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

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

Estimates and Forecasts. When used in this Official Statement and in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend' and similar expressions identify "forward-looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

Document Summaries. All summaries of documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents and do not purport to be complete statements of any or all of such provisions. Copies of documents referred to herein and information concerning the Bonds are available from the District, 3500 Douglas Avenue, Mojave, CA 93501. The District may impose a charge for copying, mailing and handling.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

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

Website. The District maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

Insurer. Assured Guaranty Municipal Corp. (the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer 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 the Insurer, supplied by the Insurer and presented under the heading "Bond Insurance" and "Appendix G - Specimen Municipal Bond Insurance Policy."

MOJAVE UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)

DISTRICT GOVERNING BOARD

T. "Toni" Evans, *President*
Dr. Larry Adams, *Clerk*
Ted Hodgkinson, *Member*
Andrew Parker, *Member*
Richard Walpole, *Member*

DISTRICT ADMINISTRATION

Aaron Haughton, Ed.D, *Superintendent*
Keith Gainey, *Chief Business Official*

BOND COUNSEL AND DISCLOSURE COUNSEL

Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation
Sacramento, California

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

PAYING AGENT AND ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

UNDERWRITER

Raymond James & Associates, Inc.
Los Angeles, California

UNDERWRITER'S COUNSEL

Kutak Rock LLP
Irvine, California

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$4,050,000
2019 GENERAL OBLIGATION REFUNDING BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF THE MOJAVE UNIFIED SCHOOL DISTRICT (KERN COUNTY, CALIFORNIA)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and attached appendices, is to set forth certain information concerning the issuance, sale, and delivery of the 2019 General Obligation Refunding Bonds of School Facilities Improvement District No. 2 of the Mojave Unified School District (the "Bonds"), to be issued by the Mojave Unified School District (the "District") in the aggregate principal amount specified above.

School Facilities Improvement District No. 2 of the Mojave Unified School District (the "Improvement District" or the "SFID") was formed following a public hearing on July 22, 2008, pursuant to the provisions of Chapter 2 (commencing with Section 15300) of Part 10 of Division 1 of Title 1 of the California Education Code and proceedings taken by the District.

The Bonds are being issued pursuant to the Paying Agent Agreement dated May 1, 2019 (the "Paying Agent Agreement"), between the District and U.S. Bank National Association, as paying agent (the "Paying Agent"). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Paying Agent Agreement.

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

General information about the District is included in Appendix A. While the Bonds are general obligations of the District, the general fund of the District is not expected to be used to pay any of the debt service on the Bonds.

The Bonds are offered when, as, and if issued and received by the purchasers, subject to approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of The Depository Trust Company on or about May 30, 2019.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and applicable provisions of the California Education Code and pursuant to the Paying Agent Agreement. On April 11, 2019, the Governing Board of the District (the "Board") adopted its resolution authorizing issuance of the Bonds. The Government Code permits the issuance of bonds payable from *ad valorem* taxes without a vote of the electors solely in order to refund other outstanding bonds that were originally approved by such a vote, provided that the total debt service to maturity on the refunding bonds not exceed the total debt service to maturity on the bonds being refunded.

Purpose of the Bonds

The Bonds are being issued to provide funds (i) to currently refund a portion of the District's General Obligation Bonds of School Facilities Improvement District No. 2 of the Mojave Unified School District, Election of 2008, Series 2009 (the "Series 2009 Bonds"), and (ii) to pay costs of issuance of the Bonds. See "Plan of Refunding."

Parity Issues

The District has issued two series of its general obligation bonds of School Facilities Improvement District No. 2 from the Election of 2008 Authorization (the "2008 Authorization"), all of which are secured on parity with the Bonds. The remaining debt service on the outstanding bonds from the 2008 Authorization is shown below under the caption "Combined Debt Service Schedule." There remains only $5,232,902 of authorized but unissued bonds from the 2008 Authorization.

Description of the Bonds

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of DTC. Beneficial owners of the Bonds will not receive physical certificates representing their interests in the Bonds, but will receive a credit balance on the books of the nominees for such beneficial owners.

The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover page. The Bonds are dated their date of delivery and will bear interest from such date at the rates set forth on the inside cover page. Interest on the Bonds is payable on August 1, 2019, and semiannually thereafter on February 1 and August 1 of each year.

The principal of and interest on the Bonds will be paid by the Paying Agent to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. As long as Cede & Co. is the registered owner of the Bonds, the principal and interest on the Bonds is payable by wire transfer with same-day funds transferred by the Paying Agent to Cede & Co., as nominee for DTC.

As long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners mean Cede & Co. and do not mean the Beneficial Owners of the Bonds. See Appendix F – "Book-Entry-Only System" for more information about DTC. If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered as described under the caption "Registration, Transfer and Exchange of Bonds."

If the Bonds are no longer registered in book-entry form, payment of interest on any Bond on any Interest Payment Date will be made to the person appearing on the registration books of the Paying Agent as the owner thereof as of the Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed to such owner on the Interest Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The owner in an aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that such owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. "Record Date" means the fifteenth day of the month immediately preceding the Interest Payment Date. The principal payable on the Bonds is payable upon maturity or redemption upon surrender at the principal office of the Paying Agent. The interest and principal on the Bonds is payable in lawful money of the United States of America.

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

Redemption of Bonds

Optional Redemption. Bonds maturing on or prior to August 1, 2027, are not callable. Bonds maturing on or after August 1, 2028, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, in such maturities as specified by the District and by lot within a maturity, on any date on or after August 1, 2027, at the principal amount of Bonds called for redemption, plus accrued interest thereon to the date of redemption, without premium.

Selection of Bonds for Redemption. If less than all the Outstanding Bonds of a maturity are to be redeemed, the Paying Agent will select the particular Bonds to be redeemed from the Outstanding Bonds of that maturity that have not previously been called for redemption, in minimum principal amounts of $5,000, at random in any manner that the Paying Agent in its sole discretion deems appropriate and fair. For purposes of such selection, each $5,000 amount of principal will be deemed to be a separate Bond.

Notice of Redemption. The Paying Agent will mail notice of redemption not fewer than 30 nor more than 60 days prior to the redemption date by first-class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register. If the Bonds are not registered solely to a Securities Depository, the Paying Agent will also give notice of redemption of Bonds to the Securities Depositories and the Information Service (at the same time it mails notice of redemption to the Owners) by registered or overnight mail.

Each notice of redemption will state (a) the date of the notice, (b) the Series designation of the Bonds, (c) the date of issue of the Bonds, (d) the redemption date, (e) the Redemption Price, (f) the place or places of redemption (including the name and appropriate address or addresses of the Paying Agent), (g) the CUSIP® number (if any) of the maturity or maturities, and (h) if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also (a) state that the Redemption Price of the Bonds (or portions of Bonds) to be redeemed, together with interest accrued thereon to the date fixed for redemption (if any), will become due and payable on the redemption date, (b) state that from and after the redemption date interest thereon will cease to accrue, and (c) require that such Bonds be then surrendered at the address or addresses of the Paying Agent specified in the redemption notice.

Failure by the Paying Agent to give notice to the Information Service or Securities Depositories or failure of any Owner to receive notice or any defect in any such notice does not affect the sufficiency of the proceedings for redemption. Failure by the Paying Agent to mail notice to any one or more of the respective Owners of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Owner or Owners to whom such notice was mailed.

Effect of Notice of Redemption. If notice of redemption has been given substantially as provided in the Paying Agent Agreement and the Paying Agent holds sufficient money for the redemption of the Bonds to be redeemed on the redemption date, then, from and after the redemption date, interest on the Bonds to be redeemed ceases to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed.

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

Registration, Transfer and Exchange of Bonds

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

Any Bond may, in accordance with its terms, be transferred, upon the registration books of the Paying Agent, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The Paying Agent will require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Whenever any Bond or Bonds are surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount and bearing the same rate of interest.

Bonds may be exchanged at the office of the Paying Agent for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate. The Paying Agent will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds are required to be made (a) during the period established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond that has been selected for redemption.

Defeasance of Bonds

The District may pay and discharge any of the 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 that will, together with the interest to accrue thereon and available monies then on deposit in the Debt Service Fund of the District, be fully sufficient in the opinion of a certified public accountant licensed to practice in the State to pay and discharge the indebtedness on such Bonds (including all principal and interest) at or before their respective maturity dates.

If at any time the District pays or causes to be paid (including in the manner described in the preceding paragraph) to the Owners of all outstanding Bonds all of the principal of, interest and premium, if any, on such Bonds, then the Owners of such Bonds will cease to be entitled to the obligation to levy taxes for payment thereof, and that obligation and all agreements and covenants of the District to such Owners under the Paying Agent Agreement and under those Bonds will thereupon be satisfied and discharged and will terminate, except only that the District will remain liable for payment of all principal of and interest and premium, if any, on such Bonds, but only out of monies held in trust for such payment.

PLAN OF REFUNDING

A portion of the proceeds from the sale of the Bonds will be used to currently refund the Series 2009 Bonds that are current interest bonds and that mature on and after August 1, 2020. The funds will be deposited in an irrevocable escrow established pursuant to an Escrow Agreement dated May 1, 2019, between the District and U.S. Bank National Association, as escrow agent. The funds will be invested in noncallable direct obligations of the United States Treasury. Amounts in the escrow will be used to pay the interest due on the refunded Series 2009 Bonds on August 1, 2019, and to redeem the refunded Series 2009 Bonds on that date at a redemption price of par. Sufficiency of such amounts for those purposes will be verified by Causey Demgen & Moore P.C., certified public accountants. See "Escrow Verification."

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Principal Amount of Bonds	$4,050,000.00
Net Original Issue Premium	495,499.00
Total Sources	4,545,499.00
Uses of Funds:	
Deposit to Escrow Fund	4,359,064.96
Costs of Issuance[1]	186,434,04
Total Uses	$4,545,499.00

[1] Costs of issuance include fees of bond counsel, disclosure counsel, the paying agent, the escrow agent, and the municipal advisor; underwriter's discount; rating agency fees; bond insurance premium; printing costs; and other miscellaneous expenses.

DEBT SERVICE SCHEDULE

Annual debt service on the Bonds, assuming no early redemptions, is as shown below.

Year Ending August 1	Principal	Interest	Total
2019	$ 60,000.00	$ 26,814.58	$ 86,814.58
2020	255,000.00	157,050.00	412,050.00
2021	280,000.00	149,400.00	429,400.00
2022	315,000.00	138,200.00	453,200.00
2023	340,000.00	125,600.00	465,600.00
2024	375,000.00	112,000.00	487,000.00
2025	405,000.00	97,000.00	502,000.00
2026	440,000.00	80,800.00	520,800.00
2027	485,000.00	63,200.00	548,200.00
2028	525,000.00	43,800.00	568,800.00
2029	570,000.00	22,800.00	592,800.00
Total:	$4,050,000.00	$1,016,664.58	$5,066,664.58

COMBINED DEBT SERVICE SCHEDULE

Annual debt service requirements for the general obligation bonds of the Improvement District that will be outstanding following the issuance of the Bonds, and assuming no early redemptions, are as follows:

	Series 2008 Authorization			
Year Ending August 1	Series 2009 Bonds[(1)]	Series 2013 Bonds	The Bonds	Aggregate Debt Service
2019	$254,800.00	$270,100.00	$ 86,814.58	$611,714.58
2020	--	251,900.00	412,050.00	663,950.00
2021	--	239,100.00	429,400.00	668,500.00
2022	--	221,500.00	453,200.00	674,700.00
2023	--	197,500.00	465,600.00	663,100.00
2024	--	159,250.00	487,000.00	646,250.00
2025	--	117,500.00	502,000.00	619,500.00
2026	--	137,500.00	520,800.00	658,300.00
2027	--	91,250.00	548,200.00	639,450.00
2028	--	42,000.00	568,800.00	610,800.00
2029	--	--	592,800.00	592,800.00
2030	665,000.00	--		665,000.00
2031	695,000.00	--		695,000.00
2032	720,000.00	--		720,000.00
2033	750,000.00	--		750,000.00
Total:	$3,084,800.00	$1,727,600.00	$5,066,664.58	$9,879,064.58

(1) Debt service on the Election of 2008, Series 2009 Bonds that are not being refunded by the Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are general obligation bonds of the District payable from ad valorem *property taxes levied within the Improvement District. The Bonds are not a debt of the County of Kern.*

The Improvement District

School Facilities Improvement District No. 2 of the Mojave Unified School District contains 11,541 parcels of land situated in the community of Mojave and adjacent unincorporated portions of Kern County. Property within the Improvement District has a 2018-19 secured assessed valuation of $532,575,296 and a total assessed valuation of $3,008,223,402. The major component of the approximately $2.475 billion of assessed value on the unsecured roll is large wind generation towers.

Ad Valorem Property Taxes

The Board of Supervisors of the County of Kern (the "County") has the power and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount (except certain personal property that is taxable at limited rates), upon all property within the Improvement District subject to taxation by the District for the payment of principal of and interest on the Bonds. Such taxes are required to be levied annually, in addition to all other taxes, during the period that any Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due.

Such taxes, when collected, will be deposited into a debt service fund that is maintained by the County. The County will transfer moneys from the taxes collected to the Paying Agent to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable.

Although the County is obligated to levy *ad valorem* taxes for the payment of Bonds, and will maintain the debt service fund used for repayment of the Bonds, the Bonds are not a debt of the County.

Lien on and Pledge of Taxes

Pursuant to California Government Code section 53515, the Bonds and all of the District's other general obligation bonds are secured by a statutory lien on all revenues received from the levy and collection of taxes for the payment of debt service. The lien attaches immediately and automatically, is valid and binding from the time the Bonds are executed and delivered, and is enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

In addition, in the Paying Agent Agreement, the District has pledged all revenues from the collection of ad valorem property taxes levied to pay debt service on the District's general obligation bonds and the amounts on deposit in the Debt Service Fund maintained by the County to secure the District's general obligation bonds, including the Bonds. See "Legal Matters – Secured Status in Bankruptcy" for a discussion of the significance of the statutory lien and the pledge of tax revenues.

Property Tax Collection Procedures

Taxes are levied by the County for each fiscal year on taxable real and personal property that is situated in the Improvement District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Tax Collector and Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Alternative Method of Tax Apportionment - Teeter Plan

The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code, "to accomplish a simplification of the tax levying and tax apportioning process and an increased flexibility in the use of available cash resources." **While this alternative method is used for distribution of the District's share of general purpose *ad valorem* property tax revenues, the Teeter Plan currently <u>does not apply</u> to the *ad valorem* property taxes levied to pay debt service on the Bonds.**

The County is responsible for determining the amount of the *ad valorem* tax levy on each parcel in the Improvement District that is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County auditor determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit. Such monies may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected.

Under the Teeter Plan, the County establishes the Tax Loss Reserve Fund. The County determines which monies in the County treasury (including those credited to the Tax Loss Reserve Fund) will be available to be drawn onto the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax defaulted property, Teeter Plan monies are distributed to the apportioned tax resources accounts. The tax losses reserve fund is used exclusively to cover lost income occurring as a result of tax defaulted property. Monies in this fund are derived from several sources. While amounts collected as costs are distributed to the County's general fund, delinquent penalty collections are distributed to the tax losses reserve fund.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. If the Teeter Plan were terminated, receipt of general purpose *ad valorem* property tax revenue by the District would depend upon the collections of the general purpose *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the Improvement District.

Assessed Valuations

The assessed valuation of property in the Improvement District is established by the County Assessor, except for public utility property, which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners.

State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may informally request a reduction in assessment directly from the County Assessor, who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the County Assessor. The County Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate Improvement District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Treasurer against all taxing agencies who received tax revenues, including the Improvement District.

A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization ("SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed collectively as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Shown in the following table are the assessed valuations for the Improvement District since fiscal year 2011-12.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF THE MOJAVE UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2011-12 through 2018-19

	Local Secured	Utility	Unsecured	Total
2011-12	$300,001,082	$1,174,365	$ 713,168,070	$1,014,343,517
2012-13	302,652,887	1,174,365	1,800,891,297 (1)	2,104,718,549
2013-14	440,861,928	1,174,365	2,684,534,770	3,126,571,063
2014-15	461,110,601	1,174,365	2,911,542,649	3,373,827,615
2015-16	444,670,919	1,174,365	2,798,142,333	3,243,987,617
2016-17	496,905,715	237,118	2,507,561,980	3,004,704,813
2017-18	537,803,500	237,118	2,427,257,053	2,965,297,671
2018-19	532,575,296	237,118	2,475,410,988	3,008,223,402

(1) The large increase in the total assessed value of property on the unsecured was due to the construction of new wind energy facilities.
Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as economic recession, a general market decline in real property values, disruption in financial markets that may reduce the availability of financing for purchasers of property, a relocation out of the Improvement District by one or more major property owners, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by, among other eventualities, an earthquake, flood, or other natural disaster or toxic contamination, could cause a reduction in the assessed value of taxable property within the Improvement District.

California has experienced repeated prolonged periods of drought. While the most recent period of severe drought (December 27, 2011, to March 5, 2019) adversely affected agriculture, the general economy of the State was not significantly affected. Relatively little of the property in the Improvement District is in agricultural use (see the table immediately following), and assessed values did not decline during the drought. The District cannot make any representation regarding what effects future drought may have on the value of taxable property within the Improvement District, or to what extent drought could cause disruptions to economic activity within the boundaries of the Improvement District.

The land use of property in the Improvement District as of fiscal year 2018-19 is shown below, as measured by assessed valuation and number of parcels.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF THE MOJAVE UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19

Non-Residential:	2018-19 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Agricultural	$ 595,657	0.11%	6	0.04%
Commercial	44,809,550	8.41	134	1.00
Industrial	253,256,332	47.55	374	2.79
Recreational	231,369	0.04	3	0.02
Government/Social/Institutional	4,904,661	0.92	1,128	8.42
Miscellaneous	3,499,834	0.66	10	0.07
Subtotal Non-Residential	$307,297,403	57.70%	1,655	12.35%
Residential:				
Single-Family Residence	$61,954,765	11.63%	885	6.60%
2-4 Residential Units	9,852,126	1.85	132	0.99
5+ Residential Units/Apartments	2,990,713	0.56	18	0.13
Mobile Home Park	1,485,604	0.28	3	0.02
Mobile Home	13,552,825	2.54	411	3.07
Subtotal Residential	$89,836,033	16.87%	1,449	10.81%
Vacant Parcels/Undeveloped	135,441,860	25.43%	10,297	76.84%
Total	$532,575,296	100.00%	13,401	100.00%

[1] Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

The following table shows the 2018-19 assessed valuation of property in the Improvement District by political jurisdiction.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF THE MOJAVE UNIFIED SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2018-19

Jurisdiction	Assessed Valuation in SFID	% of SFID	Assessed Valuation of Jurisdiction	% of Jurisdiction in SFID
City of California City	$ 167,070	0.006%	$ 804,069,853	0.021%
Unincorporated Kern County	3,008,056,332	99.994	52,504,608,247	5.729
Total Kern County	$3,008,223,402	100.000%	$91,615,665,706	3.284%

Source: California Municipal Statistics, Inc.

Set forth in the following table is the per-parcel assessed valuation of single family homes in the Improvement District for fiscal year 2018-19.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF THE MOJAVE UNIFIED SCHOOL DISTRICT
Per-Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2018-19

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	885	$61,954,765	$70,005	$62,000

2018-19 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	58	6.554%	6.554%	$ 1,019,304	1.645%	1.645%
$25,000 - $49,999	237	26.780	33.333	8,899,427	14.364	16.010
$50,000 - $74,999	282	31.864	65.198	17,348,599	28.002	44.012
$75,000 - $99,999	199	22.486	87.684	16,834,876	27.173	71.185
$100,000 - $124,999	39	4.407	92.090	4,286,559	6.919	78.103
$125,000 - $149,999	16	1.808	93.898	2,209,585	3.566	81.670
$150,000 - $174,999	18	2.034	95.932	2,859,215	4.615	86.285
$175,000 - $199,999	12	1.356	97.288	2,250,785	3.633	89.918
$200,000 - $224,999	9	1.017	98.305	1,920,389	3.100	93.017
$225,000 - $249,999	4	0.452	98.757	944,745	1.525	94.542
$250,000 - $274,999	4	0.452	99.209	1,045,563	1.688	96.230
$275,000 - $299,999	4	0.452	99.661	1,129,319	1.823	98.053
$300,000 - $324,999	0	0.000	99.661	0	0.000	98.053
$325,000 - $349,999	0	0.000	99.661	0	0.000	98.053
$350,000 - $374,999	1	0.113	99.774	350,000	0.565	98.618
$375,000 - $399,999	1	0.113	99.887	389,399	0.629	99.246
$400,000 - $424,999	0	0.000	99.887	0	0.000	99.246
$425,000 - $449,999	0	0.000	99.887	0	0.000	99.246
$450,000 - $474,999	1	0.113	100.000	467,000	0.754	100.000
$475,000 - $499,999	0	0.000	100.000	0	0.000	100.000
$500,000 and greater	0	0.000	100.000	0	0.000	100.000

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

The following table shows the secured tax charges and delinquencies for the Improvement District general obligation bonds for fiscal years 2009-10 through 2017-18.

