This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 26, 2019

NEW ISSUE - FULL BOOK-ENTRY | **RATING: S&P: "A+"**
BANK QUALIFIED | **See "RATING" herein.**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$8,900,000*
KERMAN UNIFIED SCHOOL DISTRICT
(Fresno County, California)
General Obligation Bonds
Election of 2008, Series 2019
(Bank Qualified)

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

Authority and Purpose. The above-captioned General Obligation Bonds Election of 2008, Series 2019 (the "Bonds"), are being issued by the Kerman Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on April 11, 2019. The Bonds were authorized at an election of the registered voters of the District held on June 3, 2008, (the "2008 Authorization") which authorized the issuance of $24,900,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the second series of bonds to be issued under the 2008 Authorization. See "THE BONDS – Authority for Issuance" and "- Purpose of Issue" herein.

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

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

Payments. The Bonds are dated the date of delivery set forth below and accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2019. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

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

Bond Insurance. The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds, and will decide prior to the sale of the Bonds whether to purchase such insurance.

MATURITY SCHEDULE
(See inside cover)

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

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about May 29, 2019.

PiperJaffray.

The date of this Official Statement is ________, 2019.

**Preliminary; subject to change.*

MATURITY SCHEDULE*

KERMAN UNIFIED SCHOOL DISTRICT
(Fresno County, California)
General Obligation Bonds
Election of 2008, Series 2019
(Bank Qualified)

Base CUSIP†: 492179

$_________ Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†

$________ ____% Term Bonds maturing August 1, 20__; Yield: ___%; Price: ____; CUSIP†: ___

*Preliminary; subject to change.
† *CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.*

KERMAN UNIFIED SCHOOL DISTRICT

BOARD OF TRUSTEES

Efrain Guizar, *President*
Jim Volkoff, *Vice President*
Maria Cantu, *Clerk*
Daniel Babshoff, *Trustee*
Kindra Melgoza, *Trustee*

DISTRICT ADMINISTRATION

Robert Frausto, *Superintendent*
Kraig Magnussen, *Chief Business Officer*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

KNN Public Finance, LLC
Oakland, California

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

U.S. Bank National Association
Los Angeles, California

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 which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

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

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

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market prices 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 on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

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

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

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

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

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$8,900,000*
KERMAN UNIFIED SCHOOL DISTRICT
(Fresno County, California)
General Obligation Bonds
Election of 2008, Series 2019
(Bank Qualified)

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

INTRODUCTION

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

The District. The Kerman Unified School District (the "**District**") was established as a unified school district on July 1, 1983. The District is located in the western portion of Fresno County (the "**County**") and serves the City of Kerman (the "**City**") and surrounding unincorporated areas in the County. The District encompasses approximately 173 square miles and operates four elementary schools, one middle school, one high school, and one alternative high school. Enrollment in the District for the 2018-19 school year is approximately 5,215 students.

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

Purpose of Issue. The net proceeds of the Bonds will be used to finance construction and improvements to facilities of the District, as approved by voters in the District at an election held on June 3, 2008 (the **"Bond Election"**). See "THE BONDS - Purpose of Issue" herein.

Authority for Issuance of the Bonds. Issuance of the Bonds was approved by more than the requisite 55% of the voters of the District voting at the Bond Election and will be issued pursuant to certain provisions of the Government Code of the State, and pursuant to a resolution adopted by the Board of Trustees of the District on April 11, 2019 (the "**Bond Resolution**"). See "THE BONDS - Authority for Issuance" herein.

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

**Preliminary; subject to change.*

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

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

Security and Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the County. The County is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). The Bonds are the second series of bonds to be issued pursuant to the 2008 Authorization (defined herein). See "SECURITY FOR THE BONDS."

Following the issuance of the Bonds, there will be $9,745,194.85 of authorization remaining under the 2008 Authorization.* See "DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations" in APPENDIX A.

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

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

Bond Insurance. The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance. See "BOND INSURANCE."

Tax Matters; Bank Qualified. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California (the **"State"**) personal income taxes. The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986. Such section provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Internal Revenue Code of 1986) to deduct its interest

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* *Preliminary; subject to change.*

expense allocable to tax-exempt interest. See “TAX MATTERS” and APPENDIX D hereto for the form of Bond Counsel’s opinion to be delivered concurrently with the Bonds.

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

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement, and information concerning the Bonds, are available from the District at 151 South First Street, Kerman, CA 93630, Telephone: (559) 843-9000. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

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

The District received authorization by more than the requisite 55% of District voters at the Bond Election to issue general obligation bonds in a principal amount of $24,900,000 (the "**2008 Authorization**"). The Bonds represent the second series of bonds to be issued pursuant to the 2008 Authorization. Following the issuance of the Bonds, there will be $9,745,194.85 in unused authorization remaining under the 2008 Authorization.*

Purpose of Issue

Proceeds of the Bonds will be used for the purposes specified in the ballot measure approved by the District's voters on June 3, 2008, the abbreviated text of which appeared on the ballot as follows:

> *"To acquire, construct, and improve classrooms and student support facilities, including a new elementary school to reduce overcrowding, vocational and technical education classrooms, and a multipurpose room at Liberty Intermediate School, shall Kerman Unified School District be authorized to issue up to $24,900,000 in bonds at legal interest rates, with a citizens' oversight committee, annual audits, and provided no funds are spent on administrator salaries?"*

In addition to the abbreviated statement of the ballot measure, as part of the sample ballot materials, in accordance with the requirements of California law, District voters were presented with a full text of ballot measure, which, among other items, included a project list identifying to District voters the types of projects eligible for funding from proceeds of bonds approved at the Bond Election (the **"Project List"**). The District makes no representation as to the specific application of the proceeds of the Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the 2008 Authorization will provide sufficient funds to complete any particular project listed in the Project List.

Description of the Bonds

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

The Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2019 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from

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* *Preliminary; subject to change.*

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

Book-Entry Only System

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

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

The Paying Agent, the District, and the 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*

Optional Redemption. The Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

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

* *Preliminary; subject to change.*

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ (the **"Term Bonds"**), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedules set forth below. The Term Bonds so called for mandatory sinking fund redemption will be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption

If any Term Bonds are redeemed pursuant to optional redemption, the total amount of all future sinking fund payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 principal amount (or on such other basis as the District may determine) as set forth in written notice given by the District to the Paying Agent.

Notice of Redemption

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

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

Partial Redemption of Bonds

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

Effect of Redemption

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

Right to Rescind Notice of Redemption

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

Registration, Transfer and Exchange of Bonds

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

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

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

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

Defeasance and Discharge of Bonds

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

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

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

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

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

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

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

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

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

DEBT SERVICE SCHEDULES

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

Kerman Unified School District
General Obligation Bonds
Election of 2008, Series 2019
Debt Service Schedule

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
TOTAL			

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

Period Ending August 1	Series 2004 Bonds	Series 2006 Bonds	Series 2007 Bonds	Series 2015 Refunding Bonds	Series 2009 Bonds	Series 2017 Bonds	Series 2018 Bonds	The Bonds	Aggregate Debt Service
2019	--	$225,000.00	--	$445,625.00	$380,000.00	$979,356.26	$182,334.29		
2020	--	235,000.00	--	464,915.00	405,000.00	454,156.26	521,968.76		
2021	--	245,000.00	--	483,287.00	430,000.00	479,156.26	377,718.76		
2022	--	260,000.00	--	500,741.00	455,000.00	493,406.26	214,968.76		
2023	--	269,251.00	--	527,277.00	485,000.00	511,806.26	214,968.76		
2024	--	282,604.00	--	547,589.00	515,000.00	529,406.26	214,968.76		
2025	--	296,622.00	--	566,830.00	550,000.00	551,206.26	214,968.76		
2026	$630,000.00	311,335.00	$265,000.00		320,000.00	565,956.26	224,968.76		
2027	655,000.00	326,779.00	285,000.00		335,000.00	589,706.26	234,656.26		
2028	680,000.00	342,986.00	310,000.00		350,000.00	606,956.26	244,031.26		
2029	705,000.00	360,000.00	335,000.00		365,000.00	632,006.26	248,093.76		
2030	--	1,115,000.00	355,000.00		385,000.00	650,706.26	257,000.00		
2031	--	--	1,505,000.00		440,000.00	673,656.26	265,593.76		
2032	--	--	2,390,000.00		--	700,375.00	273,737.50		
2033	--	--	--		2,145,000.00	720,625.00	286,543.76		
2034	--	--	--		2,255,000.00	749,487.50	293,743.76		
2035	--	--	--		2,365,000.00	777,000.00	305,593.76		
2036	--	--	--		2,485,000.00	802,650.00	316,787.50		
2037	--	--	--		2,610,000.00	831,900.00	327,437.50		
2038	--	--	--		2,740,000.00	859,575.00	337,375.00		
2039	--	--	--		2,875,000.00	889,325.00	351,750.00		
2040	--	--	--		3,020,000.00	917,200.00	363,250.00		
2041	--	--	--		3,170,000.00	953,200.00	373,750.00		
2042	--	--	--		3,330,000.00	986,950.00	388,250.00		
2043	--	--	--		3,495,000.00	1,018,450.00	401,500.00		
2044	--	--	--		3,670,000.00	1,055,400.00	418,500.00		
2045	--	--	--		--	1,093,150.00	434,000.00		
2046	--	--	--		--	1,131,437.50	448,000.00		
2047	--	--	--		--	--	850,500.00		
2048	--	--	--		--	--	882,000.00		
TOTAL	$2,670,000.00	$4,269,577.00	$5,445,500.00	$3,536,264.00	$39,575,000.00	$21,204,206.38	$10,468,959.43		

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	
[Net] Original Issue [Premium]/[Discount]	
Total Sources	
Uses of Funds	
Building Fund	
Debt Service Fund	
Costs of Issuance [(1)]	
Total Uses	

(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent, premium for the municipal bond insurance policy (if any) and the rating agency.

SECURITY FOR THE BONDS

Ad Valorem Taxes

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

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

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

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

Statutory Lien on Ad Valorem Tax Revenues. Pursuant to Senate Bill 222, effective as of January 1, 2016, under California law voter approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college 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 any further act.

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

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

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County to the credit of the fund created and established in the Bond Resolution and known as the "Kerman Unified School District, Election of 2008, Series 2019 Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued and for payment of permissible costs of issuance. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remains excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earnings on the investment of monies held in the Building Fund will be retained in the Building Fund.

Debt Service Fund

Amounts to pay debt service on the Bonds will be held in the fund created and established in the Bond Resolution and known as the "Kerman Unified School District, Election of 2008, Series 2019 Debt Service Fund" (the "**Debt Service Fund**") for the Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same becomes due and payable.

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

Not a County Obligation

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

PROPERTY TAXATION

Property Tax Collection Procedures

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

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

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

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the local superior court clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

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

Historic Assessed Valuations

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

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

Assessed Valuation

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

KERMAN UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2006-07 through 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2006-07	$ 875,553,723	$1,195,887	$25,578,916	$ 902,328,526	--%
2007-08	1,038,625,911	670,812	27,040,118	1,066,336,841	18.2
2008-09	1,077,781,529	495,252	31,953,805	1,110,230,586	4.1
2009-10	1,027,506,923	495,252	45,087,335	1,073,089,510	(3.3)
2010-11	1,044,049,490	495,252	48,408,024	1,092,952,766	1.9
2011-12	1,120,445,651	397,718	48,362,063	1,169,205,432	7.0
2012-13	1,143,208,532	387,140	50,046,545	1,193,642,217	2.1
2013-14	1,265,091,434	387,140	45,118,827	1,310,597,401	9.8
2014-15	1,295,311,731	387,140	49,626,661	1,345,325,532	2.6
2015-16	1,354,533,244	401,970	58,926,538	1,413,861,752	5.1
2016-17	1,471,927,671	401,970	62,697,580	1,535,027,221	8.6
2017-18	1,524,615,118	401,970	65,550,406	1,590,567,494	3.6
2018-19	1,584,348,031	401,970	74,055,333	1,658,805,334	4.3

Source: California Municipal Statistics, Inc.