The tax rate levied on unsecured property is equal to the rate applied to the secured property roll in the preceding year. Because of the large increase in assessed value of property on the unsecured roll (new wind energy facilities) starting in fiscal year 2011-12, the taxes levied on the unsecured roll alone have been sufficient to completely fund bond debt service for several years, so no taxes were levied on the secured roll for that purpose in five of the fiscal years shown below.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF THE MOJAVE UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies[1]
Fiscal Years 2009-10 through 2017-18

Fiscal Year	Secured Tax Charge[2]	Amount Delinquent June 30	% Delinquent June 30
2009-10	$223,047.21	$23,774.27	10.66%
2010-11	259,054.11	19,254.07	7.43
2011-12	0.00	0.00	0.00
2013-14	0.00	0.00	0.00
2014-15	0.00	0.00	0.00
2015-16	0.00	0.00	0.00
2016-17	0.00	0.00	0.00
2017-18	430,566.26	5,013.87	3.49

(1) This levy for general obligation bond debt service is not subject to the Teeter Plan. See "Security and Sources of Payment for the Bonds – Alternative Method of Tax Apportionment – Teeter Plan."

(2) See explanation of the absence of a tax charge on the secured roll in the introductory paragraph above.

Source: California Municipal Statistics, Inc.

Typical Tax Rates

The rate of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the Improvement District and the amount of debt service due on the Bonds. A reduction in the assessed valuation of taxable property in the Improvement District caused by economic factors beyond the District's control, such as economic recession, slower growth, or deflation of land values, a relocation out of the Improvement District by one or more major property owners, or the complete or partial destruction of such property caused by, among other eventualities, an earthquake, flood, drought, or other natural disaster, could cause a reduction in the assessed value of the Improvement District and necessitate an unanticipated increase in tax rates.

The table below shows the tax rates on the secured roll during the past five fiscal years for Tax Rate Area No. 94-009, which is entirely within the Improvement District.

The tax rate levied on unsecured property is equal to the rate applied to the secured property roll in the preceding year. Because of the large increase in assessed value of property on the unsecured roll within the Improvement District (new wind energy facilities) starting in fiscal year 2011-12, the taxes levied on the unsecured roll alone have been sufficient to completely fund bond debt service for several years, so no taxes were levied on the secured roll for that purpose, hence the zero tax rate shown for the Improvement District for four of the five fiscal years shown below.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF THE MOJAVE UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates (TRA 94-009)[1]
Fiscal Years 2014-15 through 2018-19

	2014-15	2015-16	2016-17	2017-18	2018-19
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Antelope Valley-East Kern Water Agency	.070490	.070490	.070490	.070490	.070490
Mojave Unified School District SFID No. 2	.000000[2]	.000000[2]	.000000[2]	.063356	.000000[2]
Kern Community College District SRID (Safety, Repair and Improvement District)	.010450	.013571	.013160	.014412	.012338
Kern Community College District SFID	-	-	-	.021837	.021330
Total	1.080940	1.084061	1.083650	1.170095	1.104158

(1) 2018-19 assessed valuation of TRA 94-009 is $2,069,945,167, which is 68.81% of the District's total assessed valuation.
(2) See explanation of the zero tax rate on the secured roll in the introductory paragraph above.
Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the Improvement District as determined by secured assessed valuation in fiscal year 2018-19.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF THE MOJAVE UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2018-19

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	Windstar Energy LLC	Power Generation	$105,613,844	19.83%
2.	Golden Queen Mining Co. Ltd.	Mining	78,157,775	14.68
3.	Products Research & Chemical	Industrial	12,413,249	2.33
4.	Greater Mojave Renewable Power Co. LLC	Power Generation	9,722,434	1.83
5.	Rising Tree Wind Farm LLC	Power Generation	5,705,842	1.07
6.	Asphalt Terminals LLC	Industrial	5,571,810	1.05
7.	Renewable Land LLC	Power Generation	5,296,374	0.99
8.	RE Columbia 3 Landco LLC	Power Generation	4,527,096	0.85
9.	Enxco Dev Corp	Undeveloped	4,178,961	0.78
10.	Doo H. & Eunice S. Yoon	Shopping Center	3,802,547	0.71
11.	Trical Inc.	Industrial	3,669,074	0.69
12.	Mariah Country Inc.	Motel	3,590,692	0.67
13.	Holliday Rock Co. Inc.	Mining	3,425,653	0.64
14.	Sirocco Land Partners Ltd.	Undeveloped	3,313,731	0.62
15.	Residual Ranch Corp.	Power Generation	3,002,875	0.56
16.	Kemira Water Solutions Inc.	Industrial	2,998,001	0.56
17.	California Portland Cement Co.	Power Generation	2,944,100	0.55
18.	Patel Trust	Mining	2,861,100	0.54
19.	Alta Windpower Dev LLC	Undeveloped	2,460,314	0.46
20.	Oak Creek TM APC Land Co LLC	Power Generation	2,347,143	0.44
			$265,602,615	49.87%

(1) 2018-19 Local Secured Assessed Valuation: $532,575,296.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

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

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Improvement District in whole or in part. Such long-term obligations generally are not payable from revenues of the Improvement District nor the District (except as indicated) nor are they necessarily obligations secured by land within the Improvement District nor 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. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the Debt Report.

SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2 OF THE MOJAVE UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of April 1, 2019

2018-19 Assessed Valuation: $3,008,223,402

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/2019	
Kern Community College School Facilities Improvement District No. 1	3.380%	$3,197,649	
Kern Community College Safety, Repair and Improvement District	3.401	4,098,582	
Mojave Unified School District School Facilities Improvement District No. 2	100.000	6,202,098	(1)
Tehachapi Valley Healthcare District	3.903	2,309,795	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		$15,808,124	
OVERLAPPING GENERAL FUND DEBT:			
Kern County Certificates of Participation	3.284%	$ 3,021,325	
Kern County Pension Obligation Bonds	3.284	6,791,061	
Kern County Board of Education Certificates of Participation	3.284	1,221,320	
Kern Community College District Certificates of Participation	3.054	919,712	
Kern Community College District Post Employment Benefit (OPEB) Obligation Bonds	3.054	2,376,317	
Mojave Unified School District Certificates of Participation	70.662	5,603,497	
TOTAL OVERLAPPING GENERAL FUND DEBT		$19,933,232	
COMBINED TOTAL DEBT:		$35,741,356	(2)

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

Ratios to 2018-19 Assessed Valuation:	
Direct Debt ($6,202,098)	0.21%
Total Direct and Overlapping Tax and Assessment Debt	0.53%
Combined Total Debt	1.19%

Source: California Municipal Statistics, Inc.

BOND INSURANCE

The following information has been furnished by Assured Guaranty Municipal Corp. ("AGM") for use in this Official Statement. No representation is made by the District or the Underwriter as to the accuracy or completeness of such information or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to Appendix G for a specimen of AGM's Policy.

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

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

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

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

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

Capitalization of AGM

At December 31, 2018:

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

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

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

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

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty

Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters

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

TAX MATTERS

In the opinion of Bond Counsel, based upon the analysis of existing statutes, regulations, ruling and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes and is excludable from gross income for federal income tax purposes and is not an item of tax preference 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 D.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Bonds that 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 Bonds is the first price at which a substantial amount of such maturity of the 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 Bonds accrues daily over the term to maturity of such Bonds and accrues 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 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as having "amortizable bond premium." A purchaser of a Bond (either at original issuance or later) must amortize any premium over the Bond's term using constant yield principles based on the purchaser's yield to maturity (or, in some cases, over the period to call date based on the purchaser's yield to call date). As premium is amortized, the purchaser's basis in the Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of the Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Under Treasury Regulations, the amount of tax-exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to the purchaser. Purchasers of any Bonds at a premium should consult their own tax advisors with respect to the determination and treatment of amortizable bond premium for federal and state income tax purposes and with respect to state and local tax consequences of owning such Bonds.

The Internal Revenue Code of 1986, as amended, (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 Bonds. The District has made certain representations and has covenanted to comply with certain restrictions designed to assure that interest on the 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 Bonds being included in federal gross income, possibly from the date of issuance of the 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) after that date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes and exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend 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.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal and/or state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal and/or state tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations that present similar tax issues, will not affect the market price or liquidity of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor's rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The Bonds are eligible and the District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of the portion of such financial institutions' interest expense allocable to interest on the Bonds.

OTHER LEGAL MATTERS

Secured Status in Bankruptcy

California school districts are not authorized to file a petition in bankruptcy, and they are not subject to involuntary bankruptcy, but the State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, is authorized by State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") for the adjustment of an insolvent school district's debts.

Adjustment of the debts of a municipality under Chapter 9 is typically accomplished either by extending debt maturities, reducing the amount of principal or interest, or refinancing the debt by obtaining a new loan. Different types of debt receive different treatment in municipal bankruptcy cases. Secured debt receives more favorable treatment in bankruptcy than unsecured debt.

Statutory Lien. Pursuant to California Government Code section 53515, the Bonds are secured by a statutory lien on the ad valorem property taxes levied to pay their debt service. Because the statute provides that the lien becomes effective upon delivery of bonds and is perfected immediately, the lien is not avoidable in bankruptcy under Section 545 of the United States Bankruptcy Code. In bankruptcy, obligations secured by a statutory lien will be paid to the extent of the pledged revenue collected, although the operation of the automatic stay under section 362 of the Bankruptcy Code, which stops all collection actions against the debtor and its property upon the filing of the petition, may delay payments (unless the stay is lifted).

Special Revenues. A lien created by a pledge of "special revenues" also continues in effect during the pendency of the Chapter 9 case. The term 'special revenues' includes "taxes specifically levied to finance one or more projects." Education Code section 15100 requires a district's governing board to specify the purposes for which bonds are proposed to be issued; and Section 15146 provides that the proceeds of general obligation bonds shall not be applied to any purposes other than those for which the bonds were issued.

Based on the foregoing, ad valorem property taxes collected to pay debt service on California school district bonds may be special revenues, but there is no binding judicial precedent holding that they are. On the assumption that they are special revenues, the District has pledged all revenues from the collection of ad valorem property taxes levied to pay debt service on the Bonds and the amounts on deposit in the Debt Service Fund held by the County to secure the Bonds.

In bankruptcy, the voluntary application of pledged special revenues to indebtedness secured by such revenues is not subject to the automatic stay. A recent decision by the United States Court of Appeals for the First Circuit in a case involving revenue bonds of the Puerto Rico Highways & Transportation Authority, however, concludes that an action by bondholders to compel the application of pledged special revenues is not exempt from the automatic stay.

Possession of Tax Revenues; Remedies. The taxes for the payment of the Bonds will be held by the County. If the County or the District goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County or the District, as applicable, does not voluntarily pay the tax revenues to the owners of the Bonds, it is not clear what procedures the owners of the Bonds would have to follow to obtain possession of the revenues, how much time it would take to complete those procedures, or whether the procedures would be successful.

Qualification of Bond Counsel's Opinion. The proposed form of opinion of Bond Counsel, attached hereto as Appendix D, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights.

Legal Opinions

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel for the District. The opinion of Bond Counsel with respect to the Bonds will be delivered in substantially the form attached hereto as Appendix D. Certain legal matters will also be passed upon for the

District by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, as Disclosure Counsel. Certain matters will also be passed upon for the Underwriter by Kutak Rock LLP, Irvine, California, as Counsel to the Underwriter.

Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") not later than nine months after the end of the District's fiscal year (i.e., April 1 based on the current June 30 year-end), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report and event notices will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System (EMMA) website. The specific nature of the information to be contained in the Annual Report and in the event notices is described in Appendix E – "Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

In connection with its previous undertakings under the Rule, in the previous five years, the District did not timely file its audited financial statements and annual report for fiscal year 2013-14, and, with respect to various required filings, the District did not properly link to some of the CUSIPs of outstanding bonds. Within the previous five years, the District has also failed to file a notice of failure to timely file financial statements and annual report, as required by its continuing disclosure undertakings. Additional information regarding the District's filings in the past five years is available on http://www.emma.msrb.org. However, the information presented on such website is not incorporated herein by any reference.

In order to assist it in complying with its disclosure undertakings for its outstanding bonds and the Bonds, the District has engaged Fieldman Rolapp & Associates, Inc. doing business as Applied Best Practices, to serve as its dissemination agent with respect to its each of its disclosure undertakings, including the Continuing Disclosure Certificate to be executed in connection with the Bonds.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), is expected to assign its municipal bond rating of "AA" to the Bonds, based upon the issuance by Assured Guaranty Municipal Corp. of the Policy. S&P has assigned its underlying rating of "A+" to the Bonds. Such ratings reflect only the views of S&P, and an explanation of the significance of such ratings may be obtained from S&P at *www.standard&poors.com*. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance that the credit ratings given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the District has undertaken any responsibility after the issuance of the Bonds to assure the maintenance of the ratings or to oppose any such revision or withdrawal.

PROFESSIONALS INVOLVED IN THE OFFERING

Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, is serving as Bond Counsel and Disclosure Counsel to the District for the issuance of the Bonds. Fieldman, Rolapp & Associates, Inc., Irvine, California, has served as municipal advisor to the District in connection with the sale of the Bonds. Kutak Rock LLP, Irvine, California, is serving as counsel to the Underwriter. Bond Counsel, Disclosure Counsel, the Municipal Advisor, and the Underwriter's counsel will receive compensation contingent upon the sale and delivery of the Bonds. U.S. Bank National Association, National Association, Los Angeles, California, will serve as Paying Agent with respect to the Bonds.

ESCROW VERIFICATION

Upon delivery of the Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of projected receipts of principal and interest on the investment securities and cash held pursuant to the Escrow Agreement and the projected payments of principal and interest to refund the refunded Series 2009 Bonds will be verified by Causey Demgen & Moore P.C., certified public accountants, Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

UNDERWRITING

The Bonds are being purchased for reoffering to the public by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $4,513,099, which equals the par amount of the Bonds ($4,050,000), plus original issue premium ($495,499), and less underwriter's discount ($32,400). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased) and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

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

ADDITIONAL INFORMATION

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

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

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

AUTHORIZATION

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

MOJAVE UNIFIED SCHOOL DISTRICT

By: /s/ Aaron Haughton, Ed.D
Superintendent

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APPENDIX A

THE DISTRICT:
GENERAL OPERATIONAL AND FINANCIAL INFORMATION

The information in this appendix concerning the operations of the Mojave Unified School District, the District's finances, and State funding of education, is provided as supplementary information. Debt service on the Bonds is payable from the proceeds of an ad valorem *property tax approved by the voters of the Improvement District pursuant to all applicable laws and Constitutional requirements, which is required to be levied by the County of Kern on property within the Improvement District in an amount sufficient for the timely payment of such debt service. See "Security and Sources of Payment for the Bonds" in the front portion of this Official Statement. While the Bonds are general obligations of the District, the general fund of the District is not expected to be used to pay any of the debt service on the Bonds.*

GENERAL OPERATIONAL INFORMATION

Introduction

The Mojave Unified School District, which was established as a unified school district in July 1953, is located in the eastern portion of Kern County and includes the city of California City, the communities of Cantil and Mojave, and other unincorporated portions of Kern County. The District covers approximately 1,000 square miles and serves a population of approximately 14,000 residents. The District operates three elementary schools, one middle school (grades 6-8), one junior/senior high school (grades 7-12), and one high school (grades 9-12). The District's enrollment for fiscal year 2018-19 is approximately 2,800 students. The District has approximately 380 employees. The District operates under the jurisdiction of the Kern County Superintendent of Schools. Property within the District has a 2018-19 secured assessed valuation of $1,487,654,433 and a total assessed valuation of $4,257,226,226.

Governing Board

The District is governed by a five-member Governing Board, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The current members of the Board, their offices, and the expiration of their terms of office are shown below.

MOJAVE UNIFIED SCHOOL DISTRICT
Governing Board

Name	Office	Term Expires
T. "Toni" Evans	President	December 2020
Dr. Larry Adams	Clerk	December 2020
Ted Hodgkinson	Member	December 2022
Andrew Parker	Member	December 2022
Richard Walpole	Member	December 2022

Superintendent and Administrative Personnel

The Superintendent of the District is appointed by 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 District administrators.

Dr. Aaron Haughton was appointed Superintendent of the District in 2010. Prior to his appointment as Superintendent, Dr. Haughton was the Assistant Superintendent of Administrative Services for four years in the Silver Valley Unified School District. Dr. Haughton is now entering his 29th year in public education, having served 22 years in administration with 10 years at the central office level. He received both a Bachelor of Arts degree in Political Science and a Master of Arts degree in Educational Administration from California State University, San Bernardino. Dr. Haughton completed his doctoral studies through La Sierra University.

Keith Gainey has served as Chief Business Official for the District since 2002. Prior to his appointment as Chief Business Official, he served seven years as Chief Accountant for Golden Queen Mining Company, Inc. located in Mojave, California. During that time, he also served a two-year term as a Trustee, in the capacities of Board Clerk and Board President for the District. He is a product of the District, graduating from Mojave High School in 1983. Mr. Gainey received his Bachelor of Arts degree in Business Administration from Graceland College in Lamoni, Iowa.

Employees

As of March 15, 2019, the District employed 138 full-time equivalent ("FTE") certificated (teaching staff) employees, 202 FTE classified employees, and 38 management and supervisory personnel. For fiscal year 2017-18, the total certificated and classified payrolls for all funds of the District were $17,782,285 and $10,676,787, respectively, and are projected to be $18,902,386 and $11,338,867, respectively, in fiscal year 2018-19.

District employees are represented by employee bargaining units as follows:

MOJAVE UNIFIED SCHOOL DISTRICT
Employee Bargaining Units

Bargaining Unit	Number of Members	Contract Expiration Date
Mojave Faculty Association (Certificated)	138	June 30, 2019
California State Employees' Association (Classified)	202	June 30, 2020

Source: Mojave Unified School District.

Management and supervisory employees are not represented by a bargaining unit.

DISTRICT FINANCIAL INFORMATION

District Financial Statements

The District's Audited Financial Statements with supplemental information for the fiscal year ended June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the report dated December 14, 2018, of Dennis Cooper and Associates, Certified Public Accountants (the "Auditor") are included in this Official Statement as Appendix B. The financial statements should be read in their entirety. The information set forth herein does not purport to be a summary of the District's financial statements.

In connection with the inclusion of the financial statements and the report of the Auditor thereon in Appendix B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Accounting Practices

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

The financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities. The major fund classification is the general fund, which accounts for all financial resources not required to be accounted for in another fund. The District's fiscal year begins on July 1 and ends on June 30. All governmental funds are accounted for using the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes measurable and available for the current period; and expenditures are recognized in the period in which the liability is incurred, although debt service expenditures are recorded only when payment is due. For more information on the District's accounting method, see Appendix B – "Audited Financial Statements of the District for Fiscal Year Ended June 30, 2018 – Note 1 – Summary of Significant Accounting Policies."

District Budget

The District is required by provisions of the California Education Code to maintain each year a balanced budget in which the sum of expenditures plus the ending fund balance for each year cannot exceed the revenues plus the carry-over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State. The budget is subject to review and approval by the County Superintendent of Schools. The County Superintendent examines the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identifies technical corrections necessary to bring the budget into compliance, determines if the budget allows the district to meet its current obligations and determines if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. The County Superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The District has never had an adopted budget disapproved by the County Superintendent.

Pursuant to State law, the District adopted on June 28, 2018, a fiscal line-item budget setting forth revenues and expenditures so that appropriations during Fiscal Year 2018-19 will not exceed the sum of revenues plus beginning fund balance.

Interim Reports on Financial and Budgetary Status

Every school district is required to file two interim certifications with the county superintendent (the first on December 15 for the period ended October 31 and the second 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 certifications and issues either a positive, negative, or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. 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. All of the District's interim financial and budgetary status certifications for the past five fiscal years have been positive.

Comparative Financial Statements

The following table shows the District's revenues, expenditures and changes in fund balance for the District's general fund for fiscal years 2014-15 through 2017-18 from the required supplementary information included in the District's audited financial statements and amounts for fiscal year 2018-19 from the District's Second Interim Report (unaudited).

MOJAVE UNIFIED SCHOOL DISTRICT
General Fund Revenues, Expenditures and Changes in Fund Balances for
Fiscal Years 2014-15 through 2017-18 (Audited) and 2018-19 (Second Interim Report - Unaudited)

	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18	Second Interim Report (Unaudited) 2018-19
REVENUES					
LCFF Sources:	$20,296,410	$23,406,619	$25,445,042	$27,594,151	$29,982,056
Federal Revenue	2,137,521	2,572,353	2,459,843	2,209,974	2,176,748
Other State Revenue	2,613,676	3,578,832	1,786,660	2,674,644	736,947
Other Local Revenue(2)	2,424,337	2,027,100	3,530,195	2,683,873	4,917,617
Total Revenues	27,471,944	31,584,904	33,221,740	35,162,642	37,793,368
EXPENDITURES					
Certificated Salaries	10,999,316	11,706,650	12,432,943	13,081,747	13,310,046
Classified Salaries	5,396,668	6,347,777	6,589,385	6,740,303	6,957,032
Employee Benefits	5,634,009	6,316,092	7,155,846	8,833,042	8,542,343
Books and Supplies	2,232,980	2,115,453	2,678,371	1,183,018	2,221,038
Services and Other Operating Expenditures	2,978,322	3,766,724	3,996,089	3,482,993	3,447,408
Other Outgo	409,203	234,499	253,799	1,146,115	1,031,600
Capital Outlay	734,648	829,184	1,325,485	92,449	615,881
Debt Service	1,095,000	--	--	--	--
Total Expenditures	29,480,146	31,316,379	34,431,918	34,559,667	36,125,348
Excess (deficiency) of Revenues Over (under) Expenditures	(2,008,202)	268,525	(1,210,178)	602,975	1,668,020
OTHER FINANCING SOURCES (USES)					
Transfers In	554,389	473,570	2,151,760	--	--
Transfers Out	(682,254)	(681,128)	(2,149,502)	(366,308)	(971,627)
Net Financing Sources (Uses)	(127,865)	(207,558)	2,258	(366,308)	(971,627)
NET CHANGE IN FUND BALANCE	(2,136,067)	60,967	(1,207,920)	236,667	696,393
Fund Balances – July 1	6,430,876	4,294,809	4,355,776	3,147,856	3,143,885(2)
Fund Balances – June 30	$4,294,809	$4,355,776	$3,147,856	$3,384,523	$3,840,278

(1) Totals may not add due to rounding.
(2) Certain audit adjustments made in the 2017-18 audited financial statements are not reflected in the District's budget and State financial reporting documents. As a result, the ending balance for June 30, 2018 (audited), and the beginning balance for July 1, 2018 (unaudited), shown above are not the same.