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

In addition, wildfires have occurred in recent years in different regions of the State, and related flooding and mudslides have also occurred. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Although the recent natural disasters do not include territory within the District's boundaries, the District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

The District cannot predict or make any representations regarding the effects that natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

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

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

Non-Residential:	**2018-19 Assessed Valuation (1)**	**% of Total**	**No. of Parcels**	**% of Total**
Agricultural	$830,636,577	52.43%	1,793	30.01%
Commercial	48,107,281	3.04	152	2.54
Industrial	67,323,953	4.25	36	0.60
Government/Social/Institutional	4,102,360	0.26	54	0.90
Miscellaneous	4,476,088	0.28	168	2.81
Subtotal Non-Residential	$954,646,259	60.25%	2,203	36.88%
Residential:				
Single Family Residence	$557,251,037	35.17%	3,197	53.52%
Mobile Home	5,560,866	0.35	151	2.53
Mobile Home Park	2,642,871	0.17	3	0.05
2+ Residential Units/Apartments	52,963,097	3.34	82	1.37
Vacant Residential	11,283,901	0.71	338	5.66
Subtotal Residential	$629,701,772	39.75%	3,771	63.12%
Total	$1,584,348,031	100.00%	5,974	100.00%

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

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

KERMAN 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	3,197	$557,251,037	$174,304	$170,847

2018-19 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	36	1.126%	1.126%	$ 663,701	0.119%	0.119%
$25,000 - $49,999	90	2.815	3.941	3,605,163	0.647	0.766
$50,000 - $74,999	177	5.536	9.478	10,779,283	1.934	2.700
$75,000 - $99,999	208	6.506	15.984	18,285,579	3.281	5.982
$100,000 - $124,999	326	10.197	26.181	37,443,406	6.719	12.701
$125,000 - $149,999	437	13.669	39.850	60,173,628	10.798	23.499
$150,000 - $174,999	398	12.449	52.299	64,809,558	11.630	35.130
$175,000 - $199,999	391	12.230	64.529	73,733,009	13.232	48.361
$200,000 - $224,999	357	11.167	75.696	75,520,926	13.552	61.914
$225,000 - $249,999	305	9.540	85.236	72,953,069	13.092	75.005
$250,000 - $274,999	228	7.132	92.368	59,364,425	10.653	85.658
$275,000 - $299,999	105	3.284	95.652	29,895,905	5.365	91.023
$300,000 - $324,999	62	1.939	97.591	19,283,816	3.461	94.484
$325,000 - $349,999	24	0.751	98.342	8,125,442	1.458	95.942
$350,000 - $374,999	26	0.813	99.155	9,368,115	1.681	97.623
$375,000 - $399,999	6	0.188	99.343	2,336,624	0.419	98.042
$400,000 - $424,999	4	0.125	99.468	1,667,239	0.299	98.341
$425,000 - $449,999	4	0.125	99.593	1,769,396	0.318	98.659
$450,000 - $474,999	5	0.156	99.750	2,282,317	0.410	99.069
$475,000 - $499,999	2	0.063	99.812	975,298	0.175	99.244
$500,000 and greater	6	0.188	100.000	4,215,138	0.756	100.000
Total	3,197	100.000%		$557,251,037	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

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

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

Tax Levies and Delinquencies

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, the County includes the District's general obligation bond levies in its Teeter Plan.

So long as the Teeter Plan remains in effect and the County continues to include the District in the Teeter Plan, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety and, in addition, the Board of Supervisors could terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. On July 8, 2008, the County adopted Resolution No. 08-322, which determined that, because the "…County of Fresno Supplemental Secured Property Tax Roll is now severely delinquent and, by such delinquency, impairs, impedes and disrupts the County of Fresno's general fund cash flow…", the County discontinues the use of the Teeter Plan as it applies to the supplemental secured property tax rolls. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The following table shows secured tax charges and delinquencies for secured property in the District for property within the District for fiscal years 2013-14 through 2017-18 without regard to the Teeter Plan.

KERMAN UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2013-14 Through 2017-18

Fiscal Year	Secured Tax Charge (1)	Amount Delinquent June 30	Percent Delinquent June 30
2013-14	$15,413,159.42	$180,312.84	1.17%
2014-15	15,839,188.94	180,554.05	1.14
2015-16	16,428,530.44	262,703.38	1.60
2016-17	17,625,027.62	$205,438.78	1.17
2017-18	19,771,269.22	$298,661.09	1.51

(1) All taxes collected within the District.
Source: California Municipal Statistics, Inc.

Tax Rates

Below are historical typical tax rates in a typical tax rate area (Tax Rate Area 120-001) within the District for fiscal years 2014-15 through 2018-19.

KERMAN UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 120-001) (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
Kerman Unified School District	.060158	.063168	.055924	.124554	.114798
State Center Community College District	.009308	.008064	.008480	.025934	.022966
Total Tax Rate	$1.069466	$1.071232	$1.064404	$1.150488	$1.137764

(1) 2018-19 Assessed Valuation of TRA 120-001 is $230,962,793, which is 13.92% of the district’s total assessed valuation.
Source: California Municipal Statistics, Inc.

Top 20 Property Owners

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

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

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total (1)
1.	780 La Brea LLC	Agricultural	$ 59,632,417	3.76%
2.	GF Land Company LP	Agricultural	25,790,427	1.63
3.	Perfect Pac LP	Warehouse	20,705,985	1.31
4.	George & Brenda Holland Farms LLC	Agricultural	20,094,271	1.27
5.	Fresno Farming LLC	Agricultural	18,058,918	1.14
6.	Wal-Mart Real Estate Business Trust	Commercial	17,565,275	1.11
7.	Casaca Vineyards	Agricultural	15,474,759	0.98
8.	Burford Family Farming Company LP	Agricultural	15,253,184	0.96
9.	PI Properties No. 50 Partners LLC	Apartments	15,059,540	0.95
10.	Toste Family Farms LP	Agricultural	13,366,450	0.84
11.	Baker Commodities Inc.	Industrial	12,555,328	0.79
12.	Hardy Farms LP	Agricultural	10,982,140	0.69
13.	Steven D. & Barbara L. Schaad, Trustees	Agricultural	10,509,512	0.66
14.	Larry Shehadey Farms LLC	Agricultural	10,056,542	0.63
15.	Kalpakoff Properties LLC	Warehouse	9,121,720	0.58
16.	15649 West California Avenue LP	Apartments	9,075,000	0.57
17.	Kerman Shopping Plaza LLC	Shopping Center	8,608,145	0.54
18.	Navdep Singh & Sukhwinder Sran, Trustees	Agricultural	8,574,920	0.54
19.	Samarin Farms	Agricultural	8,123,060	0.51
20.	Pebble Brook LLC	Apartments	8,106,198	0.51
			$316,713,791	19.99%

(1) 2018-19 local secured assessed valuation: $1,584,348,031.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of 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 District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

KERMAN UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of April 1, 2019)

2018-19 Assessed Valuation: $1,658,805,334

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/19	
State Center Community College District	1.940%	3,385,009	
Kerman Unified School District	**100.000**	**28,414,922**	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$31,799,931	
OVERLAPPING GENERAL FUND DEBT:			
Fresno County General Fund Obligations	2.113%	$ 784,874	
Fresno County Pension Obligation Bonds	2.113	5,394,019	
City of Kerman General Fund Obligations	100.000	3,010,000	
TOTAL OVERLAPPING GENERAL FUND DEBT		$9,188,893	
COMBINED TOTAL DEBT		**$40,988,824**	(2)

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($28,414,922) 1.71%
Total Direct and Overlapping Tax and Assessment Debt 1.92%
Combined Total Debt 2.47%

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

BOND INSURANCE

The District has applied for bond insurance to guarantee the scheduled payment of principal of and interest on the Bonds and, if a commitment is issued to insure the Bonds, will determine prior to the sale of the Bonds whether to obtain such insurance.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds to not be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

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

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

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

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

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

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

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

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

CERTAIN LEGAL MATTERS

Legality for Investment

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

Absence of Litigation

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

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

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, and KNN Public Finance LLC, as municipal advisor to the District, are contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

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

In the previous five years, the District has not had any instances of material non-compliance with its existing undertakings. The District has engaged KNN Public Finance LLC, to serve as dissemination agent with respect to each of its continuing disclosure undertakings, including the undertaking to be entered into for the Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

RATING

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

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $________ which is equal to the initial principal amount of the Bonds of $________, plus original issue premium of $________ less an Underwriter's discount of $________.

The bond purchase agreement 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 has entered into a distribution agreement (the "Schwab Agreement") with Charles Schwab & Co., Inc. ("**CS&Co.**") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

ADDITIONAL INFORMATION

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

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

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

EXECUTION

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

KERMAN UNIFIED SCHOOL DISTRICT

By: ______________________________________
Superintendent

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

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

General Information

The Kerman Unified School District (the "**District**") was established as a unified school district on July 1, 1983. The District is located in the western portion of Fresno County (the "**County**") and serves the City of Kerman (the "**City**") and surrounding unincorporated areas in the County. The District encompasses approximately 173 square miles and operates four elementary schools, one middle school, one high school, and one alternative high school. Enrollment in the District for the 2018-19 school year is approximately 5,215 students.

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

Administration

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

Name	Office	Term Expires
Efrain Guizar	President	December 2022
Jim Volkoff	Vice President	December 2022
Maria Cantu	Clerk	December 2020
Daniel Babshoff	Trustee	December 2020
Kindra Melgoza	Trustee	December 2022

Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Robert Frausto is the Superintendent of the District and Kraig Magnussen is the Director of Fiscal Services.

Recent Enrollment Trends

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

ANNUAL ENROLLMENT
Fiscal Years 2014-15 through 2018-19
Kerman Unified School District

Fiscal Year	Student Enrollment	% Change
2014-15	4,997	--%
2015-16	5,064	1.3
2016-17	5,134	1.4
2017-18	5,148	0.3
2018-19(1)	5,215	1.3

(1) Projected.
Source: California Department of Education for 2014-15 through 2017-18; Kerman Unified School District for 2018-19.

Employee Relations

The District has 254.8 certificated full-time equivalent ("**FTE**") employees, 209.0 classified FTE employees, and 53.0 management/supervisor/confidential FTE employees.

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

BARGAINING UNITS
Kerman Unified School District

Employee Group	Representation	Contract Expiration Date
Certificated	Kerman Unified Teachers' Association	June 30, 2020
Classified	California School Employees' Association	June 30, 2020

Source: The District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

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

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

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

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

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

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

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

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**"), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 2018-19 are set forth in the following table. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

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

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

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

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

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

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

District Accounting Practices

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

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

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

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

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2018 Audited Financial Statements were prepared by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, Fresno, California and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Chief Business Official, Kerman Unified School District, 151 South First Street, Kerman, CA 93630. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement.

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

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

Revenues	**Audited 2013-14**	**Audited 2014-15**	**Audited 2015-16**	**Audited 2016-17**	**Audited 2017-18**
LCFF sources	$32,691,152	$38,388,185	$46,076,983	$50,038,235	51,535,869
Federal Revenues	2,967,858	3,522,648	3,202,300	3,398,702	3,542,249
Other state revenues	2,516,086	2,819,896	5,630,385	4,453,222	4,717,011
Other local revenues	2,100,865	2,158,654	3,104,992	2,821,716	2,026,183
Total Revenues	40,172,128	46,889,383	58,014,660	60,711,875	61,821,312
Expenditures					
Instruction	21,420,649	24,855,627	27,139,713	31,204,083	32,418,450
Instruction-related services:	3,720,671				
Supervision of instruction	--	644,998	705,152	746,615	806,003
Library, media and technology	--	628,125	799,455	859,473	905,448
School site administration	--	2,782,202	2,941,352	3,113,041	3,307,726
Pupil services:	3,301,926				
Home-to-school transportation	--	1,746,546	1,603,704	2,214,947	1,867,828
Food services	--	99,691	87,052	152	--
All other pupil services	--	2,010,816	2,150,473	2,612,092	2,780,320
General administration	2,621,022				
Data processing	--	711,046	866,284	771,739	771,622
All other general administration	--	2,619,653	2,859,057	2,803,356	3,067,661
Plant services	4,220,279	5,319,915	5,406,255	5,792,202	6,115,656
Facility acquisition and construction	--	1,637,214	4,570,885	271,173	320,006
Ancillary Services	449,952	464,406	499,495	519,739	576,778
Community services	1,515	--	--	--	--
Other outgo	261,418	230,522	106,092	537,090	717,315
Debt service: Principal	43,000	--	--	--	--
Debt service: Interest	9,199	--	--	--	--
Total Expenditures	36,049,631	43,750,761	49,734,969	51,445,702	53,654,813
Excess of Revenues Over/(Under) Expenditures	4,122,497	3,138,622	8,279,691	9,266,173	8,166,499
Other Financing Sources (Uses)					
Operating transfers in	3,000,211	--	--	2	--
Operating transfers out	(3,030,167)	(6,100,484)	(7,019,109)	(4,203,234)	(11,157,269)
Other sources (uses)	--	--	--	--	--
Total Other Financing Sources (Uses)	(29,956)	(6,100,484)	(7,019,109)	(4,203,232)	(11,157,269)
Net change in fund balance	4,092,541	(2,961,862)	1,260,582	5,062,941	(2,990,770)
Fund Balance, July 1	9,134,762	12,543,302 (2)	9,581,440	10,842,022	15,904,963
Fund Balance, June 30	$13,227,303	$9,581,440	$10,842,022	$15,904,963	12,914,193

(1) Columns may not sum to totals due to rounding.
(2) As restated.
Source: Kerman Unified School District Audit Reports.

District Budget and Interim Financial Reporting

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

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

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

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

A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

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

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

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Kerman Unified School District, 151 South First Street, Kerman, CA 93630, Telephone: (559) 843-9000. The District may impose charges for copying, mailing and handling.

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

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

Revenues	**Adopted Budget 2018-19**	**Second Interim 2018-19**
Total LCFF Sources	$55,208,136	$57,827,593
Federal Revenues	4,082,431	4,466,873
Other state revenues	2,692,839	3,801,873
Other local revenues	1,941,976	1,869,016
Total Revenues	63,925,382	67,965,355
Expenditures		
Certificated Salaries	24,555,100	24,472,201
Classified Salaries	8,389,964	8,727,819
Employee Benefits	14,446,255	14,291,960
Books and Supplies	5,346,035	5,354,105
Contract Services & Operating Exp.	7,270,264	7,482,354
Capital Outlay	435,367	2,867,033
Other Outgo (excluding indirect costs)	573,434	176,200
Other Outgo – Transfers of Indirect Costs	(204,559)	(224,933)
Total Expenditures	60,811,860	63,146,737
Excess of Revenues Over/(Under) Expenditures	3,113,522	4,818,618
Other Financing Sources (Uses)		
Operating transfers in	--	--
Operating transfers out	(5,500,000)	(7,848,465)
Other sources	--	--
Contributions	--	--
Total Other Financing Sources (Uses)	(5,500,000)	(7,848,465)
Net change in fund balance	(2,386,478)	(3,029,847)
Fund Balance, July 1	8,665,201	8,209,550
Adjusted Fund Balance	--	8,664,684
Fund Balance, June 30	$6,278,724	$5,634,837

Source: Kerman Unified School District Adopted Budget for fiscal year 2018-19 and 2018-19 Second Interim Report.

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

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

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

Revenue Sources

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

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

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

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

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

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

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

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

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

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

Attendance - Revenue Limit and LCFF Funding

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

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

Fiscal Year	ADA	LCFF Funding Per ADA
2013-14	4,784	$6,812
2014-15	4,838	7,934
2015-16	4,882	9,471
2016-17	4,994	10,209
2017-18	4,927	10,460
2018-19 (1)	5,091	11,359

(1) Second Interim Projections.
Source: California Department of Education; Kerman Unified School District.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 85% for purposes of calculating supplemental and concentration grant funding under LCFF.

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

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

STRS Contributions
Kerman Unified School District
Fiscal Years 2015-16 through 2018-19 (Projected)

Fiscal Year	Amount
2015-16	$2,086,201
2016-17	2,701,723
2017-18	3,252,385
2018-19 (1)	5,147,486

(1) Second Interim Projections.
Source: Kerman Unified School District.

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

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

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

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

(1) Expressed as a percentage of covered payroll.
Source: AB 1469

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

PERS Contributions
Kerman Unified School District
Fiscal Years 2015-16 through 2018-19 (Projected)

Fiscal Year	Amount
2015-16	$825,116
2016-17	1,034,770
2017-18	1,246,574
2018-19 (1)	1,520,129

(1) Second Interim Projections.
Source: Kerman Unified School District.

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

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

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

Source: PERS.

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

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

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

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

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

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

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

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

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

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

Post-Employment Retirement Benefits

Plan Description. The District's governing board administers the Post-Employment Benefits Plan (the "**Plan**"). The Plan is a single employer defined benefit plan that is used to provide post-employment benefits other than pensions ("**OPEB**") for eligible retirees and their spouses. Membership of the Plan consists of 20 retirees and beneficiaries currently receiving benefits and 392 active plan members.

Benefits Provided. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions. The contribution requirements of the Plan members and the District are established and may be amended by the District, the Kerman Unified Teachers Association ("**KUTA**"), the local California Service Employees Association ("**CSEA**"), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, KUTA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District paid $258,098 to the Plan, all of which was used for current premiums.

Actuarial Assumptions and Other Inputs. The District's total OPEB liability of $9,171,330 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.75%, salary increases 2.75%, average, including inflation, investment rate of return 3.5%, net of OPEB plan investment expense, including inflation, and healthcare cost trend rates 4.00% for 2018 and thereafter. The discount rate was based on the Bond Buyer 20-Bond General Obligation Index. Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2018, is shown in the following table:

CHANGES IN TOTAL OPEB LIABILITY
Kerman Unified School District

	Total OPEB Liability
Balance at June 30, 2016	$8,178,856
Service Cost	1,035,001
Interest	297,917
Contributions-employer	(340,444)
Net changes	992,474
Balance at June 30, 2017	$9,171,330

Source: Kerman Unified School District Audit Report.

OPEB Expense. For the year ended June 30, 2018, the District recognized an OPEB expense of $1,332,918. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $258,098.

For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 10 of Appendix B to the Official Statement.

Insurance – Joint Powers Agreement

The District is a member of the Central Valley Trust ("**CVT**"), the Fresno County Self Insurance Group ("**FCSIG**"), and the Organization of Self Insured Schools ("**OSS**") joint powers authorities ("**JPAs**"). The District pays an annual premium to the applicable entity for its health and welfare, workers' compensation, and property and liability coverage. Payments are made directly to the JPAs. The relationships between the District and the JPAs are such that they 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 statements. Audited financial statements are generally available from the respective entities.

The District has no appointed board members to the governing board of CVT. During the year ended June 30, 2018, the District made a payment of $4,764,169 to the CVT for health and welfare benefits.

The District has appointed one member to the governing board of FCSIG. During the year ended June 30, 2018, the District made a payment of $635,904 to the FCSIG for worker's compensation insurance.

The District has appointed one member to the governing board of OSS. During the year ended June 30, 2018, the District made a payment of $3 86,495 to the OSS for property and liability insurance.

Existing Debt Obligations

General Obligation Bonds. Prior to the issuance of the Bonds, the District has six outstanding issuances of general obligation bonds and one issuance of general obligation refunding bonds, all of which are secured by *ad valorem* taxes levied and collected within the District, on a parity basis with the Bonds.

KERMAN UNIFIED SCHOOL DISTRICT
Summary of Outstanding General Obligation Bond Indebtedness

Issue Date	Issue Name	Original Principal Amount	Outstanding Principal as of April 1, 2019
12/16/2004	Election of 2004, Series 2004	$6,002,953.85	212,953.85
06/15/2006	Election of 2004, Series 2006	2,570,903.50	1,448,849.55
03/14/2007	Election of 2004, Series 2007	2,426,015.90	1,711,015.90
08/11/2009	Election of 2008, Series 2009	6,254,805.15	5,552,101.00
03/31/2015	2015 Refunding Bonds	4,140,000.00	3,125,000.00
05/11/2017	Election of 2016, Series 2017	12,000,000.00	11,350,000.00
10/24/2018	Election of 2016, Series 2018	5,015,000.00	5,015,000.00
Total		$38,409,678.40	28,414.920.45

The 2004 General Obligation Bond Authorization. The District received authorization at an election held on November 2, 2004, by more than the requisite 55% of the qualified electors to issue general obligation bonds in a principal amount not to exceed $11,000,000 (the "**2004 Authorization**"). There is no remaining unused authorization under the 2004 Authorization.

The 2008 General Obligation Bond Authorization. The District received authorization at an election held on June 3, 2008, by more than the requisite 55% of the qualified electors to issue general obligation bonds in a principal amount not to exceed $24,9000,000 (the "**2008 Authorization**"). Following the issuance of the Bonds, $9,745,194.85 will remain authorized but unissued under the 2008 Authorization.

The 2016 General Obligation Bond Authorization. The District received authorization at an election held on November 8, 2016, by more than the requisite 55% of the qualified electors to issue general obligation bonds in a principal amount not to exceed $27,000,000 (the "**2016 Authorization**"). $9,985,000 remains authorized but unissued under the 2016 Authorization.

General Obligation Refunding Bonds. On March 31, 2015, the District issued 2015 General Obligation Refunding Bonds in the aggregate principal amount of $4,140,000 to advance refund a portion of the outstanding Series 2004 Bonds.

See "DEBT SERVICE SCHEDULES - Combined General Obligation Bonds" in the body of this Official Statement for the remaining debt service due on the District's outstanding general obligation bonds.

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

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

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

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

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

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

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

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

Recent State Budgets

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

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

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

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

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

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

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

2018-19 State Budget

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

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

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

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

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

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

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

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

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

2019-20 Proposed State Budget

On January 10, 2019, the Governor released the proposed State budget for fiscal year 2019-20 (the **"2019-20 Proposed Budget"**). The 2019-20 Proposed Budget projects general fund revenues in fiscal year 2018-19 of approximately $149.3 billion (including a prior year balance of approximately $12.4 billion) and expenditures of approximately $144.1 billion. For fiscal year 2019-20, the 2019-20 Proposed Budget projects general fund revenues of $147.9 billion (including a prior year transfer of approximately $5.2 billion) and authorizes expenditures of $144.2 billion. The 2019-20 Proposed Budget continues to build State reserves to manage the impacts of future economic downturns, with $2.3 billion in a Special Fund for Economic Uncertainties, $15.3 billion in the "Rainy Day Fund," and $900 million in a Safety Net Reserve Fund. The 2019-20 Proposed Budget notes that additional deposits to the Rainy Day Fund will be made in reliance on a recent opinion by the California Office of Legislative Counsel, which concluded that supplemental payments made in prior fiscal years do not count towards calculating the Rainy Day Fund's constitutional maximum of 10%, and projects bringing the Rainy Day Fund to $19.4 billion by 2022-23.