Cap on School District Reserves

State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. For the District, the recommended amount is 3%. A school district that proposes to adopt or revise a budget that includes an ending fund balance that is higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. In a fiscal year immediately after a fiscal year in which the amount on deposit in the Public School System Stabilization Account established in the State General Fund (see "State Funding of Education -- Propositions 98 and 111 -- Minimum Funding Guarantee," below) equals or exceeds three percent of the total of State General Fund revenues appropriated for school districts and local tax revenues (other than those that offset the State's basic aid funding requirement), a school district's adopted or revised budget may not contain an ending fund balance higher than ten percent of the district's combined assigned or unassigned ending general fund balance. A county superintendent may waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period.

If the cap were triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. Since the adoption of the cap in its original form in 2014, the cap has not been triggered. The District is unable to predict what the effect of a reserve cap on its budget might be in future years.

Sources of Funding for Operations

Funding for the District's operations is provided by a mix of (1) local property taxes, (2) State apportionments of general purpose and restricted purpose funds; (3) federal government grants; (4) lottery funds, (5) development impact fees; and (6) miscellaneous other revenues.

Property Taxes. Under current law, local agencies are not permitted to levy directly any property tax (except *ad valorem* taxes to pay debt service on voter-approved bonds and voter-approved non-*ad-valorem* taxes for limited purposes). Instead, general purpose *ad valorem* property taxes are automatically levied by each county at the maximum 1% property tax rate permitted by Proposition 13, and property tax revenue is distributed by the county among all the local government taxing agencies (including school districts) within the county according to a statutory formula. See "Security and Sources of Payment of the Bonds" above for a general description of how property is assessed and how *ad valorem* property taxes are levied and collected.

Historical Assessed Valuations. Property within the District has a total assessed valuation for fiscal year 2018-19 of $4,257,226,226. Shown in the following table are the assessed valuations for the District since fiscal year 2011-12.

MOJAVE UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2011-12 through 2018-19

	Local Secured	Utility	Unsecured	Total
2011-12	$1,228,673,018	$1,206,542	$ 723,786,806	$1,953,666,366
2012-13	1,186,479,568	1,206,542	1,811,257,295	2,998,943,405
2013-14	1,337,042,330	1,206,542	2,988,973,861	4,327,222,733
2014-15	1,400,157,843	1,206,542	3,196,545,089	4,597,909,474
2015-16	1,430,793,382	1,206,542	3,078,553,790	4,510,553,714
2016-17	1,391,795,381	255,534	2,792,612,964	4,184,663,879
2017-18	1,444,274,916	255,534	2,721,699,319	4,166,229,769
2018-19	1,487,654,433	255,534	2,769,316,259	4,257,226,226

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies. The following table shows the secured tax charges and delinquencies for the District's general fund apportionment for fiscal years 2013-14 through 2017-18.

MOJAVE UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent June 30
2013-14	$14,069,325.44	$182,503.71	1.30%
2014-15	12,540,527.85	162,115.09	1.29
2015-16	14,249,415.39	179,627.59	1.26
2016-17	13,345,504.88	185,051.82	1.39
2017-18	13,214,723.16	159,073.74	1.20

(1) District's 1% general fund apportionment. This levy is subject to the Teeter Plan. See "Security and Sources of Payment for the Bonds – Alternative Method of Tax Apportionment – Teeter Plan."

Source: California Municipal Statistics, Inc.

State Funding. General Purpose Revenue. Beginning in fiscal year 2013-14, the bulk of apportionments of State funding to school districts for general purposes has been allocated pursuant to a new system referred to as the "local control funding formula" ("LCFF"). Apportionment to school districts are made on the basis of uniform, target base rates per unit of ADA for each of four grade spans, subject to several adjustments, as described below. The annual State general purpose apportionment received by a school district amounts to the difference between such district's total general purpose allocation and its share of the general purpose local property tax distributed to it by the county.

The LCFF replaces a funding system that allocated State general purpose funds based on school-district-specific (i.e., non-uniform) "revenue limits" per unit of ADA and allocated special purpose funds for specified programs, referred to as "categorical programs." Under the LCFF, most, but not all, categorical program funding is eliminated.

For Fiscal Year 2018-19, the target base rates per unit of ADA for each grade span are as follows: (i) $8,235 for grades K-3; (ii) $7,571 for grades 4-6; (iii) $7,796 for grades 7-8; and (iv) $9,269 for grades 9-12. (The base rates shown for grades K-3 and 9-12 reflect increases of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in the early grades and to support college and career readiness programs in high schools.) Under full implementation of the LCFF, as a condition of receiving the K–3 base–rate adjustment, districts must maintain a K–3 school–site average class size of 24 or fewer students, unless collectively bargained otherwise. These target base rates are to be updated each year for cost–of–living adjustments (COLAs).

The LCFF provides additional funds to school districts based on the three-year rolling average of enrollment of students of limited English proficiency, students from low income families that are eligible for free or reduced priced meals, and foster youth. Students who are in more than one category are counted only once. Under the formula, each qualifying student generates an additional 20% of the student's adjusted grade-span base rate. School districts whose qualifying student populations exceed 55% of their total enrollment will receive additional "concentration" funding equal to 50% of the applicable adjusted base rate multiplied by the percentage of such district's qualifying student enrollment above the 55% threshold.

Funds for two categorical programs — the Targeted Instructional Improvement Block Grant and the Home-to-School Transportation program — are treated as add-ons to the LCFF. Districts that received funding from these programs in 2012–13 will continue to receive that same amount of funding in addition to what the LCFF provides each year.

Had general purpose allocations under the revenue limit system been fully funded and categorical program funding been restored, the previous funding system would have generated greater levels of funding than the LCFF for approximately 230 school districts (about 20% of districts). To address this issue, the new funding system provides the Economic Recovery Target (ERT) add–on to a subset of these districts. The ERT add–on amount equals the difference between the amount a district would have received under the old system and the amount a district would receive based on the LCFF in 2020–21. Approximately 130 districts are eligible to receive the ERT add–on. The 100 remaining districts are not eligible for the add–on because of their exceptionally high per–pupil funding rates. Specifically, a provision disallows a district from receiving an ERT add–on if its funding exceeds the 90th percentile of per–pupil funding rates under the old system (estimated to be approximately $14,500 per pupil in 2020-21). The District does not qualify for the ERT add–on.

The LCFF is being implemented over a span of eight fiscal years. School districts will receive annual funding increases based on the difference between their respective prior-year funding level and the target LCFF allocation following full implementation. In each year, every school district will see the same proportion of its gap closed.

The following table shows a breakdown of the District's fiscal years 2016-17 through 2018-19 (estimated) ADA by grade span, total enrollment, and the percentage of students classified as English learners, low-income, or foster youth ("EL/LI").

MOJAVE UNIFIED SCHOOL DISTRICT
ADA by Grade Span, Total Enrollment, and EL/LI Enrollment
Fiscal Years 2016-17 through 2018-19

	Average Daily Attendance [(1)]					Total District	% EL/LI [(2)]
Fiscal Year	K-3	4-6	7-8	9-12	Total District	Enrollment	Enrollment
2016-17	953.34	633.58	324.49	600.06	2,511.47	2,753	82.77%
2017-18	942.77	654.98	367.43	656.50	2,621.68	2,833	84.90
2018-19[(3)]	902.00	652.00	401.00	641.00	2,596.00	2,835	86.15

(1) ADA is determined as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year.

(2) This percentage is calculated on the basis of the average of the current fiscal year and the prior two fiscal years.

(3) Estimated.

Source: Mojave Unified School District

Restricted Purpose Revenue. Other State revenues allocated to school districts are restricted by the Legislature to particular uses (categorical programs). The LCFF eliminates approximately three–quarters of categorical programs. Under the new system, 14 categorical programs remain, including special education, after-school safety and education programs, nutrition, and State preschool.

Federal Sources. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools. Revenues received from the federal government are restricted in their use, and are not available to pay debt service.

Lottery Funds. School districts receive lottery funds proportional to their total ADA, 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. The District's State lottery revenue is projected at approximately $344,157 for fiscal year 2018-19.

Other Local Sources. The District receives additional local revenues from items such as the property tax levied to pay debt service on its general obligations bonds, a special parcel tax, developer fees, and interest earnings. The general obligation bond taxes are available only to pay debt service on the Bonds.

Parcel Tax. In November 2013, the voters of the District's School Facilities Improvement District No. 1 approved a property tax of $42 per parcel per year to support the operations of Mojave High School. Taxes were first collected in fiscal year 2014-15 and the tax continues in effect through fiscal year 2018-19. Parcel tax revenue may not be used to pay debt service on the Bonds.

Development Impact Fees. The District maintains a Capital Facilities Fund, separate and apart from the General Fund, to account for developer fees collected by the District. The District's developer fees can be utilized for any capital purpose related to growth.

MOJAVE UNIFIED SCHOOL DISTRICT
District Developer Fees
Fiscal Years 2013-14 through 2017-18

Fiscal Year	Developer Fees Collected
2013-14	$21,885
2014-15	21,092
2015-16	26,845
2016-17	46,223
2017-18	7,966

Source: Mojave Unified School District

As of June 30, 2018, the fund balance in the District's Capital Facilities Fund was $74,883.

Long-Term Liabilities

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

	(Amounts in thousands)			
	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
General Obligation Bonds	$40,045	$ 588	$1,970	$38,663
Certificates of Participation(QZAB)	8,110	-	260	7,850
Net Pension Liability	28,103	4,449	-	35,552
Net OPEB Obligation	7,086	178	-	7,264
Compensated Absences	91	11	-	102
Early Retirement Incentive	99	-	49	50
Total	$83,534	$5,226	$2,279	$86,481

Retirement System

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

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the Public Employees' Retirement System (PERS).

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teacher's Retirement Law. Both active plan members and the District are required to contribute at a statutorily established rate.

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of the School Employer Pool, a "cost-sharing" pool for school employers within PERS. Active plan members are required to contribute 7.0% (or, for members added after 2012, at least half the "normal cost" of benefits, which is currently 6.0%) and the District is required to contribute an actuarially determined rate. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each participant.

District Contributions. The District's estimated retirement contributions for the fiscal year ending June 30, 2019, are as follows:

MOJAVE UNIFIED SCHOOL DISTRICT
Retirement Contributions for Fiscal Year 2018-19 (estimated

	Actual Number of Employees Covered	Total Employer Contributions	District's Fiscal Year 2018-19 Covered Payroll	Employer Contribution as a Percentage of Covered Payroll
STRS	162	$2,225,520	$13,670,273	16.28%
PERS	216	1,376,285	7,603,787	18.10

Source: Mojave Unified School District

For the 2019-20 fiscal year the estimated STRS contribution rate is 18.13% of annual payroll and the estimated PERS contribution rate is 20.70% .

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS from their most recently released reports.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Plan)
(Dollar Amounts in Millions) (1)

Plan	Accrued Liability	Value of Trust Assets	Unfunded Liability(1)
State Teachers' Retirement Fund (STRS) Defined Benefit Program	$286,950(2)	$179,689(3)	$107,261
Public Employees Retirement Fund (PERS) Schools Plan	$84,416(2)	$60,865(3)	$23,551

(1) Amounts may not add due to rounding.
(2) June 30, 2017 valuation date.
(3) Reflects actuarial value of assets as of June 30, 2017.

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

Unlike PERS, STRS contribution rates for participant employers, employees and the State are set by statute and do not vary from year-to-year based on actuarial valuations. Moreover, the employee and employer contributions rates prior to fiscal year 2014-15 had been long fixed at 8% and 8.25% of salaries. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. Legislation adopted in June 2014 requires increased contributions phased in over the next several years. Employee contributions were increased to 8.15% of salary in 2014-15 and increased to 10.25% in 2016-17 and thereafter. District contributions increased to 8.88% of payroll in 2014-15 and increase in steps to 19.1% in 2020-21 and thereafter. The State's contribution rate increased to 3.454% of payroll in 2014-15 and to 6.328% in 2016-17 and thereafter, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.828%. In addition, the legislation 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.

In April 2013, the PERS Board of Administration adopted a new employer rate-smoothing methodology for local governments and school employer rates. The new methodology uses a five-year direct rate-smoothing period and amortizes gains and losses over a fixed, 30-year period with a five-year ramp-up period at the beginning and a five-year ramp-down at the end of the amortization period. The related PERS staff report states that the new methodology is expected to result in higher volatility in employer contribution rates in normal years but much less volatility in years where extreme events occur. It further states that the methodology will result in an increased likelihood of higher peak employer contribution levels in the future but not significantly increase average contribution levels. The changes affected employer contribution rates for the schools plans in fiscal year 2014-15 and thereafter. In February 2014, the PERS Board adopted new assumptions as part of a regular review of demographic trends. Key assumption changes included longer post-retirement life expectancy and earlier retirement ages. These assumptions are expected to increase costs for public agency employers, which costs will be amortized over 20 years and phased in over five years beginning in Fiscal Year 2016-17. In December 2016, the PERS Board voted to lower its expected investment rate of return from 7.5% to 7.35% in Fiscal Year 2017-18, 7.25% in 2018-19, and 7.0% in 2019-20. The new discount rates will take effect beginning July 1, 2018, for school districts. The reductions in the assumed rate of return are expected to further increase employer contribution rates.

PERS' actuaries have estimated that recently adopted pension reform legislation may produce savings of between $8.6 and $10.8 million over the next 30 years for the schools plans; STRS' actuaries estimate savings of about $22.7 million over that same period. The District cannot predict whether any of those projected savings will be realized by the District.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 (the "Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. These Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes affect the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (previously, such unfunded liabilities were typically included as notes to the government's financial statements); (2) more components of full pension costs' being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates' being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities' being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns' being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013, and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 30, 2018, the District reported that its share of the net pension liabilities of STRS was $20.028 million and its share of the net pension liabilities of PERS was $12.524 million. For additional information, see Appendix B – "Audited Financial Statements of the District for Fiscal Year Ended June 30, 2018 – Note 9-F Pension Liabilities" and "– Required Supplementary Information."

Other Post-Employment Benefit (OPEB) Obligations

The District provides post-employment healthcare benefits to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. These post-retirement healthcare benefits will be paid through age 65 or until they become eligible for other health benefits. On June 30, 2018, 32 retirees met these eligibility requirements. For the fiscal year ending June 30, 2018, approximately $415,000 in post-retirement benefits was paid by the District. The District's total OPEB liability was approximately $7,120,000.

For additional information related to the District's post-employment healthcare benefits plan, see Appendix B – "Audited Financial Statements of the District for Fiscal Year Ended June 30, 2018 – Note 12-B District OPEB."

Insurance

The District maintains insurance with the Self-Insured Schools of California (SISC II). The program provides coverages for property damage, fire and theft, and general public liability that the District believes are adequate, customary and comparable with such insurance maintained by similarly situated school districts.

The District's property damage coverage is in the amount of $100 million, subject to a deductible of $2,500.00. SISC II provides general liability insurance in the amount of $1,750,000.00 per occurrence, subject to a deductible of $1,000.00 per occurrence. Excess liability coverage is provided by a private carrier, AIG, in the amount of $51.8 million per occurrence.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

Basic Property Tax Levy. Article XIIIA of the State Constitution 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 approved by two-thirds of the voters on or after July 1, 1978, for the acquisition or improvement of real property, and (iii) bonded indebtedness approved by 55% of the voters of 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. As described under "The Bonds – Authority for Issuance" and "— Parity Issues," the District received authorization by the requisite percent of voters to issue the Bonds.

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 two percent per year to account for inflation.

Article XIIIA permits reduction of the full cash value base in the event of a decline in property value caused by damage, destruction, or other factors. The full cash value base is not increased upon reconstruction of property damaged or destroyed in a disaster, if the fair market value of the property as reconstructed is comparable to its fair market value before the disaster. If the full cash value has been reduced owing to a decline in market value, the full cash value is restored to the full cash value base as quickly as the market price increases (without regard to the 2% limit on increases that otherwise applies).

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

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

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

Article XIIIB of the California Constitution

Under Article XIIIB of the California Constitution, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain monies that 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 that are excluded from the definition of "appropriations subject to limitation," such as appropriations for voter-approved debt service, appropriations required to comply with certain mandates of the courts or the federal government, and appropriations for qualified capital outlay projects (as defined by the Legislature).

The appropriations limit for each agency in each year is based on the agency's limit for the prior year, adjusted annually for changes in the cost of living and changes in population, and adjusted where applicable for transfer to or from another governmental entity of financial responsibility for providing services. With respect to school districts, "change in cost of living" is defined as the change in percentage change in California per capita income from the preceding year and "change in population" means the percentage change in average daily attendance for the preceding year.

The appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by an agency over such two-year period above the combined appropriations limit for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years. Under current statutory law, a school district that receives any proceeds of taxes in excess of the allowable limit need only notify the State Director of Finance and the District's appropriations limit is increased and the State's limit is correspondingly decreased by the amount of the excess.

Article XIIIC and Article XIIID of the California Constitution

Articles XIIIC and XIIID of the California Constitution, adopted by Proposition 218 in November 1996, impose certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The District does not impose any such taxes, assessments, fees or charges; and, with the exception of *ad valorem* property taxes levied and collected by the County under Article XIIIA of the California Constitution and allocated to the District, no such taxes, assessments, fees or charges are imposed on behalf of the District. Accordingly, while the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the Improvement District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the Improvement District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The

District's general obligation bonds represent a contract between the District and the Owners secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once issued, the taxes needed to pay debt service on general obligation bonds would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

The interpretation and application of Proposition 218 and the U.S. Constitution's contracts clause will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Future Initiatives

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

STATE FUNDING OF EDUCATION

As noted above, California school districts receive a significant portion of their general purpose funding from State appropriations. Variations in the level of State funding of school districts may affect this secondary source of security for payment of the Bonds.

Propositions 98 and 111 -- Minimum Funding Guarantee

Proposition 98, a constitutional and statutory amendment adopted by California voters in 1988 and amended by Proposition 111 in 1990, guarantees a minimum level of funding for public education from kindergarten through community college (K-14).

Proposition 98 guarantees a level of funding based on the greater of two amounts determined under three different methods of calculation. The first amount is based on a percentage of General Fund revenues. This amount is defined under "Test 1" as the amount produced by applying the same percentage of General Fund revenues appropriated to K-14 education in 1986-87, or about 40%. (This percentage has been adjusted to approximately 39% to account for subsequent redirection of local property taxes, since such property tax shifts affect the share of districts' revenue limits that are to be provided by State General Fund revenues.) The second amount is determined under one of two methods, "Test 2" or "Test 3," the choice of which is determined based on the relative growth of per capita income and General Fund revenues.

In years of high or normal growth of General Fund revenues, Test 2 applies. Test 2 is designed to maintain prior-year service levels. The amount determined under Test 2 is the amount required to ensure that K-14 schools receive from State funds and local tax revenues the same amount received in the prior year, adjusted for changes in enrollment and for increases in per capita personal income. Test 3 is operative in years in which General Fund revenue growth per capita is more than 0.5% below growth in per capita personal income. The amount determined under Test 3 is the prior-year total level of funding from state and local sources, adjusted for enrollment growth and for growth in General Fund revenues per capita, plus 0.5% of the prior year level. If Test 3 is used in any year, the difference between the amount determined under Test 3 and Test 2 will become a credit (called the "maintenance factor") to be paid to K-14 schools in future years when State General Fund growth exceeds personal income growth.

The State's estimate of the total guaranteed amount varies through the stages of the annual budgeting process, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as various factors change. 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 may be suspended for one year at a time by enactment of an urgency statute. In subsequent years in which State General Fund revenues are growing faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount.

In the last several decades, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. In 1992-93, 1993-94, 2004-05, and 2005-06 the State required counties, cities, and special districts to shift property tax revenues to school districts, thereby relieving the State General Fund of some of the burden of the Proposition 98 guarantee. Proposition 1A, adopted by the voters in November 2004, prohibits the State from shifting property taxes from other local governments to school or community college districts without a two-thirds vote of both houses of the State Legislature. Proposition 22, approved by the voters in November 2010, eliminated the State's authority to shift property taxes temporarily during a severe financial hardship of the State that had been permitted by Proposition 1A. Legislation enacted in June 2011 (and upheld by the California Supreme Court in December 2011) dissolved every redevelopment agency in the State effective February 1, 2012, which has made more property tax revenues available to school districts.