The 2019-20 Proposed Budget raises the Proposition 98 minimum funding guarantee for school districts and community college districts to $80.7 billion, a new all-time high, which includes an additional $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% cost-of-living adjustment, and brings total LFCC funding to $63 billion. To address the rising costs of STRS pensions, the 2019-20 Proposed Budget also includes a $3 billion one-time general fund payment to STRS on behalf of school districts, which is expected to provide immediate relief and reduce the out-year contribution rate by 0.5%. The 2019-20 Proposed State Budget also includes a $750 million one-time general fund payment to fund new or retrofitted facilities for full-day kindergarten programs and other activities that reduce barriers to providing full-day kindergarten and a general fund payment of $576 million ($186 million is one-time) to support expanded special education services in school districts with a high concentration of special education students. The Governor is required to release a revision to the proposed budget by May 14 of each year.

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

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

Availability of State Budgets. The complete 2018-19 State Budget and 2019-20 Proposed Budget are available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

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

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

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

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

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

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

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

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

Article XIIIB of the California Constitution

Article XIIIB ("**Article XIIIB**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

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

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

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

Articles XIIIC and XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

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

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Proposition 98

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

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

Proposition 111

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

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

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of

State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

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

Proposition 30 and Proposition 55

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

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Proposition 98" and "Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the **"EPA"**). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

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

California Senate Bill 222

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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APPENDIX B

KERMAN UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2017-18

KERMAN UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

KERMAN UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Kerman Unified School District
Kerman, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Opinions

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

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedules on pages 68 and 69, schedule of changes in the District's total OPEB liability and related ratios on page 70, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 71, schedule of the District's proportionate share of the net pension liability on page 72, and the schedule of District contributions on page 73, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kerman Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the Kerman 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 Kerman 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 Kerman Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
November 28, 2018

Robert Frausto, District Superintendent
Mark Ruiz, Assistant Superintendent Personnel
Kraig L. Magnussen, Assistant Superintendent/Chief Business Official
Pamela Millspaugh, Assistant Superintendent Educational Services

Board of Trustees
Daniel Babshoff
Vicki A. Blair
Maria S. Cantu
Efrain Guizar
Darrell Yates

Management's Discussion and Analysis

This section of Kerman Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) and deferred outflows, as well as all liabilities (including long-term obligations) and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Kerman Unified School District.

Notice of Nondiscrimination in District Programs and Activities: The Kerman Unified School District prohibits discrimination, harassment, intimidation, and bullying based on actual or perceived ancestry, age, color, disability, gender, gender identity, gender expression, national origin, nationality, race or ethnicity, ethnic group identification, religion, marital or parental status, sex, sexual orientation or association with a person or a group with one or more of these actual or perceived characteristics. (Designated Compliance Officer: Assistant Superintendent Personnel, Address: 151 S. First Street, Kerman, CA 93630, Phone Number: (559) 843-9000)

151 South First Street
Kerman, California 93630
Home of the Lions
Phone (559) 843-9000
Fax (559) 840-4283

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position* and *Statement of Revenues, Expenses, and Changes in Fiduciary Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- The District's total net position increased from \$16.1 million to \$20.0 million.
- The District's governmental activities revenues increased from \$66.7 million to \$69.2 million.
- The District's governmental activities expenses increased from \$61.4 million to \$65.3 million.
- The General Fund reported a decrease in fund balance this year of \$3.0 million.
- The Building Fund reported a decrease in fund balance this year of \$5.0 million.
- The Special Reserve Capital Outlay Fund reported an increase in fund balance this year of \$10.2 million largely due to a transfer from the General Fund totaling \$11.0 million.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $20.0 million for the fiscal year ended June 30, 2018. Of this amount, $10.8 million was restricted. Restricted net position is reported separately to shows legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities		
	2018	2017, as restated	Difference
Assets			
Current and other assets	$ 45.3	$ 41.7	$ 3.6
Capital assets	60.2	57.0	3.2
Total Assets	105.5	98.7	6.8
Deferred Outflows of Resources	16.5	9.7	6.8
Liabilities			
Current liabilities	5.0	5.2	(0.2)
Long-term obligations	44.2	43.1	1.1
Net pension liability	50.9	42.8	8.1
Total Liabilities	100.1	91.1	9.0
Deferred Inflows of Resources	1.9	1.2	0.7
Net Position			
Net investment in capital assets	32.5	34.5	(2.0)
Restricted	10.8	8.8	2.0
Unrestricted	(23.3)	(27.2)	3.9
Total Net Position	$ 20.0	$ 16.1	$ 3.9

The $20.0 million in net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities		
	2018	2017	Difference
Revenues			
Program revenues:			
Charges for services	$ 0.4	$ 0.6	$ (0.2)
Operating grants and contributions	11.2	10.4	0.8
Capital grants and contributions	0.2	-	0.2
General revenues:			
Federal and State aid not restricted	48.1	47.5	0.6
Property taxes	7.5	6.2	1.3
Other general revenues	1.8	2.0	(0.2)
Total Revenues	69.2	66.7	2.5
Expenses			
Instruction related	42.1	40.2	(1.9)
Pupil services	8.6	8.5	(0.1)
Administration	4.4	3.9	(0.5)
Plant services	7.4	6.4	(1.0)
Other	2.8	2.4	(0.4)
Total Expenses	65.3	61.4	(3.9)
Change in Net Position	$ 3.9	$ 5.3	$ (1.4)

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was $65.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $7.5 million because the cost was paid by those who benefited from the programs ($0.4 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($11.4 million). We paid for the remaining "public benefit" portion of our governmental activities with $49.9 million in Federal and State funds, and other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Net Cost of Services	
	2018	2017
Instruction	$ 29.4	$ 28.6
Instruction-related activities	5.1	4.8
Other pupil services	5.1	4.8
Administration	3.9	3.4
Plant services	7.2	6.3
All other services	2.8	2.4
Total	$ 53.5	$ 50.3

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $40.4 million, which is an increase of $3.9 million from last year (Table 4).

Table 4

(Amounts in millions)	Fund Balances	
	June 30, 2018	June 30, 2017
General	$ 12.9	$ 15.9
Child Development	0.1	0.1
Building	7.0	12.0
Special Reserve Capital Outlay	12.0	1.8
Non-Major Governmental Funds	8.4	6.7
Total	$ 40.4	$ 36.5

The fund balance in the General Fund decreased from $15.9 million to $12.9 million. This decrease was primarily due to increased transfers out. The fund balance in the Building Fund decreased by $5 million primarily due to the spending General Obligation bond funds. The fund balance in the Special Reserve Capital Projects Fund increased by $10.2 million primarily due to a contribution from the General Fund. The remaining funds reflected an increase of $1.7 million primarily due to increased funding.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 20, 2018. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District budgeted a decrease in General Fund balance of approximately \$1.4 million. Although revenues were approximately \$0.3 million more than budgeted, expenditures and transfers out were approximately \$1.9 million more than budgeted, leaving the fund with a decrease of approximately \$3.0 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$60.2 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$3.2 million (Table 5).

Table 5

(Amounts in millions)	Governmental Activities		
	2018	2017	Difference
Land and construction in process	\$ 14.7	\$ 8.9	\$ 5.8
Buildings and improvements	43.6	46.1	(2.5)
Equipment	1.9	2.0	(0.1)
Total	\$ 60.2	\$ 57.0	\$ 3.2

We present more detailed information about our capital assets in the Notes to Financial Statements.

Long-Term Obligations

At the end of this year, the District had $44.2 million in long-term obligations outstanding versus $43.1 million last year, an increase of 2.6 percent which was primarily due to an increase of Other Postemployment Benefits. The obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities		
	2018	2017, as restated	Difference
General obligation bonds (Financed with property taxes)	$ 34.7	$ 34.5	$ 0.2
Other postemployment benefits	9.4	8.5	0.9
Compensated absences	0.1	0.1	-
Total long-term obligations	$ 44.2	$ 43.1	$ 1.1

We present more detailed information regarding our long-term obligations in the Notes to Financial Statements.

Net Pension Liability (NPL)

As of June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. As of June 30, 2018, the District reported Deferred Outflows from pension activities of 16.2 million, Deferred Inflows from pension activities of $1.9 million, and a Net Pension Liability of $50.9 million. We present more detailed information regarding our net pension liability in the Notes to Financial Statements.

SIGNIFICANT EVENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

The nation's economy has continued to expand, albeit at a slow rate. This has been a welcome change for schools in the State of California with respect to School District budgets. We have completed our fourth cycle of the Local Control Accountability Plan (LCAP), and our sixth year of the State adopted Local Control Funding Formula (LCFF) which has brought into play a much higher community involvement with respect to developing the School District's annual budget. LCFF has provided significant financial relief to Kerman Unified School District, and many LEAs throughout the State. There are two significant events that are more of a continuation for last year and into the future that will have significant impacts on our budgets. First the State adopted Common Core Standards (CCS). The significant impact to budget from Common Core is the large one time and ongoing investment in technology and infrastructure. The second significant impact to budget is in the need for modernization and the construction of new facilities. What compounds the potential impacts to the Districts current and future financial positions is the lack of State contribution funding for school facilities. While Prop. 51 has passed and has authorized $7 billion in general obligation bonds for K-12 public school facilities. However, currently there is a significant back log of projects that are waiting funding and current projects do not look to be funded for several years out. These State match construction funds are desperately needed school facilities in Kerman and LEAs throughout the state.

STUDENT ENROLLMENT AND DEMOGRAPHIC TRENDS

The City of Kerman and Kerman Unified are currently the fastest growing community and district in Fresno County

- Kerman Unified School District had an enrollment of approximately 5,143 students for the 2018-2019 school year up 47 students from 2017-2018 school year.
- In addition to tracking enrollment, the District also closely monitors actual Average Daily Attendance (ADA). Ada is a lower number than enrollment and typically comes in around 95 percent of enrollment. ADA is used to calculate the funding the District receives from the State under the LCFF. Along with ADA the District receives additional grant funding through LCFF from its unduplicated student counts. This is the number of students that fall into social economic and demographic groups of English Learners, Federal Lunch Program, Foster Youth and Homeless students which is expressed in a percent of total enrollment. For Kerman Unified this unduplicated number is over 86 percent of the enrollment thus qualifying Kerman Unified for significant amounts of this additional grant funding to better service out student population.
- Needless to say School Districts place great importance on the accurate projection of student enrollment, ADA, and unduplicated count for the budget due to the funding impacts associated to these student counts.

STUDENT ACHIEVEMENT

District schools continue to make progress and show growth on the academic achievement goals that have been set by the Board of Trustees and meet the rigorous demand of the California Common Core State Standards.

The District is now in year seven of full implementation of the California Common Core State Standards. We continue our three cycles of district-wide teacher professional development in the content areas of English Language Development, Mathematics, History Social Science, Technology and Science through our collaborative partnership with the Fresno County Superintendent of Schools emphasizing the following:

- Oral and Written Language Development
- Language Objectives
- Utilization of strategies/structures that maximize student engagement and learning opportunities
- Incorporate adopted core materials and supplemental materials into all sessions and content
- CAASPP Rubrics and Assessment
- Digital Library Connection

Each professional development session is supported with follow-up coaching sessions for each participating teacher, academic coach and site principal emphasizing lesson design and delivery.

The District has worked collaboratively with parents, staff and the community to implement a spending plan for both the eight state priorities as embedded in the Local Control Funding Formula and Common Core funds. Common learning goals provided a clear vision of what all stakeholders strive for. These learning goals will support the desired outcome that all students meet college and career readiness and are prepared to succeed in a global economy.

Student achievement is assessed using multiple measures for accountability purposes. Pre-assessments are utilized to determine what the student already knows. Formative Assessments check student learning as new standard is being taught. Interim Assessments are flexible and open and are used for actionable feedback. Summative Assessments are culminating and assess the taught standards for the entire year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Peggy Rodgers, Director of Fiscal Services at (559) 843-9006.

Kraig Magnussen -Assistant Superintendent CBO
Kerman Unified School District
151 South First Street
Kerman, California 93630

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KERMAN UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 43,139,842
Receivables	1,999,369
Prepaid expenses	13,766
Stores inventories	134,156
Nondepreciable capital assets	14,705,467
Capital assets being depreciated	82,852,328
Accumulated depreciation	(37,362,914)
Total Assets	105,482,014
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to other postemployment benefits	258,098
Deferred outflows of resources related to pensions	16,231,941
Total Deferred Outflows of Resources	16,490,039
LIABILITIES	
Accounts payable	4,840,978
Unearned revenue	85,253
Long-term obligations:	
Current portion of long-term obligations other than pensions	1,545,000
Noncurrent portion of long-term obligations other than pensions	42,696,220
Total Long-Term Obligations	44,241,220
Aggregate net pension liability	50,931,232
Total Liabilities	100,098,683
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,900,959
NET POSITION	
Net investment in capital assets	32,512,130
Restricted for:	
Debt service	2,093,405
Capital projects	5,690,941
Educational programs	2,395,698
Other activities	572,942
Unrestricted	(23,292,705)
Total Net Position	$ 19,972,411

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

KERMAN UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities:				
Instruction	$ 36,516,827	$ 13,646	$ 6,833,845	$ 239,403
Instruction-related activities:				
Supervision of instruction	861,353	-	316,536	-
Instructional library, media, and technology	966,768	-	-	-
School site administration	3,791,256	-	176,456	-
Pupil services:				
Home-to-school transportation	2,522,204	-	-	-
Food services	3,106,392	353,435	2,524,580	-
All other pupil services	2,981,241	-	691,510	-
Administration:				
Data processing	901,608	-	-	-
All other administration	3,498,789	18,166	448,642	-
Plant services	7,358,174	2,216	117,011	-
Ancillary services	584,774	-	-	-
Interest on long-term obligations	1,521,980	-	-	-
Other outgo	717,315	-	68,567	-
Total Governmental Activities	$ 65,328,681	$ 387,463	$ 11,177,147	$ 239,403

General revenues and subventions:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Taxes levied for other specific purposes

Federal and State aid not restricted to specific purposes

Interest and investment earnings

Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning as Restated

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position
Governmental Activities
$ (29,429,933)
(544,817)
(966,768)
(3,614,800)
(2,522,204)
(228,377)
(2,289,731)
(901,608)
(3,031,981)
(7,238,947)
(584,774)
(1,521,980)
(648,748)
(53,524,668)
5,209,927
2,021,707
260,002
48,126,115
371,316
1,393,084
57,382,151
3,857,483
16,114,928
$ 19,972,411

KERMAN UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Child Development Fund	Building Fund
ASSETS			
Deposits and investments	$ 13,695,080	$ 1,450,327	$ 7,700,447
Receivables	1,906,048	2,045	11,247
Due from other funds	476,084	24,389	4,029
Prepaid expenditures	13,766	-	-
Stores inventories	78,062	-	-
Total Assets	$ 16,169,040	$ 1,476,761	$ 7,715,723
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 2,644,242	$ 1,245,082	$ 726,221
Due to other funds	532,649	165,040	-
Unearned revenue	77,956	7,297	-
Total Liabilities	3,254,847	1,417,419	726,221
Fund Balances:			
Nonspendable	97,328	-	-
Restricted	2,336,356	59,342	6,989,502
Assigned	4,249,508	-	-
Unassigned	6,231,001	-	-
Total Fund Balances	12,914,193	59,342	6,989,502
Total Liabilities and Fund Balances	$ 16,169,040	$ 1,476,761	$ 7,715,723

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

Special Reserve Capital Outlay Fund		Non-Major Governmental Funds		Total Governmental Funds	
$	11,707,618	$	8,586,370	$	43,139,842
	10,627		69,402		1,999,369
	447,032		61,228		1,012,762
	-		-		13,766
	-		56,094		134,156
$	12,165,277	$	8,773,094	$	46,299,895
$	124,700	$	100,733	$	4,840,978
	-		315,073		1,012,762
	-		-		85,253
	124,700		415,806		5,938,993
	-		56,094		153,422
	-		8,301,194		17,686,394
	12,040,577		-		16,290,085
	-		-		6,231,001
	12,040,577		8,357,288		40,360,902
$	12,165,277	$	8,773,094	$	46,299,895

KERMAN UNIFIED SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		$	**40,360,902**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			
The cost of capital assets is	$ 97,557,795		
Accumulated depreciation is	(37,362,914)		
Net Capital Assets			60,194,881
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:			
Pension contributions subsequent to measurement date	4,498,959		
Net change in proportionate share of net pension liability	1,723,423		
Difference between projected and actual earnings on pension plan investments	484,626		
Differences between expected and actual experience in the measurement of the total pension liability.	638,436		
Changes of assumptions	8,886,497		
Total Deferred Outflows of Resources Related to Pensions			16,231,941
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:			
Net change in proportionate share of net pension liability	(108,705)		
Difference between projected and actual earnings on pension plan investments	(983,334)		
Differences between expected and actual experience in the measurement of the total pension liability.	(643,978)		
Changes of assumptions	(164,942)		
Total Deferred Inflows of Resources Related to Pensions			(1,900,959)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds.			258,098

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

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

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (50,931,232)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds, including premiums	$ 34,672,253	
Other postemployment benefits (OPEB) liability	9,475,417	
Compensated absences	93,550	
Total Long-Term Obligations		(44,241,220)
Total Net Position - Governmental Activities		**$ 19,972,411**

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

KERMAN UNIFIED SCHOOL DISTRICT

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

	General Fund	Child Development Fund
REVENUES		
Local Control Funding Formula	$ 51,535,869	$ -
Federal sources	3,542,249	-
Other State sources	4,717,011	818,063
Other local sources	2,026,183	25,053
Total Revenues	61,821,312	843,116
EXPENDITURES		
Current		
Instruction	32,418,450	615,430
Instruction-related activities:		
Supervision of instruction	806,003	-
Instructional library, media and technology	905,448	-
School site administration	3,307,726	176,456
Pupil services:		
Home-to-school transportation	1,867,828	-
Food services	-	-
All other pupil services	2,780,320	-
Administration:		
Data processing	771,622	-
All other administration	3,067,661	52,151
Plant services	6,115,656	-
Ancillary services	576,778	-
Other outgo	717,315	-
Facility acquisition and construction	320,006	-
Debt service		
Principal	-	-
Interest and other	-	-
Total Expenditures	53,654,813	844,037
Excess (Deficiency) of Revenues Over Expenditures	8,166,499	(921)
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(11,157,269)	-
Net Financing Sources (Uses)	(11,157,269)	-
NET CHANGE IN FUND BALANCES	(2,990,770)	(921)
Fund Balance - Beginning	15,904,963	60,263
Fund Balance - Ending	$ 12,914,193	$ 59,342

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

Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 51,535,869
-	-	2,454,103	5,996,352
-	-	444,599	5,979,673
43,710	(107,280)	3,264,203	5,251,869
43,710	(107,280)	6,162,905	68,763,763
-	-	-	33,033,880
-	-	-	806,003
-	-	-	905,448
-	-	-	3,484,182
-	-	-	1,867,828
-	-	2,830,691	2,830,691
-	-	-	2,780,320
-	-	-	771,622
-	-	140,898	3,260,710
552,549	-	137,308	6,805,513
-	-	-	576,778
-	-	-	717,315
4,527,747	820,573	119,352	5,787,678
-	-	830,000	830,000
-	-	475,403	475,403
5,080,296	820,573	4,533,652	64,933,371
(5,036,586)	(927,853)	1,629,253	3,830,392
-	11,113,830	43,439	11,157,269
-	-	-	(11,157,269)
-	11,113,830	43,439	-
(5,036,586)	10,185,977	1,672,692	3,830,392
12,026,088	1,854,600	6,684,596	36,530,510
$ 6,989,502	$ 12,040,577	$ 8,357,288	$ 40,360,902

KERMAN UNIFIED SCHOOL DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		**$ 3,830,392**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 6,130,953	
Depreciation expense	(2,889,953)	
Net Expense Adjustment		3,241,000
In the Statement of Activities, compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned was more than the amounts paid by $22,622.		(22,622)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		(716,566)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(2,258,144)
In the government-wide financial statements, debt premiums are deferred and amortized over the life of the debt using the straight line method.		
Premium on debt issuance		87,284
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		830,000

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

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

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities includes additional accumulated interest that was accreted on the District's capital appreciation general obligation bonds.	$	(1,133,861)
Change in Net Position of Governmental Activities	**$**	**3,857,483**

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

KERMAN UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 1,093,299	$ 163,017
Receivables	2,344	-
Total Assets	1,095,643	163,017
LIABILITIES		
Due to student groups	-	$ 163,017
NET POSITION		
Restricted for scholarships	$ 1,095,643	

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

KERMAN UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Scholarship Trust
ADDITIONS	
Private donations	$ 5,400
Interest	15,262
Total Additions	20,662
DEDUCTIONS	
Scholarships awarded	7,350
Change in Net Position	13,312
Net Position - Beginning	1,082,331
Net Position - Ending	$ 1,095,643

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Kerman Unified School District (the District) was established on July 1, 1983, 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 K - 12 as mandated by the State and/or Federal agencies. The District operates four elementary schools, one middle school, one high school, and one continuation/opportunity school.

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

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, liabilities, and fund balance of $4,452,567, $104,776, and $3,749,509, respectively, and revenue and expenditures of $58,737 and $474,945, respectively.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Building Fund The Building 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.

Special Reserve Capital Outlay Fund The Special Reserve Capital Outlay Fund exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used 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, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition IA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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.).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into two classifications: a scholarship trust fund and agency funds. 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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. 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 the 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 is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position 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 use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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 balance sheet and revenue is recognized.

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

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, and typically paid within 60 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. 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 capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition cost.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide fund 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 governmental funds.

However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Premiums

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities fund statement of net position. Debt premiums are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, debt premiums are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than ten percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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 government-wide financial statements report $10,752,986 of restricted net position.

Interfund Activity

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column 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.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Fresno bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

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

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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

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

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental activities	$ 43,139,842
Fiduciary funds	1,256,316
Total Deposits and Investments	$ 44,396,158

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

Cash on hand and in banks	$ 163,017
Cash in revolving	5,500
Investments	44,227,641
Total Deposits and Investments	$ 44,396,158

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

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

Investment Type	Fair Value	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
County Pool	$ 43,875,620	$ -	$ -	$43,875,620	$ -

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, $444,360 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, and other local sources. All receivables are considered collectible in full.