The State has also sought to avoid or delay paying settle-up amounts when State revenues have lagged. The State has also sought to avoid increases in the base guaranteed amount through several devices: by treating any excess appropriations as advances (or loans) against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily or permanently deferring year-end apportionments of Proposition 98 funds from one fiscal year to the next to reduce the ending fiscal year's base; by suspending Proposition 98, as the State did in 2010-11; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The California Teachers' Association, the State Superintendent and others sued the State or the Governor in 1995, 2005, 2009, and 2011 to force them to fund the full settle-up amounts. In January 2018, the Legislative Analyst's Office estimated settle-up obligations to total about $440 million. While legislation adopted to implement the settlements of these suits requires the State to pay down the obligation in annual installments, the repayments have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

Proposition 2, approved at the November 4, 2014, statewide election, among other things, revises the operation of Proposition 98 in some years. The measure creates a new State budget stabilization fund known as the "Public School System Stabilization Account." In years where capital gains tax revenues exceed 8% of total General Fund revenues, if a number of conditions are satisfied (including that Test 1 is operative, all maintenance factor obligations have been satisfied, and the Proposition 98 funding level is higher than the previous year), that part of the "excess" capital gains tax revenues accruing to the Proposition 98 guarantee, instead of being appropriated, would be deposited in the Public School System Stabilization Account, provided that the amount spent on schools and community colleges grows along with the number of students and the cost of living. The State would spend money out of the reserve in order to maintain spending on schools and community colleges in budgetary years in which such spending would otherwise decline from the prior year's level (adjusted for student population and cost of living). Proposition 2 thus changes when the State would otherwise be required to spend money on schools and community colleges but not the total amount of State spending for schools and community colleges over the long run.

State Budget Process

The State Constitution requires the Governor to propose a budget to the State Legislature no later than January 10 of each year and requires the Legislature to adopt a final budget no later than June 15. The latter deadline was frequently missed when passage of the budget required a 2/3 majority of each house of the Legislature. The State's voters approved an amendment to the State Constitution in November 2010 that lowered the vote requirement to a simple majority of each house of the State Legislature. The lower vote requirement also applies to the budget trailer bills that specifically appropriate funds. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two–thirds vote of each house of the State Legislature is still required to override any veto by the Governor. School district budgets must be adopted by the district's governing board by July 1 and then revised 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.

Possible Delays in Apportionments. If the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding may be treated differently. In 2002, a California Court of Appeal held in White v. Davis (also referred to as Jarvis v. Connell) that the State Controller cannot disburse State funds after the beginning of the fiscal year until the adoption of the budget bill or an emergency appropriation, 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) required by federal law, such as payments to State workers (but at no more than minimum wage). The court specifically held that pre-budget disbursements of Proposition 98 funding for school districts are invalid. In 2003, the California Supreme Court upheld the decision of the Court of Appeal. During the 2003-04 State budget impasse, the State Controller nonetheless treated revenue limit (i.e., general purpose) apportionments to school districts as continuous legislative appropriations under statute. The State Controller did not disburse certain categorical and other funds to school districts until the 2003-04 Budget Act was enacted.

Additional Delays in Apportionments. During the Great Recession, the Legislature authorized intra-year and inter-year deferrals of certain payments otherwise payable at earlier dates in the fiscal year to K-12 schools. The use of this cash-flow management device by the Legislature required some school districts to increase the size or frequency of their tax and revenue anticipation note borrowings.

Fiscal Year 2018-19 Budget

On June 27, 2018, the Governor approved the 2018-19 Budget Act. Starting with an estimated prior year balance of $8.483 billion, the 2018-19 State Budget includes projected general fund revenues and transfers of $133.332 billion and $138.688 billion in general fund expenditures. Based on these estimates and spending plans, and the projected balances in the several reserve funds at the end of Fiscal Year 2017-18, the State would end Fiscal Year 2018-19 with $17.095 billion in reserves, comprising an ending fund balance of $3.127 billion ($1.165 billion in the Reserve for Liquidation of Encumbrances and $1.962 billion in the Special Fund for Economic Uncertainties), $13.768 in the State's Budget Stabilization Account (sometimes referred to as the "Rainy Day Fund"), and another $200 billion in a newly-designated Safety Net Reserve.

The 2018-19 State Budget includes total funding of $97.2 billion ($56.1 billion General Fund and $41.1 billion other funds) for all K-12 education programs. The Proposition 98 K-12 funding guarantee is estimated to be $78.4 billion for 2018-19, an increase of $2.8 billion above the revised 2017-18 amount. Under the Budget, K-12 Proposition 98 spending increases from $11,227 per student in 2017-18 to $11,640 in 2018-19.

The 2018-19 State Budget includes, among others, these significant provisions relating to K 12 funding, as described by the Department of Finance:

Local Control Funding Formula: Proposition 98 General Fund funding for school districts and charter schools will increase by more than $3.7 billion in 2018-19. The Governor estimates that the increase will bring the LCFF's implementation to 100% completion.

Mandate Claims: The Budget allocates approximately $1.1 billion in one-time moneys to reduce outstanding mandate claims by K-12 local education agencies. The funds may be used for any education purpose, but the State encourages local agencies to use them for deferred maintenance, professional development, instructional materials, technology and the implementation of new educational standards.

Career Technical Programs: The Budget includes $164 million in ongoing Proposition 98 funding to establish a K-12 specific component within the Strong Workforce Program, which encourages local educational agencies to offer career technical education programs aligned with needed. In addition, the Budget includes $150 million ongoing Proposition 98 funding to make permanent the Career Technical Education Incentive Grant Program, which encourages the creation and expansion of high-quality career technical education programs.

One-time appropriation to raise achievement: The Budget also provides a $300 million one-time appropriation to fund the "Low-Performing Students Block Grant," which will provide resources in addition to LCFF funds to local educational agencies with students who: (1) perform at the lowest levels on the state's academic assessments, and (2) do not generate supplemental LCFF funds or state or federal special education resources.

Underfunding of Proposition 98 Settle up Obligations: The Budget includes $100 million to restore prior-year underfunding of the Proposition 98 guarantee.

No Proposition 98 Reserve Fund Deposit: The Budget does not include any deposit into the Public School System Stabilization Account.

Proposed Fiscal Year 2019-20 Budget

On January 10, 2019, the Governor released his proposed State budget for Fiscal Year 2019-20 (the "Proposed Budget"). The Proposed Budget projects $142.6 billion in general fund revenues and transfers, and the Governor's spending plan proposes $144.2 billion in General Fund expenditures. Based on these estimates and spending plans, and the projected balances in the several reserve funds at the end of Fiscal Year 2018-19, the State would end Fiscal Year 2019-20 with $19.869 billion in reserves, comprising an ending fund balance of $3.667 billion ($1.385 billion in the Reserve for Liquidation of Encumbrances and $2.283 billion in the Special Fund for Economic Uncertainties), $15.302 in the State's Budget Stabilization Account (sometimes referred to as the "Rainy Day Fund"), and another $900 billion in the Safety Net Reserve.

The Proposed Budget includes total Proposition 98 funding of $80.7 billion for 2019 20, an increase of $2.8 billion above the 2018-19 guarantee. Under the Proposed Budget, K-12 Proposition 98 spending increases from $16,857 per student in 2018-19 to $17,160 in 2019-20.

The Proposed Budget includes, among others, these significant provisions relating to K 12 funding, as described by the Department of Finance:

Local Control Funding Formula: Proposition 98 General Fund funding for school districts and charter schools will increase by more than $2.0 billion in 2019-20, reflecting a 3.46% cost-of-living adjustment, which brings total LFCC funding to $63 billion.

One-Time STRS Contribution: The Proposed Budget includes a $3 billion one-time non-Proposition 98 General Fund payment to STRS to reduce long-term liabilities for schools (the employers). Of this amount, a total of $700 million would be provided to buy down the employer contribution rates in Fiscal Years 2019-20 and 2020-21. Based on current assumptions, employer contributions would decrease from 18.13% to 17.1% in Fiscal Year 2019-20 and from 19.1% to 18.1% in Fiscal Year 2020-21. The remaining $2.3 billion would be paid toward the employers' long-term unfunded liability.

Underfunding of Proposition 98 Settle up Obligations: The Proposed Budget includes $686 million to restore prior-year underfunding of the Proposition 98 guarantee.

Local Property Tax Adjustments: As a result of higher offsetting property tax revenues, Proposition 98 General Fund funding for school districts and county offices of education will decrease by $283 million in 2018-19 and by $1.25 billion in 2019-20.

School District Average Daily Attendance: As a result of decreases in projected ADA, funding for school districts would be decreased by $388 million in 2018-19 and by $187 million in 2019-20.

Cost-of-Living Increases for non-LCFF: An increase of $187 million to support a 3.46% cost-of-living adjustment for categorical programs that remain outside 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.

Special Education Services and School Readiness Supports: The Proposed Budget includes $576 million in Proposition 98 General Fund funding (of which $186 million is one-time) 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.

State Preschool: The Proposed Budget includes $125 million in non-Proposition 98 General Fund funding to increase access to subsidized full-day, full-year State preschool for four-year-old children in 2019-20 (for a total of approximately 180,000 State preschool slots), with additional increases proposed in the succeeding fiscal years to provide access for all low-income four-year olds by Fiscal Year 2021-22.

Full-Day Kindergarten Programs: The Proposed Budget includes a $750 million one-time non-Proposition 98 General Fund allocation to construct new or retrofit existing facilities for full-day kindergarten programs. In addition, participating school districts will have the ability to use project savings to fund other activities that reduce barriers to providing full-day kindergarten.

No Proposition 98 Reserve Fund Deposit: The Proposed Budget does not include any deposit into the Public School System Stabilization Account.

In addition to the foregoing, the Proposed Budget proposes changes in statutes to specify that the State may not adjust Proposition 98 funding levels for any non-certified year outside of the fiscal years commonly referred to as "current year" and "budget year" (for the Proposed Budget, this refers to Fiscal Years 2018-19 and 2019-20). The result of this proposed revised process would be that prior-year Proposition

98 levels would not change, protecting local educational agencies from unanticipated revenue drops in past fiscal years.

The 2018-19 State Budget amended the process for finalizing the Proposition 98 funding level for a given fiscal year, commonly referred to as the Proposition 98 certification process. Specifically, these changes: (1) provided a new mechanism for annual certifications; (2) increased certainty around the payment of future certification settlements; (3) provided the State with additional budgeting flexibility through a new cost allocation schedule; (4) provided a continuous appropriation of LCFF COLA; and (5) certified the guarantee for the prior Fiscal Years 2009-10 through 2016-17. All of these changes may be repealed if recently-filed litigation is ultimately successful.

To provide more certainty, the Proposed Budget also includes proposed changes to the Proposition 98 certification process to eliminate the cost allocation schedule, prohibit the State from adjusting Proposition 98 funding levels for a prior fiscal year, and create a cap on increases to LCFF related to the continuous appropriation of LCFF COLA.

Additional Information on State Finances

The full text of proposed and adopted State budgets may be found at the internet website of the California Department of Finance, www.dof.ca.gov, under the heading "California Budget." The Legislative Analyst's Office ("LAO") budget overviews and other analyses may be found at www.lao.ca.gov under the heading "Products." 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 or through the Municipal Securities Rulemaking Board's EMMA website at emma.msrb.org.

Periodic reports on revenues and/or expenditures during the fiscal year are issued by the Governor's Office, the State Controller's Office and the LAO. The Department of Finance issues a monthly Bulletin, which reports the most recent revenue receipts as reported by state departments, comparing them to Budget projections. The Governor's Office also formally updates its budget projections three times during each fiscal year, in January, May and at budget enactment. These bulletins and other reports are available on the Internet.

The information referred to above 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.

Future State Budgets

The District cannot predict what actions will be taken in the future by the Legislature and the Governor to deal with 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 over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted.

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APPENDIX B

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

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MOJAVE UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

MOJAVE UNIFIED SCHOOL DISTRICT

MOJAVE, CALIFORNIA

JUNE 30, 2018

MEMBER	OFFICE	TERM EXPIRES
Andrew Parker	President	December 2018
T. "Toni" Evans	Clerk	December 2020
Larry Adams	Member	December 2018
Ted Hodgkinson	Member	December 2018
Richard Walpole	Member	December 2018

ADMINISTRATION

Dr. Aaron E. Haughton	District Superintendent
Stephanie Newby	Assistant Superintendent-Student Achievement & Instruction
Keith Gainey	Assistant Superintendent-Business Services

ORGANIZATION

The Mojave Unified School District(the "District"), which was established as a unified school district in July 1953, is located in Kern County, and includes the city of California City and the communities of Cantil and Mojave and other unincorporated portions of Kern County. The District covers approximately 1,000 square miles. The District operates nine schools, including three elementary schools, two middle schools, two high schools, one independent study school, and one alternative high school.

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MOJAVE UNIFIED SCHOOL DISTRICT

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

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DENNIS COOPER AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mojave Unified School District
Mojave, California

REPORT ON THE FINANCIAL STATEMENTS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the business-type activities, each major fund, and the aggregate remaining fund information of Mojave Unified School District, as of June 30, 2018, and the respective changes in financial position and, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

12223 Highland Avenue, Suite #106-625 • Rancho Cucamonga, CA 91739 • 909.689.8219

DENNIS COOPER

AND

ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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, pension schedules, and OPEB schedules on pages 5–13 and 59–62, respectively, 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 Mojave Unified School District's basic financial statements. The accompanying supplementary information, Schedule 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* (Uniform Guidance); LEA Organization Structure, Schedule of ADA; Schedule of Instructional Time; Schedule of Financial Trends and Analysis; Reconciliation of Annual Financial and Budget Report With Audited Financial Statements; Schedule of Charter Schools; as required by *2017-18 Guide for Annual Audits of K-12 Local Education Agencies,* issued by the Education Audit Appeals Panel; and Combining Statements – Non-major Governmental Funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information, Schedule of Federal Awards, LEA Organization Structure, Schedule of ADA, Schedule of Instructional Time, Schedule of Financial Trends and Analysis, Reconciliation of Annual Financial and Budget Report With Audited Financial Statements, Schedule of Charter Schools is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the previously listed accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Combining Statements – Non-major Governmental Funds has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of Mojave Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Mojave Unified 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 Mojave Unified School District's internal control over financial reporting and compliance.

Dennis Cooper & Associates C.P.A.s

December 14, 2018

Mojave Unified School District

3500 Douglas Avenue
Mojave, CA 93501

Voice: 661-824-4001
Fax: 661-824-2686

MOJAVE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Mojave Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position decreased by $3.8 million at June 30, 2018.
- During the year, the District's expenses were $2.3 million more than the $40 million generated in taxes and other revenues for governmental activities.
- The general fund reported an ending fund balance of $3.4 million.
- The District's restated total debt obligations increased by $3.2 million, from $83.4 million to $86.6 million at June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information,* and *other supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statement*s.*

  - *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

  - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another.

Figure A-1: Required Components of the District's Annual Financial Report

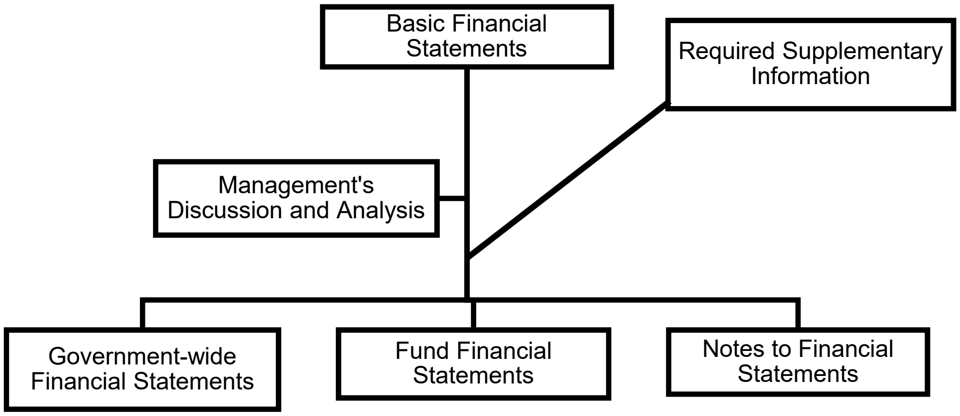

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2: Major Features of the District's Government-Wide and Fund Financial Statements

	Government-Wide	Fund Statements	
		Governmental Funds	**Fiduciary Funds**
Scope	Entire District (except fiduciary activities)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District is the trustee or agent for resources belonging to others, such as student body monies.
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures, and Changes in fund Balance	N/A
Accounting Basis and Measurement Focus	Accrual accounting and economic resources measurement focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources measurement focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the required liability is due and payable.	N/A

Government-wide Statements

The District-wide statements report information about the District as a whole using an accrual basis of accounting and economic resources measurement focus. Consequently, the statement of net position includes all of the District's assets and liabilities, as well as deferred inflows and outflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base and the condition of the District's school buildings and other facilities.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position: Table 1 shows the District's combined net position was $14.8 million at June 30, 2018. $18.2 million of current assets represents resources available to fund the programs of the District next year.

Table 1 - Net Position

	Governmental Activities			
	2018	Restated 2017	$ Change	% Change
Current and other assets	$ 18.2	$ 20.8	$ (2.6)	-13%
Capital assets	85.5	88.1	(2.6)	-3%
Total Assets	103.7	108.9	(5.2)	-5%
Deferred outflows of resources	11.0	9.3	1.7	18%
Current liabilities	12.0	13.5	(1.5)	-11%
Non-current liabilities	84.0	81.1	2.9	4%
Total Liabilities	96.0	94.6	1.4	1%
Deferred inflows of resources	3.9	5.0	(1.1)	-22%
Net position				
Net investment in capital assets	41.4	50.4	(9.0)	-18%
Restricted	6.7	4.0	2.7	68%
Unrestricted - (Deficit)	(33.3)	(35.8)	2.5	-7%
Total Net Position	$ 14.8	$ 18.6	$ (3.8)	-20%

Governmental Activities

- The Local Control Funding Formula, resulting from Proposition 30 in 2012, was implemented in the 2013 – 2014 school year. With an 84.90% Unduplicated Student rate in 2017-18, the district saw an increase in State revenues of approximately $2.1 million. The additional revenue was used to restore programs, positions, and compensation and allowed deficit spending to be eliminated.

- Negotiations for certificated, classified, confidential, administrative, and management staff for the 2017 – 2018 session was settled prior to the start of the school year.

- The Local Control and Accountability Plan, a requirement of the Local Control Funding Formula, was prepared in the spring of 2017, with the input of a wide variety of Stakeholders. As a result of the committee's decisions, the District remains focused on "improving outcomes" for future years.

- In November of 2013, voters in Mojave approved a $42 per year parcel tax to ensure the ongoing operations of Mojave High School. The first, of five, annual tax rolls was prepared in June 2014. The parcel tax generated approximately $427,000 in each school year. This parcel tax has expired and will not be available beginning in the 2019-20 school year. The District has not proposed an extension to the voters in Mojave.

Changes in Net Position

Table 2 shows the Districts revenues, expenses, and the related change in net position for the year ending June 30, 2018. The District's total revenues were $40 million. A diminishing portion, 15 percent, of the District's revenue comes from federal and state grants and entitlements; 69 percent comes from LCFF sources and 16 percent comes from other local revenue.

The total cost of all programs and services was $42.3 million; 61 percent of these costs are for direct instruction and instruction related student services. The remaining 39 percent represents the cost of site administration, general administration, plant maintenance and operations, and other support services of the District.

Table 2 - Changes in Net Position

	Governmental Activities			
	2018	**Restated 2017**	**$ Change**	**% Change**
Program revenue				
Charges for services	$ 0.1	$ 0.1	$ (0.0)	-20%
Operating grants and contributions	6.8	4.9	1.9	39%
General revenue				
Property taxes	19.4	12.5	6.9	55%
Unrestricted state aid	13.2	16.5	(3.3)	-20%
Other	0.5	3.6	(3.1)	-86%
Total Revenue	40.0	37.6	2.4	6%
Expenses				
Instruction	19.5	18.9	0.6	3%
Instruction-related services	3.8	3.5	0.3	9%
Pupil services	6.1	6.3	(0.2)	-3%
General administration	3.6	4.8	(1.2)	-25%
Plant services	3.6	2.9	0.7	24%
Other charges	0.9	0.5	0.4	80%
Interest	2.1	2.0	0.1	5%
Depreciation (unallocated)	2.7	2.6	0.1	4%
Total Expenses	42.3	41.5	0.8	2%
Deficiency before special items	(2.3)	(3.9)	1.6	-41%
Special items	-	0.1	(0.1)	-100%
Decrease in net position	$ (2.3)	$ (3.8)	$ 1.5	-39%

Table 3 presents the cost of each of the District's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this year was $42.3 million.
- Funding for these activities was provided by the following:
    - LCFF Sources: $27.6 million
    - Federal Revenues: $3.4 million
    - State Revenues: $3.1 million
    - Other Local Revenues: $5.9 million

Table 3 - Net Cost of Governmental Activity

	Total Cost of Services		Net Cost of Services		
	2018	Restated 2017	2018	Restated 2017	% Change
Instruction	$ 19.5	$ 18.9	$ 15.9	$ 16.1	-1%
Instruction-related services	3.8	3.5	3.2	3.1	3%
Pupil services	6.1	6.3	4.0	5.5	-27%
General administration	3.6	4.8	3.6	4.5	-20%
Plant services	3.6	2.9	3.3	2.3	43%
Other	5.7	5.1	5.4	4.6	17%
Total	$ 42.3	$ 41.5	$ 35.4	$ 36.1	-2%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental fund type revenues totaled $40,139,434, of which $35,162,642 was received in the Districts' General fund. General fund revenue increased $1,940,902 or nearly 6% compared to the preceding year. The increase is attributed to an 8% increase in LCFF funding, or $2,149,109, combined with increases in the Bond Interest and Redemption Fund of $1,017,128 to support bond payment schedules. Combined, these funds totaled $40.1 million in revenues and other financing sources, offset by $39.5 million in expenditures, with a net increase in fund balance of $590,686 and combined ending balances of $9.2 million at June 30, 2018.