	General Fund	Child Development Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities	Trust Fund
Federal Government							
Categorical aid	$ 1,204,343	$ -	$ -	$ -	$ 44,513	$ 1,248,856	$ -
State Government							
State grants and entitlements	460,529	187	-	-	15,357	476,073	-
Local Sources	241,176	1,858	11,247	10,627	9,532	274,440	2,344
Total	$ 1,906,048	$ 2,045	$ 11,247	$ 10,627	$ 69,402	$ 1,999,369	$ 2,344

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 7,823,906	$ -	$ -	$ 7,823,906
Construction in process	1,093,883	5,787,678	-	6,881,561
Total Capital Assets Not Being Depreciated	8,917,789	5,787,678	-	14,705,467
Capital Assets Being Depreciated				
Land improvements	8,882,916	-	-	8,882,916
Buildings and improvements	68,044,120	-	-	68,044,120
Furniture and equipment	5,614,017	343,275	32,000	5,925,292
Total Capital Assets Being Depreciated	82,541,053	343,275	32,000	82,852,328
Less Accumulated Depreciation				
Land improvements	4,659,721	446,854	-	5,106,575
Buildings and improvements	26,172,828	2,088,312	-	28,261,140
Furniture and equipment	3,672,412	354,787	32,000	3,995,199
Total Accumulated Depreciation	34,504,961	2,889,953	32,000	37,362,914
Governmental Activities Capital Assets, Net	$56,953,881	$ 3,241,000	$ -	$60,194,881

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 1,271,579
School site administration	57,799
Home-to-school transportation	751,388
Food services	231,196
Data processing services	115,598
All other general administration	86,699
Plant services	375,694
Total Depreciation Expenses, Governmental Activities	$ 2,889,953

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds		
General	$ 476,084	$ 532,649
Child Development	24,389	165,040
Building	4,029	-
Special Reserve Capital Outlay	447,032	-
Total Major Governmental Funds	951,534	697,689
Non-Major Governmental Funds		
Cafeteria	61,228	308,452
Capital Facilities	-	6,621
Total Non-Major Governmental Funds	61,228	315,073
Total All Governmental Funds	$ 1,012,762	$ 1,012,762

The General Fund owes the Special Reserve for Capital Outlay Fund for a prior year balance.	$ 447,032
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	140,900
The Cafeteria Non-Major Governmental Fund owes the General Fund for Health & Welfare costs.	128,914
The Child Development Fund owes the General Fund for Health & Welfare costs.	101,279
The Child Development Fund owes the General Fund for indirect costs.	52,151
The General Fund owes the Cafeteria Non-Major Governmental Fund for bad debts.	43,439
The General Fund owes the Child Development Fund for a prior year balance.	24,389
The Cafeteria Non-Major Governmental Fund owes the General Fund for a prior year balance.	23,089
The General Fund owes the Cafeteria Non-Major Governmental Fund for catering costs.	17,394
The Cafeteria Non-Major Governmental Fund owes the General Fund for miscellaneous costs.	15,549
The Child Development Fund owes the General Fund for a prior year balance.	8,799
The Capital Facilities Non-Major Governmental Fund owes the Building fund for miscellaneous costs.	4,029
The Child Development Fund owes the General Fund for miscellaneous costs.	2,811
The Capital Facilities Non-Major Governmental Fund owes the General fund for miscellaneous costs.	2,592
The General Fund owes the Cafeteria Non-Major Governmental Fund for a prior year balance.	395
Total	$ 1,012,762

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2018, consisted of the following:

The General Fund transferred to the Special Reserve for Capital Outlay Fund for future construction costs.	$ 11,113,830
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for bad debts on upaid student meals.	43,439
Total	$ 11,157,269

NOTE 7 - PREPAID EXPENDITURES (EXPENSES)

Prepaid expenditures (expenses) at June 30, 2018, consist of the following:

	General Fund
Goods and services	$ 13,766

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Child Development Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	$ 1,009,055	$ 56	$ 726,221	$ 124,700	$ 85,766	$ 1,945,798
Deferred payroll	1,008,901	-	-	-	-	1,008,901
Accrued payroll	372,475	12,174	-	-	14,967	399,616
State principal apportionment	253,811	1,232,852	-	-	-	1,486,663
Total	$ 2,644,242	$ 1,245,082	$ 726,221	$ 124,700	$ 100,733	$ 4,840,978

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Child Development Fund	Total Governmental Activities
Federal financial assistance	$ 25,220	$ -	$ 25,220
State financial assistance	52,736	7,297	60,033
Total	$ 77,956	$ 7,297	$ 85,253

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2017 as Restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General Obligation Bonds					
2004 - Series 2004					
Capital Appreciation	$ 841,456	$ 104,743	$ -	$ 946,199	$ -
2004 - Series 2006B					
Capital Appreciation	2,968,924	150,863	175,000	2,944,787	215,000
2004 - Series 2007C					
Current Interest	190,000	-	125,000	65,000	65,000
Capital Appreciation	2,839,544	141,839	-	2,981,383	-
2008 - Series 2009					
Capital Appreciation	10,260,091	736,416	205,000	10,791,507	290,000
2015 Refunding	3,775,000	-	325,000	3,450,000	325,000
2016 - Series 2017					
Current Interest	12,000,000	-	-	12,000,000	650,000
Bond Premium	1,580,661	-	87,284	1,493,377	-
Compensated absences - net	70,928	22,622	-	93,550	-
Other postemployment benefits, including Medicare Premium Payment Program	8,500,753	1,332,918	358,254	9,475,417	-
Total	$ 43,027,357	$ 2,489,401	$ 1,275,538	$ 44,241,220	$ 1,545,000

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The compensated absences and other postemployment benefits will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2017	Issued/ Accreted Interest	Redeemed	Bonds Outstanding June 30, 2018
2004	8/1/29	5.38-5.53	$ 212,954	$ 841,456	$ 104,743	$ -	$ 946,199
2006	8/1/30	4.410-4.92	1,063,376	2,968,924	150,863	175,000	2,944,787
2007	8/1/18	3.54-3.92	715,000	190,000	-	125,000	65,000
2007	2/1/32	4.36-4.43	1,711,016	2,839,544	141,839	-	2,981,383
2009	8/1/44	3.78-7.42	6,254,805	10,260,091	736,416	205,000	10,791,507
2015	8/1/25	3.06	4,140,000	3,775,000	-	325,000	3,450,000
2017	8/1/46	2.75-5.00	12,000,000	12,000,000	-	-	12,000,000
	Total			$32,875,015	$ 1,133,861	$ 830,000	$ 33,178,876

Debt Service Requirements to Maturity

The 2004 - Series 2004 Capital Appreciation Bonds mature as follows:

Maturity	Final Maturity	Accreted Obligation	Unaccreted Interest
2027	$ 630,000	$ 262,458	$ 367,542
2028	655,000	244,577	410,423
2029	680,000	227,664	452,336
2030	705,000	211,500	493,500
Total	$ 2,670,000	$ 946,199	$ 1,723,801

The 2004 - Series 2006B Capital Appreciation Bonds mature as follows:

Maturity	Final Maturity	Accreted Obligation	Unaccreted Interest
2019	$ 215,000	$ 215,000	$ -
2020	225,000	214,965	10,035
2021	235,000	214,320	20,680
2022	245,000	213,199	31,801
2023	260,000	215,748	44,252
2031	3,635,000	1,871,555	1,763,445
Total	$ 4,815,000	$ 2,944,787	$ 1,870,213

The 2004 - Series 2007C Current Interest Bonds mature as follows:

Maturity	Principal	Interest	Total
2019	$ 65,000	$ 2,600	$ 67,600

The 2004 - Series 2007C Capital Appreciation Bonds mature as follows:

Maturity	Final Maturity	Accreted Obligation	Unaccreted Interest
2027	$ 265,000	$ 179,352	$ 85,648
2028	285,000	183,711	101,289
2029	310,000	190,278	119,722
2030	335,000	195,841	139,159
2031	355,000	197,664	157,336
2032	3,895,000	2,034,537	1,860,463
Total	$ 5,445,000	$ 2,981,383	$ 2,463,617

The 2008 - Series 2009 Capital Appreciation Bonds mature as follows:

Maturity	Final Maturity	Accreted Obligation	Unaccreted Interest
2019	$ 290,000	$ 290,000	$ -
2020	380,000	359,860	20,140
2021	405,000	361,908	43,092
2022	430,000	361,028	68,972
2023	455,000	358,449	96,551
2024-2028	2,205,000	1,445,811	759,189
2029-2033	3,685,000	1,448,924	2,236,076
2034-2038	12,455,000	3,232,060	9,222,940
2039-2043	15,890,000	2,482,791	13,407,209
2044-2045	3,670,000	450,676	3,219,324
Total	$ 39,865,000	$ 10,791,507	$ 29,073,493

The 2015 Refunding Bonds mature as follows:

Maturity	Principal	Interest	Total
2019	$ 325,000	$ 100,597	$ 425,597
2020	350,000	90,270	440,270
2021	380,000	79,101	459,101
2022	410,000	67,014	477,014
2023	440,000	54,010	494,010
2024-2026	1,545,000	73,059	1,618,059
Total	$ 3,450,000	$ 464,051	$ 3,914,051

The 2016, Series 2017 Current Interest Bonds mature as follows:

Maturity	Principal	Interest	Total
2019	$ 650,000	$ 484,106	$ 1,134,106
2020	505,000	464,256	969,256
2021	-	454,156	454,156
2022	25,000	453,781	478,781
2023	40,000	452,606	492,606
2024-2028	525,000	2,210,655	2,735,655
2029-2033	1,190,000	2,055,534	3,245,534
2034-2038	2,055,000	1,791,138	3,846,138
2039-2043	3,230,000	1,315,688	4,545,688
2044-2047	3,780,000	419,214	4,199,214
Total	$ 12,000,000	$ 10,101,134	$ 22,101,134

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2018, amounted to $93,550.

Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported OPEB liability, deferred outflows of resources and OPEB expense for the following plans:

OPEB Plan	OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 9,171,330	$ 258,098	$ 1,332,918
Medicare Premium Payment (MPP) Program	304,087	-	(17,810)
Total	$ 9,475,417	$ 258,098	$ 1,315,108

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	20
Active employees	392
Total	412

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Kerman Unified Teachers Association (KUTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, KUTA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed $258,098 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $9,171,330 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Investment rate of return	3.5 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4 percent for 2018 and thereafter

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	$ 8,178,856
Service cost	1,035,001
Interest	297,917
Contributions-employer	(340,444)
Net change in total OPEB liability	992,474
Balance at June 30, 2017	$ 9,171,330

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.5%)	$ 9,790,232
Current discount rate (3.5%)	9,171,330
1% increase (4.5%)	8,572,819

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3%)	$ 8,788,137
Current healthcare cost trend rate (4%)	9,171,330
1% increase (5%)	9,383,053

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $1,332,918. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $258,098.

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). 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).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (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. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments 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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of $304,087 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, 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 a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0723 percent, and 0.0688 percent, resulting in a net increase in the proportionate share of 0.0035 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(17,810).

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:

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

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 fit the patterns of mortality among the 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.

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 financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

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 benefit 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 presents the District's proportionate share of the net OPEB 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 percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 336,646
Current discount rate (3.58%)	304,087
1% increase (4.58%)	272,417

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 274,789
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	304,087
1% increase (4.7% Part A and 5.1% Part B)	333,093

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Child Development Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable						
Revolving cash	$ 5,500	$ -	$ -	$ -	$ -	$ 5,500
Stores inventory	78,062	-	-	-	56,094	134,156
Prepaid expenditures	13,766	-	-	-	-	13,766
Total Reserved	97,328	-	-	-	56,094	153,422
Restricted						
Legally restricted programs	2,336,356	59,342	-	-	-	2,395,698
Food service	-	-	-	-	516,848	516,848
Capital projects	-	-	6,989,502	-	5,690,941	12,680,443
Debt service	-	-	-	-	2,093,405	2,093,405
Total Restricted	2,336,356	59,342	6,989,502	-	8,301,194	17,686,394
Assigned						
Other postemployment benefits	4,209,782	-	-	-	-	4,209,782
Deferred maintenance	39,726	-	-	-	-	39,726
Capital projects	-	-	-	12,040,577	-	12,040,577
Total Assigned	4,249,508	-	-	12,040,577	-	16,290,085
Unassigned						
Unassigned	6,231,001	-	-	-	-	6,231,001
Total	$ 12,914,193	$ 59,342	$ 6,989,502	$12,040,577	$ 8,357,288	$ 40,360,902

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with Organization of Self Insured Schools (OSS) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2018, the District participated in the Fresno County Self Insurance Group (FCSIG), an insurance purchasing pool. The intent of the Fresno County Self Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Fresno County Self Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Fresno County Self Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Fresno County Self Insurance Group. Participation in the Fresno County Self Insurance Group is limited to districts that can meet the Fresno County Self Insurance Group's selection criteria.