Table 4 - Governmental Funds' Performance

(amounts in thousands)	2018	2017	% Change
REVENUES			
Local Control Funding Formula	$ 27.6	$ 25.4	9%
Categorical	6.5	5.7	14%
Local	6.1	6.4	-5%
Total Revenues	40.2	37.5	7%
EXPENDITURES			
Certificated	13.1	12.5	5%
Classified	7.4	7.1	4%
Benefits	9.1	7.4	23%
Books and supplies	1.8	3.4	-47%
Services and other operating expenses	3.5	4.1	-15%
Capital outlay	0.1	1.3	-92%
Other outgo	4.5	6.3	-29%
Total Expenditures	39.5	42.1	-6%
Net financing activities	-	0.1	-100%
NET CHANGE IN FUND BALANCE	$ 0.7	$ (4.5)	116%

General Fund Budgetary Highlights

The District began the year with a General Fund balance of $3.1 million. Over the course of the year, the District revised its budget two times. With these adjustments, actual revenues were $1,120,003 more than the estimated actual amounts – a variance of approximately 3%. Estimated expenditures were underestimated by 2% or $551,779, while actual other financing uses were $366,308. As a result of the above, the District realized a net increase in fund balance of $236,667 for an ending fund balance of $3,384,523 with $1,038,275 legally restricted by educational programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 5 shows that as of June 30, 2018, the District had invested $123.3 million in a broad range of capital assets including land, machinery and equipment, and buildings. Accumulated depreciation of $37,708,000, offsetting total assets, resulted in net capital assets of $85.6 million.

Table 5 - Capital Assets

	Governmental Activities			
(amounts in thousands)	**2018**	**Restated 2017**	**$ Change**	**% Change**
Land and construction in progress	$ 0.6	$ 0.5	$ 0.1	20%
Buildings and equipment	122.7	122.8	(0.1)	0%
Accumulated depreciation	(37.7)	(35.2)	(2.5)	7%
Total Capital Assets	$ 85.6	$ 88.1	$ (2.5)	-3%

Long-Term Debt

At year-end the District had $86.5 million in long term debt obligations outstanding as shown in Table 6. $2.5 million of this balance is current and due within one year. Additional information about the District's long-term liabilities is presented in Note 9 to the financial statements.

Table 6 - Long-Term Liabilities

	Governmental Activities			
	2018	**Restated 2017**	**$ Change**	**% Change**
General Obligation bonds	$ 38.7	$ 40.0	$ (1.3)	-3%
State loans	7.9	8.1	(0.2)	-2%
Net pension liabilities	32.6	28.1	4.5	16%
Net OPEB	7.3	7.0	0.3	4%
Compensated absences	0.1	0.1	-	0%
Other long-term liabilities	-	0.1	(0.1)	-100%
Less current portion	(2.5)	(2.3)	(0.2)	9%
Total Long-term Liabilities	$ 84.1	$ 81.1	$ 3.0	4%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- LCFF funding is expected to increase an additional $2.1 million in 2018-19 followed by an additional $0.8 million in 2019-20 and $0.8 million in 2020-21. The original 2018-19 budget and multi-year projection through 2020-21 were effectively balanced. Salary increases, beyond step and column adjustments, were not included in the budget or projection. Negotiations for 2018-19 and beyond were unsettled at July 1, 2018 and remain in process, but unsettled.

- In November, California voters approved Proposition 55, extending the Income Tax Increase portion of Proposition 30, which was approved by California voters in 2012. Proposition 30 led to a restructuring of education funding in California known as the Local Control Funding Formula (LCFF) which effectively ended years of declining revenues for California schools. The extension relieved concerns about the future of education funding and provided evidence that voters continue to value education.

- In March of 2016, the California Legislature approved the "Fair Wage Act of 2016" which will increase the minimum wage to $15 per hour over the next six years. The District has been in discussions with its stakeholders about the potential impact of this change and has continuously included the necessary changes along the timeline in negotiation settlement.

- Continual increases to STRS and PERS retirement system contributions were estimated and reserved for in the original 2018-19 budget and multi-year projections.

- As a result of LCFF revenue increases over the years, and careful financial planning and management by the Board, the District's financial position has stabilized enough to absorb the loss of revenue generated CSI Credits and the Mojave Parcel Tax. Both were short term local revenues that will no longer be available in 2018-19 and 2019-20 respectively.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

STATEMENT OF NET POSITION
JUNE 30, 2018

(Amounts in thousands)		Governmental Activities
ASSETS		
Cash and cash equivalents	$	17,179
Accrued receivables		936
Prepaid expenditures		34
Stores inventory		47
Nondepreciable capital assets		557
Depreciable capital assets, net		84,949
Total Assets		103,702
DEFERRED OUTFLOWS OF RESOURCES		11,010
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	114,712
LIABILITIES		
Accrued payables	$	9,147
Unearned revenue		386
Long-term obligations, current portion		2,470
Long-term obligations, net pension liability		84,011
Total Liabilities		96,014
DEFERRED INFLOWS OF RESOURCES		3,919
NET POSITION		
Net investment in capital assets		41,390
Restricted for		
Capital projects		75
Debt service		5,112
Educational programs		1,484
Unrestricted - (Deficit)		(33,282)
Total Net Position		14,779
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$	114,712

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

MOJAVE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

(Amounts in thousands) Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Instruction	$ 19,539	$ 1	$ 3,632	$ (15,906)
Instruction-related services				
Instructional supervision and administration	19	-	5	(14)
Instructional library, media, and technology	976	-	83	(893)
School site administration	2,788	0	452	(2,336)
Pupil services				
Home-to-school transportation	1,899	-	60	(1,839)
Food services	1,501	70	1,164	(267)
All other pupil services	2,673	-	740	(1,933)
General administration				
Centralized data processing	12	-	-	(12)
All other general administration	3,583	-	31	(3,552)
Plant services	3,563	5	218	(3,340)
Ancillary services	368	-	8	(360)
Interest on long-term debt	2,100	-	349	(1,751)
Transfer to other agencies	484	-	69	(415)
Depreciation (unallocated)	2,760	-	-	(2,760)
Total	$ 42,265	$ 76	$ 6,811	(35,378)

General revenues	
Taxes and subventions	
Property taxes, levied for general purposes	15,476
Property taxes, levied for debt service	3,244
Property taxes, levied for other specific purposes	692
Federal and state aid not restricted for specific purposes	13,209
Interest and investment earnings	88
Miscellaneous	399
Subtotal, General Revenue	33,108
CHANGE IN NET POSITION	(2,270)
Net Position - Beginning (Restated)	17,049
Net Position - Ending	$ 14,779

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

MOJAVE UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS'
BALANCE SHEETS
JUNE 30, 2018

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 11,324,877	$ 5,112,195	$ 741,544	$ 17,178,616
Accrued receivables	767,180	-	168,705	935,885
Due from other funds	324,408	-	-	324,408
Stores inventory	-	-	46,729	46,729
Prepaid expenditures	-	-	34,491	34,491
TOTAL ASSETS	$ 12,416,465	$ 5,112,195	$ 991,469	$ 18,520,129
LIABILITIES				
Accrued payables	$ 8,646,103	$ -	$ 7,510	$ 8,653,613
Due to other funds	-	-	324,408	324,408
Unearned revenue	385,839	-	-	385,839
Total Liabilities	9,031,942	-	331,918	9,363,860
FUND BALANCE				
Nonspendable	25,000	-	81,220	106,220
Restricted	1,038,275	5,112,195	520,836	6,671,306
Assigned	-	-	57,495	57,495
Unassigned	2,321,248	-	-	2,321,248
Total Fund Balance	3,384,523	5,112,195	659,551	9,156,269
TOTAL LIABILITIES AND FUND BALANCE	$ 12,416,465	$ 5,112,195	$ 991,469	$ 18,520,129

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

MOJAVE UNIFIED SCHOOL DISTRICT

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

	(Amounts in thousands)	
Total Fund Balance - Governmental Funds		$ 9,156
Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets relating to governmental activities, at historical cost:	$ 123,213	
Accumulated depreciation:	(37,707)	85,506
Unamortized costs:		
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt insurance costs included in prepaid expense on the statement of net position are:		
Deferred outflows of resources, economic loss on bond refunding		122
Deferred inflows of resources, GO Bond premiums		(2,964)
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(494)

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEETS TO THE STATEMENT OF NET POSITION, Continued
JUNE 30, 2018

Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds payable	38,663	
Qualified Zone Academy Bonds ("QZABs")	7,850	
Net Pension Liability (Asset) ("NPL")	32,552	
Net Other Postemployment Benefit ("OPEB") Obligation	7,264	
Compensated absences payable	101	
Other general long-term debt	50	(86,480)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources relating to pensions		10,876
Deferred inflows of resources relating to pensions		(955)
Deferred outflows and inflows of resources related to other postemployment benefits (OPEB):		
In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.		
Deferred outflows of resources relating to OPEB		12
Total Net Position - Governmental Activities:		$ 14,779

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

MOJAVE UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding Formula ("LCFF") Sources	$ 27,594,151	$ -	$ -	$ 27,594,151
Federal sources	2,209,974	-	1,169,288	3,379,262
Other State sources	2,674,644	22,257	391,749	3,088,650
Other local sources	2,683,873	3,270,712	122,786	6,077,371
Total Revenues	35,162,642	3,292,969	1,683,823	40,139,434
EXPENDITURES				
Current				
Instruction	18,743,434	-	98,756	18,842,190
Instruction-related services				
Instructional supervision and administration	38,574	-	-	38,574
Instructional library, media, and technology	890,337	-	-	890,337
School site administration	2,625,637	-	57,606	2,683,243
Pupil services				
Home-to-school transportation	1,741,833	-	-	1,741,833
Food services	659	-	1,415,063	1,415,722
All other pupil services	2,479,205	-	-	2,479,205
General administration				
Centralized data processing	11,857	-	-	11,857
All other general administration	3,227,181	-	162	3,227,343
Plant services	3,254,484	-	91,894	3,346,378
Ancillary services	347,404	-	-	347,404
Transfers to other agencies	483,865	-	-	483,865
Facilities acquisition and construction	52,947	-	7,804	60,751
Debt service				
Interest and other	402,250	1,347,796	-	1,750,046
Principal	260,000	1,970,000	-	2,230,000
Total Expenditures	34,559,667	3,317,796	1,671,285	39,548,748
Excess (Deficiency) of Revenues				
Over Expenditures	602,975	(24,827)	12,538	590,686
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	366,404	366,404
Transfers Out	(366,308)	-	(96)	(366,404)
Net Financing Sources (Uses)	(366,308)	-	366,308	-
NET CHANGE IN FUND BALANCE	236,667	(24,827)	378,846	590,686
Fund Balance - Beginning (Restated)	3,147,856	5,137,022	280,705	8,565,583
Fund Balance - Ending	$ 3,384,523	$ 5,112,195	$ 659,551	$ 9,156,269

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

MOJAVE UNIFIED SCHOOL DISTRICT

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

(Amounts in thousands)

Net Change in Fund Balances - Governmental Funds			$ 591
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay:			
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
	Expenditures for capital outlay:	$ 110	
	Depreciation expense:	(2,760)	(2,650)
Debt service:			
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			2,279
Gain or loss from the disposal of capital assets:			
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:			(4)
Unmatured interest on long-term debt:			
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			(565)

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

Compensated absences:		
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:		(10)
Pensions:		
In government funds, pension costs are recognized when employer contributions are made. in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(1,960)
Postemployment benefits other than pensions ("OPEB"):		
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:		(166)
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding:		
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:		215
Change in net position of Governmental Activities	$	(2,270)

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	ASB Agency Funds
ASSETS	
Deposits and investments	$ 212,050
LIABILITIES	
Due to student groups	$ 212,050

The accompanying notes are an integral part of these financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 - A. Financial Reporting Entity

Mojave Unified School District, also known generically as a local Educational agency ("LEA"), was established in 1953, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades TK – 12 as mandated by the State and/or Federal agencies.

The District created two improvement districts within the District's boundaries to segregate general obligation bond issuances and provide for the school site construction separately. The debts service for these districts are included in the Bond Interest and Redemption Fund. The entities are as follows:

- School Facilities Improvement District No. 1 of the Mojave Unified School District (the "Improvement District") was formed following a public hearing on November 28, 2000 pursuant to the provisions of Chapter 2 (commencing with Section 15300) of Part 10 of Division 1 of Title 1 of the California Education Code (the "Act") and proceedings taken by the District. The Improvement District contains 62,855 parcels of land situated in California City and Cantil and other unincorporated portions of Kern County.
- School Facilities Improvement District No. 2 of the Mojave Unified School District (the "Improvement District" or the "SFID") was formed following a public hearing on July 22, 2008, pursuant to the provisions of Chapter 2 (commencing with Section 15300) of Part 10 of Division 1 of Title 1 of the California Education Code (the "Act") and proceedings taken by the District. The Improvement District contains 11,541 parcels of land situated in the unincorporated portions of Kern County.

A reporting entity is comprised of the primary government and school facilities improvement districts that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Mojave Unified School District, this includes general operations, food service, and student related activities of the District.

1 - B. Related Entities

Joint Powers Authority ("JPA"). The District is associated with three JPAs. These organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Self-Insured Schools of California ("SISC") I, workers' compensation
- SISC II, property and liability
- SISC III, health benefits

1 - C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government ("the District") and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental* and *fiduciary* – are presented. 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.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the LEA in a trustee or agency capacity for others that cannot be used to support the LEA's own programs.

Major Governmental Funds

General Fund. The general fund is the main operating fund of the LEA. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA may have only one general fund.

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (Education Code sections 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund:

Adult Education Fund. This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (Education Code sections 52616[b] and 52501.5[a]).

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code sections 38090–38093). The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (Education Code sections 38091 and 38100).

Capital Project Funds. Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code sections 17620–17626). The authority for these levies may be county/city ordinances (Government Code sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (Government Code Section 66006).

County School Facilities Fund. This fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects. This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840).

Capital Project Fund for Blended Component Units. This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP). The Mello-Roos Community Facilities Act of 1982 (*Government Code* Section 53311 et seq.) allows any county, city, special district, school district, or joint powers authority to establish, upon approval of two-thirds of the voters in the district, a "Community Facilities District" (CFD) for the purpose of selling tax-exempt bonds to finance public improvements and services.

<u>**Fiduciary Funds**</u>

Trust and Agency Funds. Trust and Agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the LEA's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Student Body Fund. The Student Body Fund is an agency fund and, therefore, consists only of accounts such as Cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (Education Code sections 48930–48938).

1 - D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements
The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recoded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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

Governmental Funds
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Local Control Funding Formula ("LCFF"), property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits 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.

Eliminating Internal Activity
Transactions between funds that would be treated as revenues, expenditures, or expenses if they involve entities external to the District are accounted for as revenues, expenditures, or expenses in the funds. At year-end, outstanding balances between funds are reported in the fund financial statements. Amounts reported in the funds as Due to or Due from Other Funds are eliminated in the governmental activities columns of the statement of net position.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

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

1 - E. Assets, Liabilities, and Net Position and Fund Balances

Fair Value
The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2018:

- Cash in county of $17.2 million are valued using quoted market prices (Level 1 inputs)

Acquisition Value
The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date.

Deposits and Investments.
The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2018, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund. The District considers the deposits and investments in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventories and Prepaid Items.
Inventories such as school supplies are recorded at cost and valued using the weighted-average cost method. They then become expenditures/expenses of the funds when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets
Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized. Depreciation of capital assets is computed and recorded by the straight-line method over the following estimated useful life:

Asset Class	Estimated Useful Lives (years)
Site Improvements	20 – 30
Buildings and Improvements	25 – 50
Equipment	2 – 20

Interfund Balances
On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Accrued Liabilities and Long-Term Obligations
All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

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

Compensated Absences
Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements.

Pension
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 Public Employee Retirement System ("Cal PERS") and additions to/deductions from Cal PERS' fiduciary net position have been determined on the same basis as they are reported by Cal PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Premiums and Economic Losses
In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as economic losses, are deferred and amortized over the life of the bonds using the straight line method.

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the general fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net Position represents the difference of assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has related debt outstanding as of June 30, 2018. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The district-wide financial statements report $6.7 million of restricted net position.

1 - F. Revenues, Expenditures/Expense

Revenues – Exchange and Non-Exchange Transactions

The LCFF and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the LCFF is made and the District's actual tax receipts, as reported by the county auditor, is subtracted the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded.

The District recognizes property tax revenues actually received as reported on California Department of Education ("CDE")'s Principal Apportionment Data Collection Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

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

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

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

1 - G. Stewardship, Compliance, and Accountability

Budgetary Data
The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Budgetary Expenditures in Excess of Appropriations

	Expenditures and Other Uses		
	Budget	**Actual**	**Excess**
General Fund	34,007,874	34,925,975	(918,101)
Cafeteria Special Revenue Fund	1,487,561	1,506,957	(19,396)

1 - H. New Accounting Pronouncements

The Governmental Accounting Standards Board ("GASB") has issued the following standards:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.
- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- GASB Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- GASB Statement No. 85, *Omnibus 2017*. The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged.
- GASB Statement No. 87, *Leases.* Effective Date: For reporting periods beginning after December 15, 2019.

For specific details about the standards, please see www.gasb.org.

NOTE 2 – DEPOSITS AND INVESTMENTS

2 - A. Summary of Deposit and Investment Balances

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

	Governmental Activities	Fiduciary Activities	Total
Deposits in financial institutions	$ 126,528	$ 212,050	$ 338,578
Cash in county	17,049,237	-	17,049,237
Cash with fiscal agent	2,851	-	2,851
Total Cash and Cash Equivalents	$ 17,178,616	$ 212,050	$ 17,390,666

2 - B. Policies and Practices

The County of Kern's Investment Policy has been prepared in accordance with California Government Code (CGC) §53630 et seq. The complete text of California Government Code §53630 is set forth on the Internet at www.leginfo.ca.gov.

2 - C. Cash Deposits

Credit Risk. As of June 30, 2018, the District's Cash in County pool consisted of debt securities and the ratings ranged from A-1 through AA+ by Standard & Poor's.

Custodial Credit Risk. There is a risk that, in the event of a bank failure, the District's deposits may not be returned. The District's deposit policy requires that all deposits are covered by the Federal Depository Insurance Corporation ("FDIC") or are collateralized as required by Statutes of the State. As of June 30, 2018, the carrying amount of the District's bank deposits was $338,578, and the respective bank balances totaled $441,872. Of the total bank balance, $397,367 was insured through the FDIC. The remaining $44,505 was collateralized with pooled securities held by the financial institutions' trust departments. These securities are held in the name of the financial institution and not that of the District.

NOTE 3 – ACCRUED RECEIVABLES

Receivables at June 30, 2018, were as follows:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government			
Categorical aid	$ 463,818	$ 148,885	$ 612,703
State Government			
Categorical aid	243,263	11,873	255,136
Local Government			
Interest	52,808	2,948	55,756
Other Local Sources	7,291	4,999	12,290
Total	$ 767,180	$ 168,705	$ 935,885

All receivables are considered by management collectible in full.