Employee Medical Benefits

The District has contracted with the Central Valley Trust (CVT) to provide employee health benefits. CVT is a shared risk pool comprised of other member Districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 36,921,934	$ 11,671,912	$ 1,736,017	$ 4,033,120
CalPERS	14,009,298	4,560,029	164,942	2,923,983
Total	$ 50,931,232	$ 16,231,941	$ 1,900,959	$ 6,957,103

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

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

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $3,252,385.

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 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:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 36,921,934
State's proportionate share of the net pension liability associated with the District	21,842,704
Total	$ 58,764,638

The net pension liability was measured as of June 30, 2017. 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 school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0399 percent and 0.0387 percent, resulting in a net increase in the proportionate share of 0.0012 percent.

For the year ended June 30, 2018, the District recognized pension expense of $4,033,120. In addition, the District recognized pension expense and revenue of $2,198,678 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,252,385	$ -
Net change in proportionate share of net pension liability	1,442,767	108,705
Difference between projected and actual earnings on pension plan investments	-	983,334
Differences between expected and actual experience in the measurement of the total pension liability	136,541	643,978
Changes of assumptions	6,840,219	-
Total	$ 11,671,912	$ 1,736,017

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2019	$ (817,482)
2020	618,592
2021	89,198
2022	(873,642)
Total	$ (983,334)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 1,289,677
2020	1,289,677
2021	1,289,677
2022	1,289,675
2023	1,208,745
Thereafter	1,299,393
Total	$ 7,666,844

Actuarial Methods and Assumptions

Total pension liability for 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. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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 year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these 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 total pension liability.

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 percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 54,213,121
Current discount rate (7.10%)	36,921,934
1% increase (8.10%)	22,888,964

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $1,246,574.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $14,009,298. The net pension liability was measured as of June 30, 2017. 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 school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.0587 percent and 0.0583 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2018, the District recognized pension expense of $2,923,983. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,246,574	$ -
Net change in proportionate share of net pension liability	280,656	-
Difference between projected and actual earnings on pension plan investments	484,626	-
Differences between expected and actual experience in the measurement of the total pension liability	501,895	-
Changes of assumptions	2,046,278	164,942
Total	$ 4,560,029	$ 164,942

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	$ (13,132)
2020	559,153
2021	203,986
2022	(265,381)
Total	$ 484,626

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 1,014,727
2020	927,529
2021	721,631
Total	$ 2,663,887

Actuarial Methods and Assumptions

Total pension liability for the SEP 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. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

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 percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 20,612,166
Current discount rate (7.15%)	14,009,298
1% increase (8.15%)	8,531,665

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,776,277 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Two-story academic and administrative building	$ 13,300,000	April 2019

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES

The District is a member of the Central Valley Trust (CVT), the Fresno County Self Insurance Group (FCSIG), and the Organization of Self Insured Schools (OSS) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health and welfare, workers' compensation, and property and liability coverage. Payments are made directly to the JPAs. The relationships between the District and the JPAs are such that they 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 statements. Audited financial statements are generally available from the respective entities.

The District has no appointed board members to the governing board of Central Valley Trust.

During the year ended June 30, 2018, the District made payment of $4,764,169 to the Central Valley Trust for health and welfare benefits.

The District has appointed one member to the governing board of Fresno County Self Insurance Group.

During the year ended June 30, 2018, the District made payment of $635,904 to the Fresno County Self Insurance Group for worker's compensation insurance.

The District has appointed one member to the governing board of Organization of Self Insured Schools.

During the year ended June 30, 2018, the District made payment of $386,495 to the Organization of Self Insured Schools for property and liability insurance.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements	
Net Position - Beginning	$ 20,604,784
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	(4,489,856)
Net Position - Beginning as Restated	$ 16,114,928

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REQUIRED SUPPLEMENTARY INFORMATION

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KERMAN UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts			Variances - Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 52,367,710	$ 51,694,764	$ 51,535,869	$ (158,895)
Federal sources	3,585,445	3,891,426	3,542,249	(349,177)
Other State sources	4,113,108	3,870,486	4,717,011	846,525
Other local sources	2,053,754	2,075,143	2,026,183	(48,960)
Total Revenues [1]	62,120,017	61,531,819	61,821,312	289,493
EXPENDITURES				
Current				
Certificated salaries	22,725,740	23,733,551	22,610,183	1,123,368
Classified salaries	7,649,704	8,103,502	7,655,545	447,957
Employee benefits	12,480,355	12,898,212	12,580,028	318,184
Books and supplies	5,265,760	4,552,599	3,605,347	947,252
Services and operating expenditures	5,747,166	6,373,625	5,775,771	597,854
Other outgo	390,045	369,601	524,265	(154,664)
Capital outlay	1,036,794	721,719	903,674	(181,955)
Total Expenditures [1]	55,295,564	56,752,809	53,654,813	3,097,996
Excess of Revenues Over Expenditures	6,824,453	4,779,010	8,166,499	3,387,489
Other Financing Uses				
Transfers out	(7,081,928)	(6,191,829)	(11,157,269)	(4,965,440)
NET CHANGE IN FUND BALANCES	(257,475)	(1,412,819)	(2,990,770)	(1,577,951)
Fund Balance - Beginning	15,904,963	15,904,963	15,904,963	-
Fund Balance - Ending	$ 15,647,488	$ 14,492,144	$ 12,914,193	$ (1,577,951)

[1] Due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 20, Special Reserve Fund for Postemployment Benefits, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

KERMAN UNIFIED SCHOOL DISTRICT

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

	Budgeted Amounts			Variances - Favorable (Unfavorable) Final
	Original	Final	Actual	to Actual
REVENUES				
Other State sources	$ 1,010,945	$ 984,656	$ 818,063	$ (166,593)
Other local sources	11,577	51,796	25,053	(26,743)
Total Revenues	1,022,522	1,036,452	843,116	(193,336)
EXPENDITURES				
Current				
Certificated salaries	323,799	325,629	316,910	8,719
Classified salaries	285,819	288,382	252,508	35,874
Employee benefits	221,438	223,173	206,166	17,007
Books and supplies	18,614	18,064	6,225	11,839
Services and operating expenditures	10,454	114,257	10,077	104,180
Other outgo	38,502	38,502	52,151	(13,649)
Capital outlay	1,400	1,400	-	1,400
Total Expenditures	900,026	1,009,407	844,037	165,370
NET CHANGE IN FUND BALANCES	122,496	27,045	(921)	(358,706)
Fund Balance - Beginning	60,263	60,263	60,263	-
Fund Balance - Ending	$ 182,759	$ 87,308	$ 59,342	$ (27,966)

See accompanying note to required supplementary information.

KERMAN UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 1,035,001
Interest	297,917
Benefit payments	(340,444)
Net change in total OPEB liability	992,474
Total OPEB liability - beginning	8,178,856
Total OPEB liability - ending	$ 9,171,330
Covered payroll	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]

[1] The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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KERMAN UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2017
District's proportion of the net OPEB liability	0.0723%
District's proportionate share of the net OPEB liability	$ 304,087
District's covered-employee payroll	N/A [1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A [1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

KERMAN UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.0399%	0.0387%
District's proportionate share of the net pension liability	$ 36,921,934	$ 31,279,184
State's proportionate share of the net pension liability associated with the District	21,842,704	17,806,682
Total	$ 58,764,638	$ 49,085,866
District's covered - employee payroll	$ 21,476,335	$ 19,442,693
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	171.92%	160.88%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.0587%	0.0583%
District's proportionate share of the net pension liability	$ 14,009,298	$ 11,517,465
District's covered - employee payroll	$ 7,450,821	$ 6,964,767
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	188.02%	165.37%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
0.0389%	0.0374%
$ 26,174,849	$ 21,844,635
13,843,609	13,190,734
$ 40,018,458	$ 35,035,369
$ 18,459,899	$ 16,871,188
141.79%	129.48%
74%	77%
0.0563%	0.0539%
$ 8,297,362	$ 6,117,080
$ 6,195,463	$ 6,373,606
133.93%	95.98%
79%	83%

KERMAN UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 3,252,385	$ 2,701,723
Contributions in relation to the contractually required contribution	3,252,385	2,701,723
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 22,539,051	$ 21,476,335
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 1,246,574	$ 1,034,770
Contributions in relation to the contractually required contribution	1,246,574	1,034,770
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 8,026,360	$ 7,450,821
Contributions as a percentage of covered - employee payroll	15.531%	13.888%

Note : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

	2016	2015
	$ 2,086,201	$ 1,639,219
	2,086,201	1,639,219
	$ -	$ -
	$ 19,442,693	$ 18,459,899
	10.73%	8.88%
	$ 825,116	$ 729,268
	825,116	729,268
	$ -	$ -
	$ 6,964,767	$ 6,195,463
	11.847%	11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2018, the District major funds exceeded the budgeted amount by major object accounts as follows:

	Expenditures and Other Uses		
Funds	Budget	Actual	Excess
General			
Other outgo	$ 369,601	$ 524,265	$ 154,664
Capital outlay	$ 721,719	$ 903,674	$ 181,955
Child Development			
Other outgo	$ 38,502	$ 52,151	$ 13,649

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions - The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions - The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

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Supplementary Information

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KERMAN UNIFIED SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program	Federal Catalog Number	Pass-Through Identification Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education:			
Title I - Part A, Basic	84.010	14329	$ 1,917,294
Title I - Part A, Program Improvement	84.010	14955	(54,521)
Title I - Part C, Migrant Education	84.011	14326	64,015
Title I - Part C, Migrant Education-Summer	84.011	14326	39,425
Title I - Advance Placement Incentive Program	84.330	14831	1,510
Title II - Part A, Supporting Effective Instruction	84.367	14341	219,536
Title III - English Language Acquisition - LEP	84.365	14346	179,720
Title III - English Language Acquisition - IEP	84.365	15146	11,817
Vocational Education - Technology Secondary II	84.048	14894	36,943
Special Education Cluster			
Special Education, Basic Local Assistance	84.027	13379	844,721
Special Education, Basic Local Assistance - Private School ISP	84.027	10115	7,313
Special Education, Part B, Preschool Grants	84.173	13430	24,206
Special Education, Part B, Preschool Local Entitlement	84.027A	13682	75,471
Subtotal Special Education Cluster			951,711
Total U.S. Department of Education			3,367,450
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	174,799
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through California Department of Education:			
Child Nutrition Cluster			
National School Lunch	10.555	13391	1,648,340
Especially Needy Breakfast	10.553	13526	582,538
Meals Supplements - Snacks	10.555	13391	108,505
Summer Food Program	10.559	13004	44,513
Food Distribution - Commodities	10.555	13391	70,207
Subtotal Child Nutrition Cluster			2,454,103
Total U.S. Department of Agriculture			2,454,103
Total Expenditures of Federal Awards			$ 5,996,352

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

The Kerman Unified School District was established on July 1, 1983, and consists of an area comprising 146 square miles located in Fresno County. The District operates four elementary schools, one middle school, one high school, and one continuation/opportunity school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Daniel Babshoff	President	2020
Vicki A. Blair	Vice President	2018
Maria Cantu	Clerk	2020
Efrain Guizar	Member	2018
Darrell Yates	Member	2018

ADMINISTRATION

Robert Frausto	Superintendent
Mark Ruiz	Assistant Superintendent Personnel
Kraig Magnussen	Assistant Superintendent/Chief Business Official
Pamela Millspaugh	Assistant Superintendent Educational Services
Peggy Rodgers	Director of Fiscal Services

See accompanying note to supplementary information.