NOTE 4 – CAPITAL ASSETS

(Amounts in thousands)	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	$ 520	$ -	$ -	$ 520
Construction in progress	29	8	-	37
Non-Depreciable Capital Assets	$ 549	$ 8	$ -	$ 557
Capital assets being depreciated				
Land improvements	10,276	24	-	10,300
Buildings & improvements	104,065	29	-	104,094
Furniture & equipment	8,516	49	302	8,263
Total Capital Assets Being Depreciated	122,857	102	302	122,657
Less Accumulated Depreciation				
Land improvements	2,370	329	-	2,699
Buildings & improvements	26,325	2,099	-	28,424
Furniture & equipment	6,550	332	297	6,585
Total Accumulated Depreciation	35,245	2,760	297	37,708
Depreciable Capital Assets, net	$ 87,612	$ (2,658)	$ 5	$ 84,949
Total Capital Assets, net	$ 88,161	$ (2,650)	$ 5	$ 85,506

NOTE 5 – INTER-FUND TRANSACTIONS

5 - A. Balances Due to/from Other Funds

Balances due to/from other funds at June 30, 2018, consist of the following:

Due To Other Funds	Due From Other Funds General Fund
Non-Major Governmental Funds	$ 324,408

The Adult Education Fund owes the General Fund for start-up costs	$	79,358
The Cafeteria Fund owes the General Fund for cash flow		245,000
The County Schools Facilities Fund owes the General Fund to close-out the fund		32
The Capital Project for Blended Component Unit Fund owes the General Fund to close-out the fund		18
Total	$	324,408

5 - B. Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2018, consist of the following:

	Transfers In From Other Funds	
Transfers Out to Other Funds	**Non-Major Governmental Funds**	
General Fund	$	366,308
Non-Major Governmental Funds		96
Total	$	366,404

The General Fund transferred to the Cafeteria Fund for cash flow	$	100,000
The General Fund transferred to the Building Fund to close-out the fund		92,988
The General Fund transferred to the Capital Facilities Fund to close-out prior loan		62,553
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects to close-out the fund		110,767
The Building Fund transferred to the Capital Facilities Fund building costs in the amount of		96
Total	$	366,404

NOTE 6 – DEFERRED OUTFLOWS OF RESOURCES & DEFERRED INFLOWS OF RESOURCES

(Amounts in thousands)	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018
Deferred Outflows of Resources				
OPEB related	$ -	$ 12	$ -	$ 12
Pension related				
Cal STRS	4,872	5,490	3,755	6,607
Cal PERS	4,291	3,023	3,045	4,269
Economic loss on refunding	142	-	20	122
Total Deferred Outflows of Resources	9,305	8,525	6,820	11,010
Deferred Inflows of Resources				
Pension related				
Cal STRS	(441)	(533)	(166)	(808)
Cal PERS	(1,292)	-	(1,145)	(147)
Bond issuance premium	(3,199)	-	(235)	(2,964)
Total Deferred Inflows of Resources	(4,932)	(533)	(1,546)	(3,919)
Effect on Net Position	$ 4,373	$ 7,992	$ 5,274	$ 7,091

NOTE 7 – ACCRUED PAYABLES

Payables at June 30, 2018, were as follows:

	General Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	$ 228,385	$ 4,266	$ -	$ 232,651
Benefits and payroll related	545,354	-	-	545,354
Summer deferral	726,224	-	-	726,224
Vendors payable	835,180	3,244	-	838,424
LCFF	477,648	-	-	477,648
Interest payable	-	-	493,000	493,000
Other liabilities	92,047	-	-	92,047
Contingent tax liability	5,741,265	-	-	5,741,265
Total	$ 8,646,103	$ 7,510	$ 493,000	$ 9,146,613

NOTE 8 – UNEARNED REVENUES

Unearned revenue at June 30, 2018, were as follows:

	General Fund
Federal sources	$ 164,907
State sources	220,932
Total	$ 385,839

NOTE 9 – LONG-TERM LIABILITIES

9 - A. Long-Term Liabilities Summary

(Amounts in thousands)	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due in One Year
Governmental Activities					
General obligation bonds payable	$ 40,045	$ 588	$ 1,970	$ 38,663	$ 2,000
QZAB	8,110		260	7,850	420
NPL	28,103	4,449	-	32,552	-
Net OPEB Obligation	7,086	178	-	7,264	-
Compensated absences payable	91	11	-	102	-
Early retirement incentive	99	-	49	50	50
Total	$ 83,534	$ 5,226	$ 2,279	$ 86,481	$ 2,470

9 - B. Bonded Debt

The District, on behalf of the Improvement Districts Nos. 1 and 2 issued the General Obligation Bonds listed on the next page, to provide funds to finance the construction and improvements to the school facilities and advance refund a portion of the District's GO Bonds.

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

As of June 30, 2018, the District has the following general obligation bonds ("GO Bonds") outstanding:

($ amounts in thousands)

Issue Date	Maturity Date	Interest Rate	Original Issue	Restated Bonds Jul 01, 2017	Accretion	Redeemed	Jun 30, 2018
Jun, 2002	August, 2026	7.25% - 7.25%	$ 425	$ 1,238	$ 91	$ -	$ 1,329
Sep, 2003	August, 2028	8.0% - 8.0%	428	1,258	103	-	1,361
Sep, 2004	August, 2029	3.00% - 9.25%	1,497	1,097	45	90	1,052
Mar, 2008	August, 2029	4.00% - 7.66%	14,313	4,771	281	550	4,502
Jan, 2009	August, 2034	3.0% - 10.8%	8,363	5,556	68	195	5,429
Aug, 2011	August, 2024	2.0% - 5.0%	9,985	7,380	-	765	6,615
Jan, 2013	August, 2028	2.0% - 5.0%	2,730	1,875	-	235	1,640
Aug, 2015	November, 2043	2.0% - 5.0%	8,040	8,040	-	100	7,940
Feb, 2016	August, 2032	2.0% - 5.0%	8,880	8,830	-	35	8,795
			$ 54,661	$ 40,045	$ 588	$ 1,970	$ 38,663

9 - C. Debt Service Requirements to Maturity – Bonds

The bonds mature as follows:

(Amounts in thousands)	2002 Capital Appreciation Bond		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2025 - 2026	$ 425	$ 1,855	$ 2,280
Accretion	904	(904)	-
Total	$ 1,329	$ 951	$ 2,280

(Amounts in thousands)	2003 Capital Appreciation Bond		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2024 - 2028	$ 289	$ 1,421	$ 1,710
2029	139	836	975
Accretion	933	(933)	-
Total	$ 1,361	$ 1,324	$ 2,685

(Amounts in thousands) **Series 2004**

	Capital Appreciation		Current Interest		
Year Ending June 30,	**Principal**	**Interest**	**Principal**	**Interest**	**Total Payments**
2019	$ -	$ -	$ 95	$ 21	$ 116
2020	-	-	100	17	117
2021	-	-	110	12	122
2022	-	-	110	7	117
2023	-	-	115	3	118
2024 - 2028	104	570	-	-	674
2029 - 2030	48	382	-	-	430
Accretion	370	(370)	-	-	-
	$ 522	$ 582	$ 530	$ 60	$ 1,694

(Amounts in thousands) **Series 2008**

	Capital Appreciation		Current Interest		
Year Ending June 30,	**Principal**	**Interest**	**Principal**	**Interest**	**Total Payments**
2019	$ -	$ -	$ 615	$ 2,019	$ 2,634
2025 - 2029	1,520	4,520	-	-	6,040
2030	279	1,106	-	-	1,385
Accretion	2,088	(2,088)	-	-	-
	$ 3,887	$ 3,538	$ 615	$ 2,019	$ 10,059

(Amounts in thousands) **Series 2009**

	Capital Appreciation		Current Interest		
Year Ending June 30,	**Principal**	**Interest**	**Principal**	**Interest**	**Total Payments**
2019	$ -	$ -	$ 220	$ 191	$ 411
2020	-	-	245	182	427
2021	-	-	275	172	447
2022	-	-	300	160	460
2023	-	-	335	148	483
2024 - 2028	-	-	2,195	499	2,694
2029 - 2033	195	1,885	1,180	53	3,313
2034	57	693	-	-	750
Accretion	427	(427)	-	-	-
	$ 679	$ 2,151	$ 4,750	$ 1,405	$ 8,985

(Amounts in thousands)	Series 2011		
Year Ending June 30,	**Principal**	**Interest**	**Total Payments**
2019	$ 815	$ 269	$ 1,084
2020	870	235	1,105
2021	925	199	1,124
2022	980	156	1,136
2023	1,050	105	1,155
2024 - 2025	1,975	80	2,055
	$ 6,615	$ 1,044	$ 7,659

(Amounts in thousands)	Series 2013			
Year Ending June 30,	**Maturity**	**Sinking Fund**	**Interest**	**Total Payments**
2019	$ 220	$ 220	$ 70	$ 290
2020	205	205	61	266
2021	195	195	53	248
2022	190	190	45	235
2023	-	180	37	217
2024 - 2028	-	610	78	688
2029	830	40	1	41
	$ 1,640	$ 1,640	$ 345	$ 1,985

(Amounts in thousands)	Series 2015			
Year Ending June 30,	**Maturity**	**Sinking Fund**	**Interest**	**Total Payments**
2019	$ -	$ -	$ 355	$ 355
2020	-	-	355	355
2021	15	15	355	370
2022	30	30	354	384
2023	50	50	354	404
2024 - 2028	525	525	1,737	2,262
2029 - 2033	1,125	1,125	1,612	2,737
2034 - 2038	1,070	2,000	1,303	3,303
2039 - 2043	2,735	3,325	664	3,989
2044	2,390	870	22	892
	$ 7,940	$ 7,940	$ 7,111	$ 15,051

(Amounts in thousands)	Series 2016		
Year Ending June 30,	**Principal**	**Interest**	**Total Payments**
2019	$ 35	$ 354	$ 389
2020	675	342	1,017
2021	735	315	1,050
2022	805	287	1,092
2023	880	257	1,137
2024 - 2028	1,060	1,015	2,075
2029 - 2032	4,605	663	5,268
	$ 8,795	$ 3,233	$ 12,028

9 - D. Qualified Zone Academy Bonds ("QZABs")

On December 20, 2012, the Public Property Financing Corporation of California ("Corporation") issued the QZABs in the amount of $9.3 million to install solar arrays at the District's sites. The District entered into an agreement with the Corporation to make base rental payments to the Corporation to service the debt of the QZABs. Purchase agreement between the District and Rabo Bank.

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

(Amounts in thousands)	QZAB			
Year Ending June 30,	**Interest Subsidy**	**Principal**	**Interest**	**Net Obligation**
2019	$ 336	$ 420	$ 387	$ 471
2020	318	440	366	488
2021	298	450	344	496
2022	278	470	321	513
2023	258	490	297	529
2024 - 2028	951	2,755	1,096	2,900
2029 - 2033	302	2,825	348	2,871
	$ 2,741	$ 7,850	$ 3,159	$ 8,268

9 - E. Compensated Absences

The District employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 20 workdays at the end of the year. The expense and accrued liability is recognized when the annual leave is earned. The District's liability for accumulated annual leave was $102,000 on June 30, 2018.

The funds that pay the liabilities are the General Fund and the Cafeteria Fund.

9 - F. Pension Liabilities

The District's pension activities between the District and Cal STRS and Cal PERS for the year ended June 30, 2018, resulted in net pension obligations and other related balances as follows:

(Amounts in thousands)	Cal STRS	Cal PERS	Total
District's proportionate share of the net pension liability	$ 20,028	$ 12,524	$ 32,552

(Amounts in thousands)	Cal STRS	Cal PERS	Total
Deferred Outflows of Resources	$ 6,607	$ 4,269	$ 10,876
Deferred Inflows of Resources	(808)	(147)	(955)
Total	$ 5,799	$ 4,122	$ 9,921

See Note 11 for additional information regarding the pension plans and activities.

9 - G. Other Postemployment Benefits

The District's OPEB activities between the Cal STRS cost sharing multiple employer plan and the District's single employer plan for the year ended June 30, 2018, resulted in net OPEB and other related balances as follows:

(Amounts in thousands)	Cal STRS	District Plan	Total
District's net OPEB liability	$ 144	$ 7,120	$ 7,264

(Amounts in thousands)	Cal STRS
Deferred Outflows of Resources	$ 12

See Note 12 for additional information regarding the OPEB plans and activities.

9 - H. Defeasance of Certificates of Participation ("COPs")

On August 31, 2015, the District issued $8,040,000 in General Obligation Bonds with an average interest of 4.652% to advance refund $5,099,853 of outstanding 2008 Certificates of Participation with an average interest rate of 4.65%. The net proceeds of $8,032,611 (after payment of $97,652 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Governmental Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Certificates of Participation. As a result, the 2008 Certificates of Participation are considered defeased and the liability for those COPs has been removed from the general long-term liabilities.

NOTE 10 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Non-restricted				
Reserve for revolving cash	$ 25,000	$ -	$ -	$ 25,000
Reserve for stores inventory	-	-	46,729	46,729
Reserve for prepaid expenditures	-	-	34,491	34,491
Total Nonspendable	25,000	-	81,220	106,220
Spendable				
Restricted				
Educational programs				
State	595,657	-	445,953	1,041,610
Local	442,618	-	-	442,618
Capital projects, capital facilities	-	-	74,883	74,883
Debt service, GO Bond repayments	-	5,112,195	-	5,112,195
Total Restricted	1,038,275	5,112,195	520,836	6,671,306
Assigned				
Capital projects	-	-	9,453	9,453
Cafeteria	-	-	48,042	48,042
Total Assigned	-	-	57,495	57,495
Unassigned				
Reserve for economic uncertainties	1,002,155	-	-	1,002,155
Unassigned	1,319,093	-	-	1,319,093
Total Unassigned	2,321,248	-	-	2,321,248
Total	$ 3,384,523	$ 5,112,195	$ 659,551	$ 9,156,269

NOTE 11 – DEFINED BENEFIT PENSION PLANS

11 - A. CalSTRS

Plan Description
CalSTRS administers a hybrid retirement system consisting of a defined benefit plan, two defined contribution plans, a postemployment benefit plan, and a fund used to account for ancillary activities associated with various deferred compensation plans and programs:

- State Teachers' Retirement Plan ("STRP")
- CalSTRS Pension 2® Program (Internal Revenue Code 403(b) and 457(b) plans)
- Teachers' Health Benefits Fund ("THBF")
- Teachers' Deferred Compensation Fund ("TDCF")

CalSTRS provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code § 22000 et seq.), as enacted and amended by the California Legislature, established these plans and CalSTRS as the administrator. The terms of the plans may be amended through legislation.

The STRP is a multiple employer, cost-sharing defined benefit plan comprised of four programs: Defined Benefit ("DB") Program, Defined Benefit Supplement ("DBS") Program, Cash Balance Benefit ("CBB") Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. CalSTRS issues a publicly available financial report that can be obtained at https://www.calstrs.com/comprehensive-annual-financial-report.

Benefits Provided
The STRP DB Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

The 2% refers to the percentage of your final compensation that you'll receive as a retirement benefit for every year of service credit, also known as the age factor. Other differences between the two benefit structures are final compensation, age factors, normal retirement age, creditable compensation cap and contribution rate. In addition, 2% at 62 members aren't eligible for benefit enhancements, the Reduced Benefit Election or the CalSTRS Replacement Benefits Program.

Contributions:	Effective Date	2% at 60 Members	2 % at 62 Members
Members:	July 1, 2016	10.25%	9.205%
Employers:	July 1, 2016	12.58%	
	July 1, 2017	14.43%	
	July 1, 2018	16.28%	
	July 1, 2019	18.13%	
	July 1, 2020	19.10%	
	July 1, 2021 – June 30, 2046	The board cannot adjust the employer rate by more than 1% in a fiscal year, and the increase to the contribution rate above the 8.25% base contribution rate cannot exceed 12% for a maximum of 20.25 percent.	
	July 1, 20146	Increase from prior rate ceases in 2046-47	
State:	July 1, 2017	9.328%	
	July 1, 2017 – June 30, 2046	8.828%, The board has limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50% in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0%. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.	
	July 1, 2046 and thereafter	4.517%, and same explanation as above	

Contributions to the pension plan from the District was $1,779,000 for the year ended June 30, 2018.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

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

	(Amounts in thousands)	
District's proportionate share of the net pension liability	$	20,028
State's proportionate share of the net pension liability associated with the District		7,444
Total	$	27,472

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on employer contributions to the STRP are calculated by CalSTRS based on creditable compensation for active members reported by employers to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2017, the District's proportion was as follows:

	Jun. 30, 2017	Jun. 30, 2016	Difference
Net Pension Liability Allocation Basis	0.0002166	0.0002234	-0.0000068

For the year ended June 30, 2018, the District recognized pension expense of $2,509,000 and revenue of $926,000 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 from the following sources:

(Amounts in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 275
Changes of assumptions	3,711	-
Net difference between projected and actual earnings on pension plan	-	533
Changes in proportion and differences between District contributions and	1,117	-
District contributions subsequent to the measurement date	1,779	-
Total	$ 6,607	$ 808

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

(Amounts in thousands)		
Year ended June 30:		
2019	$ 2,689	509
2020	910	(270)
2021	910	17
2022	910	539
2023	648	25
2024	540	(12)
Total	$ 6,607	$ 808

Actuarial Assumptions and Discount Rate Information

Actuarial Assumptions

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions [1, 2]:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 – June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return [3]	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.5%
Post-retirement Benefit Increases	2% simple for DB (Annually) Maintain 85% purchasing power level for DB Not applicable for DBS/CBB

[1] For the purpose of determining the total pension liability, the assumptions used in the June 30, 2016, financial reporting actuarial valuation, were applied to all periods prior to July 1, 2017. The assumptions applied to those periods on and after July 1, 2017 are reflected in the table above.
[2] The assumptions for investment rate of return, wage growth and inflation used in the June 30, 2016 financial reporting actuarial valuation were 7.60 percent, 3.75 percent and 3.00 percent, respectively.
[3] Net of investment expenses, but gross of administrative expenses.

Discount Rate

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS 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 February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the period ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return [3]
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return/Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash/Liquidity	2	-1.00

[3] 20-years geometric average

The discount rate used to measure the total pension liability was 7.1 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates disclosed in Note 1. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1 percent) and assuming that contributions and benefit payments occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Presented below is the net pension liability of employer using the current discount rate of 7.10%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

(Amounts in thousands)	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 29,411	$ 20,028	$ 12,417

Pension plan fiduciary net position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

11 - B. Cal PERS

Plan Description
Public Employees' Retirement Fund ("PERF") – The PERF was established in 1932 and provides retirement, death and disability benefits to its member employers, which include the State of California, non-teaching, non-certified employees in schools, and various other public agencies. The benefit provisions for the state and school employees are established by statute. The benefits options for the public agencies are established by statute and voluntarily selected by contract with the System in accordance with the provisions of the Public Employees' Retirement Law.

PERF B is a cost-sharing multiple-employer plan of school employers consisting of non- teaching and non-certified employees.

Benefits Provided

The Service Retirement benefit is a monthly allowance equal to the product of benefit factor, years of service, and final compensation.

- The *benefit factor* for classic members comes from the 2% at 55 benefit factor table. New PEPRA members hired on or after January 1, 2013 are subject to the 2% at 62 benefit factor table.
- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. Any unused sick leave accumulated at the time of retirement will be converted to credited service at the rate of 0.004 years of service for each day of sick leave.
- The *final compensation* is the monthly average of the member's highest 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). For new PEPRA members hired after January 1, 2013 final compensation is based on the monthly average of the member's highest 36 consecutive months' full-time equivalent monthly pay. PEPRA members have a cap on the annual salary that can be used to calculate final compensation for all new members based on the Social Security Contribution and Benefit Base. For employees that participate in Social Security this cap is $117,020 for 2016 and for those employees that do not participate in social security the cap for 2016 is $140,424, the equivalent of 120 percent of the 2016 Contribution and Benefit Base. Adjustments to the caps are permitted annually based on changes to the CPI for All Urban Consumers.
- The employees in this plan may or may not be covered by Social Security. For employees with service prior to January 1, 2001 covered by Social Security, the final compensation is offset by $133.33 (or by one-third if, the final compensation is less than $400). For PEPRA members, the final compensation is not offset.

Contributions

CalPERS required employer contributions to be 15.531% of payroll. The report also reported an employee contribution rate of 7.0% for classic and 6.0% for PEPRA. Contributions to the pension plan from the District was $1,091,000 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $12.5 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. The District's proportion was calculated as follows:

	Jun. 30, 2017	Jun. 30, 2016	Difference
Net Pension Liability Allocation Basis	0.0005247	0.0005080	0.0000167

For the year ended June 30, 2018, the District recognized pension expense of $2,459,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Amounts in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 449	$ -
Changes of assumptions	1,830	147
Net difference between projected and actual earnings on pension plan	433	-
Changes in proportion and differences between District contributions and	466	-
District contributions subsequent to the measurement date	1,091	-
Total	$ 4,269	$ 147

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

(Amounts in thousands)		
Year ended June 30:		
2019	$ 2,180	$ 147
2020	1,382	-
2021	944	-
2022	(237)	-
Total	$ 4,269	$ 147

Actuarial Methods, Assumptions, and Discount Rate Information

Actuarial Methods and Assumptions

For the measurement period ended June 30, 2017, (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016, actuarial accounting valuation. The actuarial cost method was Entry Age Normal.

The June 30, 2017, total pension liability was based on the following actuarial assumptions:

Discount Rate	7.15%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table [1]	Derived using CalPERS membership data for all funds
Post-Retirement Benefit Increase	2.00% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.75% thereafter

[1] The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experiencestudy-2014.pdf.

Other significant actuarial assumptions used in the June 30, 2016, valuation were based on the results of the actuarial experience study for the period from 1997 to 2011.

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	**Assumed Asset Allocation**	**Real Return Years 1 – 10 [1]**	**Real Return Years 11+ [2]**
Global Equity	47.0%	4.90%	5.38%
Global Debt Securities	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	(0.40%)	(0.90%)

[1] An expected inflation rate of 2.50% used for this period.
[2] An expected inflation rate of 3.00% used for this period.

Discount Rate

The discount rates used to measure the total pension liability for the PERF B was 7.15% and reflects the long-term expected rate of return for the plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by the Board in 2013 were used. For the PERF B projections of expected benefit payments and contributions at the statutorily required member and employer rates were performed to determine if the assets would run out. The tests revealed the assets would not run out. Therefore the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the PERF B. The crossover test results can be found on CalPERS' website at https://www.calpers.ca.gov/page/employers/actuarial-services/gasb

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (-100 basis points) or one percentage point higher (+100 basis points) than the current rate:

(Amounts in thousands)	**1% Decrease (6.15%)**	**Current Discount Rate (7.15%)**	**1% Increase (8.15%)**
District's proportionate share of the net pension liability	$ 18,430	$ 12,524	$ 7,628

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS Comprehensive Annual Financial Report.

NOTE 12 – POSTEMPLOYMENT HEALTHCARE PLAN

12 - A. <u>Cal STRS OPEB</u>

Plan Description
CalSTRS administers a postemployment benefit plan Medicare Premium Payment ("MPP") Program. The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan ("OPEB") established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund ("THBF").

Benefits Provided
The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRP DB Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

Contributions
The MPP Program is funded on a pay-as-you go basis from a portion of monthly employer contributions. In accordance with California Education Code §25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program. Total employer contributions to the MPP Program for fiscal year 2016-17 were $29.1 million.

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

At June 30, 2018, the District reported a liability of $144,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's proportionate share of total CalSTRS-Calculated Employer Contribution, statutorily determined. The District's proportion was as follows:

	Jun. 30, 2017	Jun. 30, 2016	Difference
Net OPEB Liability Allocation Basis	0.0003447	0.0003506	-0.0000059

For the year ended June 30, 2018, the District recognized pension expense of $17,000. At June 30, 2018, the District reported deferred outflows of resources of $12,000 for the District contributions subsequent to the measurement date, which will be recognized in pension expense in the next fiscal year.

Actuarial Methods, Assumptions, and Discount Rate Information

Actuarial Methods and Assumptions
The total OPEB liability for the MPP Program as of June 30, 2016 was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017 using the assumptions listed in the following table:

Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 – June 30, 2015	July 1, 2010 – June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Costs Trend Rate[1]	3.70%	3.70%
Medicare Part B Premium Costs Trend Rate[1]	4.10%	4.10%

[1] The assumed increases in the Medicare Part A and Part B Cost Trend Rates vary by year, however; the increases are approximately equivalent to a 3.7 percent and 4.1 percent increase each year for Medicare Part A and Part B, respectively.

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the fi nancial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fi t the patterns of mortality among our 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.

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefi t payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the net OPEB liability of employers as of June 30, 2017, using the current discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

(Amounts in thousands)	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
District's proportionate share of the net OPEB liability	$ 161	$ 144	$ 130

(Amounts in thousands)	1% Decrease (2.7%)	Medicare Costs Trend Rate (3.7%)	1% Increase (4.7%)
District's proportionate share of the net OPEB liability	$ 131	$ 144	$ 159

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS Comprehensive Annual Financial Report, but no assets are accumulated in a trust for OPEB that meets the criteria in paragraph 4, of Statement 75.

12 - B. District OPEB

Plan Description
The District maintains the same healthcare plans for its retirees as for its active employees; however, the amount of District-paid premium varies by employment classification, age and date of hire. Life insurance coverage is not provided to retirees.

Benefits Provided

- Certificated – employees are eligible to retire with District-paid benefits after attaining age 55 and completing at least 10 years of service with the District. Eligible retirees who were hired on or after July 1, 1991 receive full District-paid benefits up to the cap in effect for active employees during the last school year of employment. District-paid benefits end at age 65.
- Classified – employees are eligible to retire with District-paid benefits after attaining age 55, completing at least 10 years of service with the District, and having worked at least 4 hours per day. Unit members hired prior to June 1, 1995 and working at least 7 hours per day, or hired prior to February 1, 1987 and working at least 5 hours per day are not pro-rated; all other part-time unit members receive a pro-rated District contribution. The District's monthly contribution is limited to the cap of $1,154.17. District-paid benefits end at age 65.

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

Employees Covered by Benefit Terms
At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	32
Active employees	346
Total	378

Total OPEB Liability
The District's total OPEB liability of $7.1 million was measured as of June 30, 2018.

Measurement Assumptions and Other Inputs
The total OPEB liability in the June 30, 2018 valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Trend Rate:	5.0% - 8.0%, Medical & 4.0% Dental/Vision
Discount Rate:	4.0%
Turnover:	Crocker-Sarason Table T-5 less mortality,increased by 60% at all ages

Changes in the Total OPEB Liability

($ amounts in thousands)

Restated Balance at July 01, 2017	$	6,925
Changes for the year:		
Service cost		341
Interest		269
Benefit payments		(415)
Net changes		195
Balances at June 30, 2018	$	7,120

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
The following presents the net OPEB liability of the District, as well as what the District's net 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:

(Amounts in thousands)	**1% Decrease (3.0%)**	**Current Discount Rate (4.0%)**	**1% Increase (5.0%)**
District's proportionate share of the net pension liability	$ 7,049	$ 7,120	$ 7,190

OPEB Expense

For the year ended June 30, 2018, the District recognized an OPEB expense of $195,000.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Litigation
The District has been named in various pending or threatened litigation, claims or assessments. The ultimate outcome/resolution of these matters is not known at this time. The District is monitoring the progress of these matters and has referred various matters to the District's attorney for consultation and representation.

NOTE 14 – PARTICIPATION IN A JOINT POWERS AUTHORITY

The District is a member of three joint powers authorities (JPAs). The first is the SISC I to provide workers' compensation, the second is SISC II to provide property and liability coverage, the third is SISC III to provide health and welfare coverage. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2018, the District made payments of $445,908, $219,964, and $4,852,065, to SICSs I, II, and III, respectively.

NOTE 15 – RESTATEMENT

Due to the implementation of GASB Statement Nos. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and other restatements, the prior period adjustments of net position consist of the following:

	Governmental Activities	Bond Interest & Redemption Fund
Net Position/Fund Balance, June 30, 2017	$ 34,122,951	$ 3,390,405
Increase in:		
Capital assets and accumulated depreciation	(1,752,720)	-
Long-term liabilities	(11,993,489)	-
OPEB related to GASB 75	(4,640,529)	-
Deferred outflows of resources	3,441,579	-
Deferred inflows of resources	(3,359,000)	-
Interest payable	(516,000)	-
Decrease in		
Accrued payables	1,746,617	1,746,617
Restated Beginning Net Position/Fund Balance	$ 17,049,409	$ 5,137,022

REQUIRED SUPPLEMENTARY INFORMATION

MOJAVE UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts			Variances - Positive / (Negative) Final to Actual
	Original	Final	Actual	
REVENUES				
Local Control Funding Formula ("LCFF") Sources				
State aid	$ 13,867,811	$ 14,693,523	$ 12,188,881	$ (2,504,642)
Local sources	12,749,748	12,749,748	15,476,246	2,726,498
Transfers	118,129	118,129	(70,976)	(189,105)
Federal sources	2,336,858	2,281,276	2,209,974	(71,302)
Other State sources	607,660	991,245	2,674,644	1,683,399
Other local sources	2,868,068	3,208,718	2,683,873	(524,845)
Total Revenues	32,548,274	34,042,639	35,162,642	1,120,003
EXPENDITURES				
Certificated salaries	13,133,952	13,815,912	13,081,747	734,165
Classified salaries	6,848,906	6,905,189	6,740,303	164,886
Employee benefits	7,496,274	8,090,735	8,833,042	(742,307)
Books and supplies	1,426,757	1,091,945	1,183,018	(91,073)
Services and other operating expenditures	2,311,777	2,516,843	3,482,993	(966,150)
Capital outlay	366,136	445,275	92,449	352,826
Other outgo				
Excluding transfers of indirect costs	911,975	1,141,975	1,146,115	(4,140)
Total Expenditures	32,495,777	34,007,874	34,559,667	(551,793)
Excess (Deficiency) of Revenues				
Over Expenditures	52,497	34,765	602,975	568,210
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(366,308)	(366,308)
NET CHANGE IN FUND BALANCE	52,497	34,765	236,667	201,902
Fund Balance - Beginning	3,147,856	3,147,856	3,147,856	
Fund Balance - Ending	$ 3,200,353	$ 3,182,621	$ 3,384,523	$ 201,902

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

($ amounts in thousands)

Cal STRS	**2018**	**2017**	**2016**	**2015**
District's proportion of the net pension liability (asset)	0.02%	0.02%	0.02%	0.02%
District's proportionate share of the net pension liability (asset)	$ 20,028	$ 18,070	$ 14,282	$ 10,564
State's proportionate share of the net pension liability (asset) associated with the District	7,444	6,555	4,941	3,977
Total	$ 27,472	$ 24,625	$ 19,223	$ 14,541
District's covered payroll	11,719	11,135	9,846	9,371
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	171%	162%	145%	113%
Plan fiduciary net position as a percentage of the total pension liability	65%	70%	74%	77%

Cal PERS	**2018**	**2017**	**2016**	**2015**
District's proportion of the net pension liability (asset)	0.05%	0.05%	0.05%	0.05%
District's proportionate share of the net pension liability (asset)	$ 12,524	$ 10,003	$ 7,178	$ 5,235
District's covered payroll	6,694	6,091	5,397	5,018
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	187%	164%	133%	104%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

The amounts presented for each fiscal year were determined as of June 30 of the prior fiscal year

SCHEDULE OF CONTRIBUTIONS

($ amounts in thousands)

Cal STRS	2018	2017	2016	2015
Contractually required contribution	$ 1,779	$ 1,474	$ 1,195	$ 874
Contributions in relation to the contractually required cont.	(1,779)	(1,474)	(1,195)	(874)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 12,415	$ 11,719	$ 11,135	$ 9,846
Contributions as a percentage of covered payroll	14%	13%	11%	9%

Cal PERS	2018	2017	2016	2015
Contractually required contribution	$ 1,091	$ 930	$ 722	$ 635
Contributions in relation to the contractually required cont.	(1,091)	(930)	(722)	(635)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 7,026	$ 6,694	$ 6,091	$ 5,397
Contributions as a percentage of covered payroll	16%	14%	12%	12%

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

($ amounts in thousands)		2018
Changes for the year:		
Service cost	$	341
Interest		269
Benefit payments		(415)
Net Changes in Total OPEB Liability		195
Total OPEB Liability - Beginning (Restated)		6,925
Total OPEB Liability - Ending	$	7,120
Covered Payroll	$	20,471
Total OPEB liability as a percentage of covered payroll		35%

District Has No Assets Accumulated in a Trust to Pay Related Benefits

SUPPLEMENTARY INFORMATION

MOJAVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Exp.
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education (CDE):			
Every Student Succeeds Act ("ESSA")			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 1,042,103
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	98,826
Title III, English Learner Student Program	84.365	14346	21,491
Special Ed: IDEA			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	412,596
Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5) (17-18)	84.027	13682	16,959
Special Ed: IDEA Subtotal			429,555
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	37,645
Total U. S. Department of Education			1,629,620
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through CDE:			
Child Nutrition: School Programs (e.g., School Lunch) **[1]**	10.555	*	1,168,389
Forest Reserve	10.665	10044	1,416
Total U. S. Department of Agriculture			1,169,805
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through CDE:			
Medi-Cal Administrative Activities ("MAA")	93.778	10060	204,394
Total Federal Expenditures			$ 3,003,819

[1] - Major Program
No amount provided to subrecipients
***** - Various PCA #s

See accompanying note to supplementary information

MOJAVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Attendance Report	Annual Attendance Report
Regular ADA		
TK / K -3	943	937
Grades 4 - 6	655	647
Grades 7-8	367	365
Grades 9-12	657	646
Total Regular ADA	2,622	2,595
Extended Year Special Education		
TK / K -3	-	1
Grades 4 - 6	-	1
Grades 7-8	-	1
Grades 9-12	-	1
Total Extended Year Special Education	-	4
Total ADA	2,622	2,599

See accompanying note to supplementary information

Grade Level	Education Code § 46207(a) Minutes' Requirements [1]	Current Year Minutes [2]	Current Year Days [3]	Status
Kindergarten	36,000	55,740	180	Complied
Grade 1	50,400	54,510	180	Complied
Grade 2	50,400	54,510	180	Complied
Grade 3	50,400	54,510	180	Complied
Grade 4	54,000	55,680	180	Complied
Grade 5	54,000	55,680	180	Complied
Grade 6	54,000	64,910	180	Complied
Grade 7	54,000	64,910	180	Complied
Grade 8	54,000	64,910	180	Complied
Grade 9	64,800	64,910	180	Complied
Grade 10	64,800	64,910	180	Complied
Grade 11	64,800	64,910	180	Complied
Grade 12	64,800	64,910	180	Complied

[1] District did meet its LCFF funding target

[2] District participated in Longer Instructional Day

[3] District participated in Longer Instructional Year

MOJAVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

		2019 (Budget)	2018	2017	2016
GENERAL FUND:					
Revenues		$ 35,861,279	$ 35,162,642	$ 33,666,317	$ 32,058,209
Transfers in		-	-	212,182	-
	Total	35,861,279	35,162,642	33,878,499	32,058,209
Expenditures		35,839,241	34,559,667	35,127,244	31,316,379
Other uses and transfers out		-	366,308	-	682,250
	Total	35,839,241	34,925,975	35,127,244	31,998,629
INCREASE/(DECREASE) IN FUND BALANCE		$ 22,038	$ 236,667	$ (1,248,745)	$ 59,580
ENDING FUND BALANCE		$ 3,406,561	3,384,523	3,147,856	2,518,112
AVAILABLE RESERVES [1]		$ 1,410,863	$ 2,321,248	$ 1,163,366	$ 1,293,137
AVAILABLE RESERVES AS A PERCENTAGE OF OUTGO		4%	7%	3%	4%
LONG-TERM DEBT		N/A	$ 86,479,198	$ 78,893,076	$ 65,576,709
AVERAGE DAILY ATTENDANCE AT P-2		2,686	2,622	2,511	2,475

The General Fund balance has increased by $866,411 over the past two years. The fiscal year 2018-19 budget projects a further increase of $22,038 (less than one percent). For a district this size, the State recommends available reserves of at least three percent of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long term obligations have increased by $20,902,489 over the past two years.

Average daily attendance has increased by 147 ADA over the past two years. An increase of sixty-four ADA is anticipated during fiscal year 2018-19.

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[1] Available reserves consist of all unassigned fund balance within the General Fund

MOJAVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

FUND BALANCE	**General Fund**	**Special Reserve Fund for OPEB Benefits**	**Building Fund**	**Capital Facilities Fund**	**Special Reserve Fund for Capital Outlay Projects**
Balance, June 30, 2018, Unaudited Actuals:	$ 3,143,884	$ 458,984	$ -	$ 7,336	$ -
Increase in:					
Cash in county	6,262,056	-	-	-	-
Cash with fiscal agent	-	-	-	5,094	-
Collections awaiting deposit	47,372	-	-	-	-
Accounts receivable	130,167	-	-	-	-
Accrued payables	(5,864,723)	-	-	-	-
Decrease in:					
Cash in county	-	(8,946)	-	-	-
Cash with fiscal agent	-	-	(86,398)	-	(107,904)
Accrued receivables	(518,023)	(38)	-	-	-
Due from other funds	(266,210)	(450,000)	-	-	-
Due to other funds	450,000	-	92,988	62,453	110,767
Audited financial statement	$ 3,384,523	$ -	$ 6,590	$ 74,883	$ 2,863

See accompanying note to supplementary information

The District does not sponsor any charter schools

See accompanying note to supplementary information

MOJAVE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project for Blended Component Unit Fund	Non-Major Gov. Funds
ASSETS								
Deposits and investments	$ 525,916	$ 131,575	$ 6,562	$ 74,578	$ 32	$ 2,863	$ 18	$ 741,544
Accrued receivables	2,051	166,321	28	305	-	-	-	168,705
Stores inventory	-	46,729	-	-	-	-	-	46,729
Prepaid expenditures	-	34,491	-	-	-	-	-	34,491
TOTAL ASSETS	$ 527,967	$ 379,116	$ 6,590	$ 74,883	$ 32	$ 2,863	$ 18	$ 991,469
LIABILITIES								
Accrued payables	$ 2,656	$ 4,854	$ -	$ -	$ -	$ -	$ -	$ 7,510
Due to other funds	79,358	245,000	-	-	32	-	18	324,408
Total Liabilities	82,014	249,854	-	-	32	-	18	331,918
FUND BALANCE								
Nonspendable	-	81,220	-	-	-	-	-	81,220
Restricted	445,953	-	-	74,883	-	-	-	520,836
Assigned	-	48,042	6,590	-	-	2,863	-	57,495
Total Fund Balance	445,953	129,262	6,590	74,883	-	2,863	-	659,551
TOTAL LIABILITIES AND FUND BALANCE	$ 527,967	$ 379,116	$ 6,590	$ 74,883	$ 32	$ 2,863	$ 18	$ 991,469

See accompanying note to supplementary information

MOJAVE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES						
Federal sources	$ -	$ 1,169,288	$ -	$ -	$ -	$ 1,169,288
Other State sources	300,816	90,933	-	-	-	391,749
Other local sources	16,045	93,673	97	12,971	-	122,786
Total Revenues	316,861	1,353,894	97	12,971	-	1,683,823
EXPENDITURES						
Current						
Instruction	98,756	-	-	-	-	98,756
Instruction-related services						
School site administration	57,606	-	-	-	-	57,606
Pupil services						
Food services	-	1,415,063	-	-	-	1,415,063
General administration						
All other general administration	-	-	-	162	-	162
Plant services	-	91,894	-	-	-	91,894
Facilities acquisition and construction	-	-	-	7,804	-	7,804
Total Expenditures	156,362	1,506,957	-	7,966	-	1,671,285
Excess (Deficiency) of Revenues Over Expenditures	160,499	(153,063)	97	5,005	-	12,538
OTHER FINANCING SOURCES (USES)						
Transfers In	-	100,000	92,988	62,649	110,767	366,404
Transfers Out	-	-	(96)	-	-	(96)
Net Financing Sources (Uses)	-	100,000	92,892	62,649	110,767	366,308
NET CHANGE IN FUND BALANCE	160,499	(53,063)	92,989	67,654	110,767	378,846
Fund Balance - Beginning	285,454	182,325	(86,399)	7,229	(107,904)	280,705
Fund Balance - Ending	$ 445,953	$ 129,262	$ 6,590	$ 74,883	$ 2,863	$ 659,551

See accompanying note to supplementary information

NOTE 1 – PURPOSE OF SCHEDULES

1 - A. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*), as applicable.

There are no balances of loan or loan guarantee programs ("loans") outstanding at the end of the audit period. The District has not elected to use the 10% de minimis cost rate.

1 - B. Schedule of Average Daily Attendance ("ADA")

Displaying ADA data for both the Second Period and Annual reports, by grade span and program as appropriate; and separately for each charter school, shows the total ADA and the ADA generated through classroom-based instruction by grade span, as appropriate; and if there are any ADA adjustments due to audit findings, displays additional columns for the Second Period and Annual reports reflecting the final ADA after audit finding adjustments, shown by grade span.

1 - C. Schedule of Instructional Time

Displaying, for school districts, including basic aid districts, data that show whether the district complied with article 8 (commencing with § 46200) of chapter 2 of part 26 of the Education Code; showing by grade level:

1 - C.I For districts that met or exceeded their LCFF target or districts that participated in longer day funding, the number(s) of instructional minutes specified in Education Code section 46207(a) or 46201(b) as applicable, and the district's required instructional minutes set forth in Audit Guide Part F, Instructional Time, as applicable;
1 - C.II For districts that did not meet or exceed their LCFF target and did not participate in longer day funding, the number(s) of instructional minutes the district offered in the 1982-83 year, and the district's required instructional minutes as calculated in Audit Guide Part F, Instructional Time, as applicable;
1 - C.III For all districts, the instructional minutes offered during the year audited showing the school with the lowest number of minutes offered at each grade level;
1 - C.IV For all districts, the number of instructional days offered during the year audited on the traditional calendar and on any multitrack year-round calendars; and whether the district complied with the instructional minutes and day's provisions. State in a note to the schedule whether the district participated in longer day incentives and whether the district met or exceeded its LCFF target funding.
1 - C.V For charter schools, data that show whether the charter school complied with Education Code sections 47612 and 47612.5; showing by grade level the number(s) of instructional minutes specified in Education Code section 47612.5; the instructional minutes offered during the year audited showing the school location with the lowest number of minutes offered at each grade level; the number of instructional days offered during the year audited on the traditional calendar and on any multitrack calendars; and whether the charter school complied with the instructional minutes and days provisions.

1 - D. Schedule of Financial Trends and Analysis

Displaying information regarding the auditee's financial position and going concern status, in the form of actual financial and attendance figures for at least the most recent three-year period (ending with the audit year), plus the current year's budget, for the following items: general fund financial activity, including total revenue, expenditures, and other sources and uses; general fund balance; available reserve balances (funds designated for economic uncertainty, and any other remaining undesignated fund balance) within the general fund or special reserve fund; available reserve balances expressed as a percentage of total general fund outgo (expenditures, transfers out, and other uses), including a comparison to the applicable state-recommended available reserve percentage; total long-term debt; and elementary and secondary second principal ADA; and, when the auditee's percentage of available reserves to total general fund outgo is below the state-recommended percentage, management's plans for increasing the auditee's available reserve percentage.

1 - E. Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

Displaying the differences between the ending fund balance(s) from the audited financial statements and the unaudited ending fund balance(s) from the annual financial and budget report for each fund in which a variance occurred.

1 - F. Schedule of Charter Schools

Listing all charter schools chartered by the school district or county office of education, and indicating for each charter school whether or not the charter school is included in the school district or county office of education audit.

1 - G. Combining Statements – Non-Major Governmental Funds

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

1 - H. Local Education Agency Organization Structure

LEA Organization Structure, setting forth the following information, at a minimum:

1 - H.I The date on which the LEA was established, and for charter schools the date and granting authority of each charter;
1 - H.II The date and a general description of any change during the year audited in a school district's boundaries;
1 - H.III The numbers by type of schools in the LEA;
1 - H.IV The names, titles, terms, and term expiration dates of all members of the governing board;
1 - H.V The names, with their titles, of the superintendent, chief business official, and deputy / associate / assistant superintendents.

This schedule is located in the front of the report.

OTHER INDEPENDENT AUDITOR'S REPORT

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DENNIS COOPER AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Trustees
Mojave Unified School District
Mojave

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mojave Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Mojave Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of findings and Recommendations that we consider to be significant deficiencies as item 2018-001.

COMPLIANCE AND OTHER MATTERS

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

Mojave Unified School District's Response to Findings

Mojave Unified School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Mojave Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Dennis Cooper & Associates C.P.A.s

December 14, 2018

12223 Highland Avenue, Suite #106-625 • Rancho Cucamonga, CA 91739 • 909.689.8219

DENNIS COOPER
AND
ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Mojave Unified School District
Mojave, California

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mojave Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") 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 Mojave Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

12223 Highland Avenue, Suite #106-625 • Rancho Cucamonga, CA 91739 • 909.689.8219

DENNIS COOPER

AND

ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

Purpose of Report

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.

Dennis Cooper & Associates C.P.A.s

December 14, 2018

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DENNIS COOPER AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Mojave Unified School District
Mojave, California

REPORT ON STATE COMPLIANCE

We have audited Mojave Unified School District's compliance with the requirements as identified in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in the *California Cod of Regulations*, Title 5, §19810, et seq. ("2017-18 State Audit Guide"), applicable to Mojave Unified School District's state programs as listed on the next page for the year ended June 30, 2018.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of Mojave Unified School District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on Mojave Unified School District's compliance based on my audit.

We conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the current State Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs listed on the next page. An audit includes examining, on a test basis, evidence about Mojave Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that my audit provides a reasonable basis for my opinion. Our audit does not provide a legal determination of Mojave Unified School District's compliance with those requirements.

Opinion

In our opinion, Mojave Unified School District complied, in all material respects, with the compliance requirements referred to previously that are applicable to programs listed on the next page for the year ended June 30, 2018.

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DENNIS COOPER

AND

ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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

PROGRAM NAME		PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools		
A.	Attendance	Yes
B.	Teacher Certification And Misassignments	Yes
C.	Kindergarten Continuance	Yes
D.	Independent Study	Not Applicable [1]
E.	Continuation Education	Not Applicable
F.	Instructional Time	Yes
G.	Instructional Materials	Yes
H.	Ratio Of Administrative Employees To Teachers	Yes
I.	Classroom Teacher Salaries	Yes
J.	Early Retirement Incentive	Not Applicable
K.	Gann Limit Calculation	Yes
L.	School Accountability Report Card	Yes
M.	Juvenile Court Schools	Not Applicable
N.	Middle Or Early College High Schools	Not Applicable
O.	K-3 Grade Span Adjustment	Yes
P.	Transportation Maintenance Of Effort	Yes
Q.	Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices Of Education, And Charter Schools		
R.	Educator Effectiveness	Yes
S.	California Clean Energy Jobs Act	Yes
T.	After/Before School Education And Safety Program	Not Applicable
U.	Proper Expenditure Of Education Protection Account Funds	Yes
W.	Unduplicated Local Control Funding Formula Pupil Counts	Yes
X.	Local Control And Accountability Plan	Yes
Y.	Independent Study Course Based	Not Applicable
Charter Schools		Not Applicable [2]

[1] Independent study reported was below the materiality threshold
[2] There are no charter schools to test

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the audit requirements of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Dennis Cooper & Associates C.P.A.s

December 14, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	Yes

FEDERAL AWARDS

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

CFDA Number(s)	Name of Federal Program of Cluster
10.555	Child Nutrition: School Programs (e.g., School Lunch)

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2018-001 30000
Associated Student Body ("ASB"), Significant Deficiency

CRITERIA
Per *The Associated Student Body Accounting Manual & Desk Reference,* published by the Fiscal Crisis and Management Assistance Team ("FCMAT"), 2009, page 64.

Timely and accurate bank account reconciliations and review are prudent and necessary. Each ASB organization will have at least one bank account with monthly statements. Bank account statements may be sent directly to the school site, or to the district office, which then forwards them to the school site. Normally the ASB bookkeeper is responsible for reconciling all ASB bank statements to checkbooks and general ledger accounts.

CONDITION
The cash balance in the financial statements presented for audit did not agree to the bank reconciliation for the month ended, June 30, 2018.

CAUSE
Unknown.

EFFECT or POTENTIAL EFFECT
Cash balances can be difficult to substantiate if the bank reconciliation does not agree to the statement of net position.

RECOMMENDATION
ASB personnel should be provided a copy of the *The Associated Student Body Accounting Manual & Desk Reference* and the bank reconciliation section should be reviewed to ensure the processes is followed properly and the cash balance in appropriately reported.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
The District will review ASB best practices with school site staff – including the provision of a copy of *The Associated Student Body Accounting Manual & Desk Reference.* Attention will be paid to the bank reconciliation section review.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

No Federal Findings Noted

STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

No State Compliance Findings Noted

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

2017-001 50000

CRITERIA

required to determine whether the District selected and verified the required sample of approved free and reduced price applications and made the appropriate changes to eligibility status, by examining all of the applications that the District selected for testing purposes.

CONDITION

During review of the applications we noted that the District incorrectly reported one application. One applications was recorded as reduced when it should have been paid.

QUESTIONED COSTS

$734. This amount was determined by multiplying the difference of the cost of the reduced lunch from the paid lunch price by the number of days in the school year. The difference between reduced and paid lunch per student is $734 for the year.

PERSPECTIVE

	Number	Amount
Population	914	$113,904
Sample Size	36	$2,772
Findings	1	$734

EFFECT

The potential loss of federal funding for applications that were not accurately reported.

RECOMMENDATION

We recommend that the National School Lunch/Breakfast Program applications be filed in a timely and efficient manner in order to assure that the District has a complete and organized record of required documents and that the district implement a review process to decrease the level of human error when performing application verification.

STATUS

Implemented

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APPENDIX C

GENERAL INFORMATION ABOUT KERN COUNTY

The following information concerning the Kern County (the "County") is included only for the purpose of supplying general information regarding the area of the Mojave Unified School District (the "District"). The Bonds are not a debt of the County, the State of California (the "State") or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.

The District lies in the County, which is located approximately 100 miles north of Los Angeles County in south-central California. The County is the third largest county in California, covering 8,073 square miles. Surrounded by three major mountain ranges, the County has three climatic zones: valley, mountain and high desert. Bordered on the west by San Luis Obispo and Santa Barbara Counties, to the east by San Bernardino County and on the north by Kings, Tulare and Inyo Counties, the County measures 120 miles east to west and 67 miles north to south. Bakersfield is the largest city in the County and serves as the county seat.

General demographic information is set forth below for the County.

Population

The following table lists population figures for the County and the State for calendar years 2010 (Decennial Census), and 2014 through 2018.

KERN COUNTY
Population Estimates
Calendar Years 2010, 2014 through 2018

Area	2010[1]	2014	2015	2016	2017	2018
State of California	37,253,956	38,567,459	38,907,642	39,255,883	39,500,973	39,809,693
Total County[2]	839,631	871,922	880,387	886,507	896,101	905,801
Arvin	19,304	20,408	20,511	20,978	21,312	21,696
Bakersfield	347,483	369,485	374,642	379,110	382,570	386,839
California City	14,120	13,466	14,233	13,992	14,619	14,875
Delano	53,041	52,692	52,757	52,999	52,953	53,276
Maricopa	1,154	1,142	1,139	1,140	1,131	1,156
McFarland	12,707	13,805	14,231	14,658	14,826	15,105
Ridgecrest	27,616	27,969	27,953	28,064	28,427	28,822
Shafter	16,988	17,199	17,847	18,048	18,516	19,271
Taft	9,327	8,939	9,515	9,405	9,446	9,482
Tehachapi	14,414	13,023	12,758	12,217	12,325	12,299
Wasco	25,545	26,140	26,317	26,471	27,056	27,691
Balance of County	297,932	307,654	308,484	309,425	312,920	315,289

(1) Decennial Census.
(2) Figures may not add due to independent rounding.
Source: State of California, Department of Finance: (i) E-4 Population Estimates for Cities, Counties and the State, 2014-2016, with 2010 Census Benchmark; and (ii) E-1 Population Estimates for Cities, Counties, and the State, January 1, 2017 and 2018.

Industry and Employment

The table below provides information about employment rates and employment by industry type for the County for calendar years 2014 through 2018. Unemployment rates are not available for the District.

KERN COUNTY
(Bakersfield MSA)
Civilian Labor Force, Employment and Unemployment
Calendar Years 2014 through 2018
Annual Averages

	2014	2015	2016	2017	2018[5]
Civilian Labor Force [1]	392,700	390,900	388,400	385,000	387,000
Employment	351,300	350,900	348,000	349,600	356,100
Unemployment	41,400	39,900	40,400	35,400	30,900
Unemployment Rate [2]	10.5%	10.2%	10.4%	9.2%	8.0%
Wage and Salary Employment: [3]					
Farm	60,100	59,300	62,700	62,100	61,900
Mining and Logging	12,900	11,400	9,000	8,600	9,300
Construction	18,200	16,500	14,500	14900	16,100
Manufacturing	14,600	14,200	13,500	13,400	13,200
Wholesale Trade	8,700	8,300	8,100	8,200	8,300
Retail Trade	30,300	31,500	32,100	32,000	32,000
Transportation, Warehousing, Utilities	10,500	10,900	11,000	11,500	13,300
Information	2,400	2,700	2,200	2,000	2,000
Financial Activities	8,200	8,000	7,800	7,700	7,600
Professional and Business Services	27,100	26,800	26,500	26,100	26,900
Educational and Health Services	32,600	33,400	34,800	36,400	37,800
Leisure and Hospitality	23,700	25,000	25,500	25,900	26,600
Other Services	7,800	7,700	7,700	7,700	7,900
Federal Government	9,600	9,900	10,200	10,400	10,400
State Government	9,200	9,600	9,900	10,100	10,300
Local Government	40,800	42,100	43,700	44,700	45,200
Total all Industries[4]	316,600	317,200	319,100	321,800	328,800

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) The unemployment rate is calculated using unrounded data.
(3) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(4) Figures might not add to total, due to independent rounding.
(5) Latest data available.

Source: State of California Employment Development Department, Labor Market Information Division, March 2018 Benchmark

Largest Employers

The following tables list the largest manufacturing and non-manufacturing employers within the County:

KERN COUNTY
Largest Employers

Employer Name	Location	Industry
Bakersfield Memorial Hospital	Bakersfield	Hospitals
Chevron	Bakersfield	Management Services
Edwards AFB	Edwards	Government Offices – US
Ensign United States Drilling	Bakersfield	Energy Management Systems & Products
Foster Care Human Svc	Bakersfield	Foster Care
Frito-Lay Inc.	Bakersfield	Potato Chips (whls)
Giumarra Farms Inc.	Bakersfield	Farms
Golden Empire Transit	Bakersfield	Business Services NEC
Grimmway Farms	Arvin	Farms
Kern County Human Svc Dept	Bakersfield	Government Offices – County
Marko Zaninovich Inc.	McFarland	Fruits and Vegetables – Growers & Shippers
Mercy Hospitals of Bakersfield	Bakersfield	Hospitals
Nabors Completion-Production	Bakersfield	Oil Field Service
Nasa/Dryden Flight Research	Edwards	Research Service
NAVAL Air Warfare Ctr	Ridgecrest	Military Base
Paramount Farms Huller 4	Lost Hills	Farms
Ridgecrest Regional Hospital	Ridgecrest	Hospitals
Robertson's Ready Mix	California City	Concrete-Ready Mixed
San Joaquin Community Hospital	Bakersfield	Hospitals
US Department of the Navy	Ridgecrest	Business Services NEC
US Naval Air Weapons Station	Ridgecrest	Federal Government – National Security
US Navy Public Affairs Office	Ridgecrest	Government Offices – US
Wasco State Prison Fire Dept	Wasco	Government Offices – State
Wm Bolthouse Farms Inc.	Bakersfield	Agricultural Consultants
Wonderful Citrus LLC	Delano	Citrus Growers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

Commercial Activity

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table.

KERN COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(dollars in thousands)

	Retail and Food Services		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	10,915	$7,856,031	15,812	$14,666,473
2013	11,242	8,134,147	16,077	15,199,124
2014	11,519	8,589,322	16,336	15,722,694
2015	12,096	8,549,819	18,455	14,322,101
2016(1)	12,097	8,566,623	18,556	13,885,643

(1) Latest data available.

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

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Dated: [Closing Date]

Governing Board
Mojave Unified School District

Re: $4,050,000
2019 General Obligation Refunding Bonds of
School Facilities Improvement District No. 2
of the Mojave Unified School District
Final Opinion of Bond Counsel

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Mojave Unified School District (the "District") of $4,050,000 principal amount of the 2019 General Obligation Refunding Bonds of School Facilities Improvement District No. 2 of the Mojave Unified School District (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the District, although the tax for the payment of the Bonds is limited to annual taxes to be levied upon and collected from property within School Facilities Improvement District No. 2 of the Mojave Unified School District (the "SFID").

2. All taxable property in the territory of the SFID is subject to *ad valorem* taxation without limitation regarding rate or amount (except certain personal property that is taxable at limited rates) to pay the Bonds. The County of Kern is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal tax purposes retroactively to the date of issuance of the Bonds.

4. Interest on the Bonds is exempt from State of California personal income taxation.

5. The Bonds are eligible and the District has designated them as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

6. The rights of the owners of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD,
a Professional Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$4,050,000
2019 GENERAL OBLIGATION REFUNDING BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2
OF THE MOJAVE UNIFIED SCHOOL DISTRICT

Dated: [Closing Date]

This Continuing Disclosure Certificate (the "Disclosure Certificate") is delivered by the Mojave Unified School District (the "District") in connection with the issuance of the above-referenced bonds (the "Bonds") pursuant to the Paying Agent Agreement dated May 1, 2019 (the "Paying Agent Agreement"), between the District and U.S. Bank National Association, as paying agent (the "Paying Agent"). The District covenants and agrees as follows:

Section 1. **Purpose of the Disclosure Certificate**. This Disclosure Certificate is being delivered by the District for the benefit of the beneficial owners of the Bonds and to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. **Definitions**. Unless the context otherwise requires, the definitions set forth in the Paying Agent Agreement apply to this Disclosure Certificate. The following additional capitalized terms shall have the following meanings:

Annual Report means any report provided by the District pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) of this Disclosure Certificate.

Beneficial Owner means any person that (a) 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), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Bondholders means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

Dissemination Agent means Fieldman Rolapp & Associates, Inc. doing business as Applied Best Practices, or any successor Dissemination Agent designated in writing by the District and that has filed with the District a written acceptance of such designation.

EMMA or Electronic Municipal Market Access means the centralized on-line repository for documents filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

Financial Obligation means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB.

Improvement District means School Facilities Improvement District No. 2 of the Mojave Unified School District.

Listed Events means any of the events listed in Section 5(a) (Reporting of Significant Events – Significant Events) of this Disclosure Certificate.

MSRB means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information, which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

Official Statement means the final Official Statement dated April 30, 2019 relating to the Bonds.

Opinion of Bond Counsel means a written opinion of a law firm or attorney experienced in matters relating to obligations the interest on which is excludable from gross income for federal income tax purposes.

Participating Underwriter means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Repositories means MSRB or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future. (As of the date of this Certificate, there is no California state information repository.)

Rule means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

State means the State of California.

Section 3. Provision of Annual Reports.

a. Delivery of Annual Report to Repositories. The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District's fiscal year (i.e., April 1, based on the current June 30 year-end), commencing with the report for the 2018-19 fiscal year, provide to the Repositories an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) of this Disclosure Certificate. The Annual Report may be submitted as a single document or as a package of separate documents and may include by cross-reference other information as provided in Section 4 (Content of Annual Reports) of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

b. Change of Fiscal Year. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events).

c. Delivery of Annual Report to Dissemination Agent. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) of this Section for providing the Annual Report to the Repositories, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

d. Report of Non-Compliance. If the District is unable to provide an Annual Report to the Repositories by the date required in subsection (a) of this Section, the Dissemination Agent shall send a notice in a timely manner to the Repositories in substantially the form attached as Exhibit A.

e. Annual Compliance Certification. The Dissemination Agent shall if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

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

a. Financial Statements. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) (Provision of Annual Reports -- Delivery of Annual Report to Repositories), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

b. Most Recent Interim Financial Report. The most recent Interim Financial Report submitted by the Superintendent to the District's governing board in accordance with Education Code section 42130 (or its successor statutory provision) together with any supporting materials submitted to the governing board;

c. Annual Budget. The District's approved annual budget for the then-current fiscal year;

d. Average Daily Attendance. The most recently available Average Daily Attendance for the District.

e. Assessed Value. Assessed value of taxable property (secured, unsecured, and total) in the Improvement District as shown on the most recent equalized assessment roll;

f. Largest Taxpayers: The twenty taxpayers with the greatest ownership of taxable property in the Improvement District as determined by secured assessed valuation, the total assessed valuation of each such owner's property, the primary land use of the property, and the percentage of the total secured valuation ownership of taxable property in the Improvement District represented thereby.

g. Tax Delinquencies. Property tax levies, collections, and delinquencies for the Improvement District for the immediately preceding fiscal year as of June 30, unless the County has extended the applicability of the Teeter Plan to the allocation of taxes for the Improvement District.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities that have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

a. Significant Events. Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

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

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

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

(6) the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB);

(7) unless described in subsection (a)(6) above, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax-exempt status of the Bonds;

(8) modifications to rights of Bondholders, if material;

(9) Bond calls, if material;

(10) tender offers;

(11) defeasances;

(12) release, substitution, or sale of property securing repayment of the Bonds, if material;

(13) rating changes;

(14) bankruptcy, insolvency, receivership or similar event of the District;

(15) the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the District, or entry into or termination of a definitive agreement relating to the foregoing, if material;

(16) appointment of a successor or additional paying agent or the change of name of the paying agent, if material;

(17) incurrence of a Financial Obligation of the District, if material, 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 Bondholders, if material;

(18) 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.

b. Determination of Materiality. Whenever the District obtains knowledge of one of the foregoing events notice of which must be given only if material, the District shall immediately determine if such event would be material under applicable federal securities laws.

c. Notice to Dissemination Agent. If the District has determined an occurrence of a Listed Event under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) (Notice of Listed Events).

d. Notice of Listed Events. The District shall file, or cause the Dissemination Agent to file with the Repositories, a notice of the occurrence of a Listed Event to provide notice of specified events in a timely manner not in excess of ten (10) business days after the event's occurrence. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(9) (bond calls) need not be given under this subsection any earlier than the notice (if any) given to Bondholders of affected Bonds pursuant to the Paying Agent Agreement.

Section 6. Filings with MSRB. All documents provided to MSRB under this Disclosure Certificate shall be filed in a readable PDF or other electronic format as prescribed by MSRB and shall be accompanied by identifying information as prescribed by MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the delivery to the District of an Opinion of Bond Counsel to the effect that continuing disclosure is no longer required.. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) (Notice of Listed Events).

Section 8. Dissemination Agent. a. Appointment of Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent will 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 Fieldman Rolapp & Associates, Inc. doing business as Applied Best Practices.

b. Compensation of Dissemination Agent. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District.

c. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent has only such duties as are specifically set forth in this Disclosure Certificate. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense, and liability that 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 Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders, or any other party. The Dissemination Agent may rely and will be protected in acting or refraining from acting upon any direction from the District or an Opinion of Bond Counsel. The obligations of the District under this Section survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person has any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a. Change in Circumstances. If the amendment or waiver relates to the provisions of Sections 3(a) (Delivery of Annual Report to Repositories), 4 (Content of Annual Reports), or 5(a) (Significant Events), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

b. Compliance as of Issue Date. The undertaking, as amended or taking into account such waiver, would 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 the District obtains an Opinion of Bond Counsel to that effect; and

c. Consent of Holders; Non-impairment Opinion. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Paying Agent Agreement for amendments to the Paying Agent Agreement with the consent of Bondholders, or (ii) does not materially impair the interests of the Bondholders and the District obtains an Opinion of Bond Counsel to that effect.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e) (Notice of Listed Events), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate any Bondholder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Paying Agent Agreement, and the sole remedy under this Disclosure Certificate if the District fails to comply with this Disclosure Certificate is an action to compel performance.

Section 12. **Beneficiaries**. This Disclosure Certificate inures solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters, and the Bondholders and creates no rights in any other person or entity.

IN WITNESS WHEREOF, the District has caused this Continuing Disclosure Certificate to be executed by its authorized officer as of the day and year first above written.

MOJAVE UNIFIED SCHOOL DISTRICT

By: ____________________________________
Superintendent

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: Mojave Unified School District

Name of Bonds: $4,050,000
2019 GENERAL OBLIGATION REFUNDING BONDS OF
SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2
OF THE MOJAVE UNIFIED SCHOOL DISTRICT

Date of Delivery: [Closing Date]

NOTICE IS HEREBY GIVEN that the Mojave Unified School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by a Continuing Disclosure Certificate executed [Closing Date], with respect to the above-captioned bond issue. The District anticipates that the Annual Report will be filed by ___________.

Dated: _______________ MOJAVE UNIFIED SCHOOL DISTRICT

[SAMPLE ONLY]

____

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The information in this appendix has been provided by the Depository Trust Company ("DTC"), New York, New York, 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 to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants, or DTC Indirect Participants will act in the manner described in this Official Statement.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 3.6 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 the Bonds. 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 an S&P 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Debt service payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or 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 debt service on or redemption of the Bonds 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.

DTC may discontinue providing its services as depository with respect to the Bonds 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, Bond certificates are required to be printed and delivered.

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, bonds certificates will be printed and delivered to DTC.

The information in this appendix 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.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100