KERMAN UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,539.36	1,543.62
Fourth through sixth	1,140.53	1,142.42
Seventh and eighth	813.98	812.75
Ninth through twelfth	1,437.28	1,425.10
Total Regular ADA	4,931.15	4,923.89
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	2.93	2.87
Total ADA	4,934.08	4,926.76

See accompanying note to supplementary information.

KERMAN UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

	1986-1987	2017-2018	Number of Days		
Grade Level	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	Status
Kindergarten	36,000	59,430	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		56,730	180	N/A	Complied
Grade 2		56,730	180	N/A	Complied
Grade 3		56,730	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		56,730	180	N/A	Complied
Grade 5		56,730	180	N/A	Complied
Grade 6		56,730	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		63,959	180	N/A	Complied
Grade 8		63,959	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,725	180	N/A	Complied
Grade 10		65,725	180	N/A	Complied
Grade 11		65,725	180	N/A	Complied
Grade 12		65,725	180	N/A	Complied

N/A - Not Applicable

See accompanying note to supplementary information.

KERMAN UNIFIED SCHOOL DISTRICT

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

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Child Development Fund	Building Fund	Special Reserve Capital Outlay Fund
FUND BALANCE				
Balance, June 30, 2018,				
Unaudited Actuals	$ 12,459,059	$ 81,523	$ 7,107,271	$ 12,219,631
Decrease in:				
Accounts payable	455,134	-	-	-
Cash in County	-	(22,181)	(117,769)	(179,054)
Balance, June 30, 2018,				
Audited Financial Statement	$ 12,914,193	$ 59,342	$ 6,989,502	$ 12,040,577

See accompanying note to supplementary information.

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KERMAN UNIFIED SCHOOL DISTRICT

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

	(Budget) 2019 [1,4]	2018 [4]	2017 [4]	2016 [4]
GENERAL FUND				
Revenues and other sources [3]	$ 64,928,773	$ 61,762,573	$ 60,651,613	$ 57,966,602
Expenditures	59,816,505	53,179,868	50,960,373	49,734,969
Other uses and transfers out	5,000,000	11,657,268	4,703,234	8,019,109
Total Expenditures and Other Uses [3]	64,816,505	64,837,136	55,663,607	57,754,078
INCREASE/(DECREASE) IN FUND BALANCE	$ 112,268	$ (3,074,563)	$ 4,988,006	$ 212,524
ENDING FUND BALANCE	$ 8,776,952	$ 8,664,684	$ 11,739,247	$ 6,751,241
AVAILABLE RESERVES [2]	$ 4,143,926	$ 6,231,001	$ 4,199,698	$ 5,083,216
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	6.4%	9.6%	7.5%	8.8%
LONG-TERM OBLIGATIONS [5]	Not Available	$ 44,241,220	$ 43,027,357	$ 24,629,297
AVERAGE DAILY ATTENDANCE AT P-2	4,934	4,934	4,940	4,890

The General Fund balance has increased by $1,913,443 over the past two years. The fiscal year 2018-2019 budget projects a further increase of $112,268 (1.3 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by $19,611,923 over the past two years primarily due to the issuance of general obligation bonds and the implementation of GASB Statement No. 75.

Average daily attendance has increased by 44 over the past two years. No change in ADA is anticipated during fiscal year 2018-2019.

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

2 Available reserves consist of unassigned fund balance contained within the General Fund.

3 On behalf payments have been excluded from revenues and expenditures in this schedule for the 2015 fiscal year.

4 General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund and Special Reserve for Postemployment Benefits Fund as required by GASB Statement No. 54.

5 The balance of long-term obligations for the year ended June 30, 2017, has been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

KERMAN UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	$ 792,199	$ 1,705,937	$ 3,997,190
Receivables	60,388	1,853	4,800
Due from other funds	61,228	-	-
Stores inventories	56,094	-	-
Total Assets	$ 969,909	$ 1,707,790	$ 4,001,990
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 88,515	$ 12,218	$ -
Due to other funds	308,452	6,621	-
Total Liabilities	396,967	18,839	-
Fund Balances:			
Nonspendable	56,094	-	-
Restricted	516,848	1,688,951	4,001,990
Total Fund Balances	572,942	1,688,951	4,001,990
Total Liabilities and Fund Balances	$ 969,909	$ 1,707,790	$ 4,001,990

See accompanying note to supplementary information.

Bond Interest and Redemption Fund		Total Non-Major Governmental Funds	
$	2,091,044	$	8,586,370
	2,361		69,402
	-		61,228
	-		56,094
$	2,093,405	$	8,773,094
$	-	$	100,733
	-		315,073
	-		415,806
	-		56,094
	2,093,405		8,301,194
	2,093,405		8,357,288
$	2,093,405	$	8,773,094

KERMAN UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Federal sources	$ 2,454,103	$ -	$ -
Other State sources	196,807	-	239,403
Other local sources	392,774	790,953	52,708
Total Revenues	3,043,684	790,953	292,111
EXPENDITURES			
Current			
Pupil services:			
Food services	2,830,691	-	-
Administration:			
All other administration	140,898	-	-
Plant services	17,749	119,559	-
Facility acquisition and construction	-	119,352	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	2,989,338	238,911	-
Excess of Revenues Over Expenditures	54,346	552,042	292,111
Other Financing Sources			
Transfers in	43,439	-	-
NET CHANGE IN FUND BALANCES	97,785	552,042	292,111
Fund Balance - Beginning	475,157	1,136,909	3,709,879
Fund Balance - Ending	$ 572,942	$ 1,688,951	$ 4,001,990

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ 2,454,103
8,389	444,599
2,027,768	3,264,203
2,036,157	6,162,905
-	2,830,691
-	140,898
-	137,308
-	119,352
830,000	830,000
475,403	475,403
1,305,403	4,533,652
730,754	1,629,253
-	43,439
730,754	1,672,692
1,362,651	6,684,596
$ 2,093,405	$ 8,357,288

KERMAN UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

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.

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INDEPENDENT AUDITOR'S REPORTS

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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*

Governing Board
Kerman Unified School District
Kerman, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kerman Unified School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Kerman Unified School District's basic financial statements, and have issued our report thereon dated November 28, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kerman 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 Kerman Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Kerman 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kerman 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*.

We noted certain matters that we reported to management of Kerman Unified School District in a separate letter dated November 28, 2018.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
November 28, 2018

VAVRINEK, TRINE, DAY & CO., LLP
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Kerman Unified School District
Kerman, California

Report on Compliance for Each Major Federal Program

We have audited Kerman Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kerman Unified School District's major Federal programs for the year ended June 30, 2018. Kerman 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 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 Kerman 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* 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 Kerman 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 Kerman Unified School District's compliance.

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Opinion on Each Major Federal Program

In our opinion, Kerman 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.

Report on Internal Control Over Compliance

Management of Kerman 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 Kerman 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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kerman 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vavrinek, Trine, Day & Co., LLP

Fresno, California
November 28, 2018

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Kerman Unified School District
Kerman, California

Report on State Compliance

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Kerman Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These 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 noted below. An audit includes examining, on a test basis, evidence about Kerman 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 opinions. Our audit does not provide a legal determination of Kerman Unified School District's compliance with those requirements.

Unmodified Opinion

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

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	No (see below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No (see below)
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Non Classroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

We did not perform procedures for Independent Study because the independent study ADA was under the level that requires testing.

We did not perform procedures for Continuation Education because the ADA from the program was under the level that requires testing.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

The District does not offer an apprenticeship program; therefore, we did not perform procedures related to Apprenticeship: Related and Supplemental Instruction.

We did not perform procedures for the General Requirements of the After School Education and Safety Program because the grantee, Fresno County Superintendent of Schools, administers the program and has its own audit.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to Independent Study - Course Based.

Additionally, the District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
November 28, 2018

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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KERMAN UNIFIED SCHOOL DISTRICT

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

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No
Identification of major Federal programs:	

CFDA Number	Name of Federal Program or Cluster
84.010	Title I - Part A Programs

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 auditor's report issued on compliance for programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

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

None reported.

KERMAN UNIFIED SCHOOL DISTRICT

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

None reported.

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

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

State Awards Findings and Questioned Costs

2017-001 10000

Attendance Accounting and Reporting

Criteria

According to the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, attendance reports must be amended for any change in ADA. [*Education Code* Sections 41341 (a)(1) and 14503 (a)]

Condition

During our audit of the Second Period Attendance Report, we determined the high school ADA was understated by 3.62 due to incorrect attendance reports generated for the continuation program.

Effect

The District will need to revise their Second Period Attendance Report by an increase in ADA of 3.62 for high school continuation attendance. The fiscal impact amounted to an increase of approximately $32,537 in State apportionment funding.

Cause

The hourly monthly attendance summaries used by District was converting the apportionment hours to ADA using six hours rather than three hours.

Recommendation

The District needs to revise their Second Period Attendance Report to reflect the correct ADA.

Current Status

Implemented.

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

2017-002 72000

School Accountability Report Card

Criteria

According to *Education Code* Section 33126(a), the School Accountability Report Card (SARC) shall provide data by which parents can make meaningful comparisons between public schools, enabling them to make informed decisions on which school to enroll their children. Included in the SARC is information regarding the conditions, safety, cleanliness, and adequacy of the school facilities For all school sites at the District, a facilities inspection should be conducted and a report prepared. For Decile 1-3 schools, the County Superintendent is charged with the responsibility of performing these inspections. For Decile 4-10 schools the District must complete the inspections. The information reported in the SARC should be consistent with the information in the facilities inspection reports. Since SARCs for most School Districts are usually not completed until six months after the end of the fiscal year, we were auditing compliance for the 2015-2016 SARCs. Also, SARCs must include the most current information available, even if it subsequent to the fiscal year of the SARC.

Condition

Information noted in Facilities Inspection Tool Report (FIT) is inconsistent with the information in the School Accountability Report Card (SARC) for Kerman Floyd Elementary, Kerman Middle School, and Kerman High School. The SARC reported that the inspections were performed in December 2014. However, the FIT reports obtained indicated that they were performed in December 2015. This indicates that the Facility Inspection section of the SARC reports were not updated from the prior year.

Effect

There is no questioned cost associated with this exception.

Cause

Inconsistencies between the SARC and FIT report occurred due to a lack of communication between the District and school sites. When the FIT report was completed by the District or County Office of Education and submitted to the SARC preparer, the SARC was not updated. This leads to incorrect information being reported in the SARC reports.

Recommendation

When FIT reports are completed by the District or County Office of Education a copy should to be sent from the District to the site administrator who creates the SARC. The District Office should also review completed SARC reports and double check data for accuracy.

Current Status

Implemented.

2017-003 40000

KERMAN UNIFIED SCHOOL DISTRICT

Unduplicated Local Control Funding Formula Pupil Count

Criteria

With the Local Control Funding Formula, school districts receive supplemental funding known as the Supplement Grant and Concentration Grant. The amount of funding received is generated by the number of students who are either English Learners (EL) or participants in the Free/Reduced meal program in accordance with Educational Code sections 2574(b)(3)(C), 42238.02(b)(3)(b), and 41020.

Condition

During the audit of the unduplicated local control funding formula pupil count, numerous pupils were incorrectly reported as free/reduced on the CalPADS report because the application stated the student was denied for the free/reduced classification.

Effect

Forty pupils were initially selected as a sample and two were denied based on income information provided. Through extrapolation, the auditor calculated 11 students were incorrectly reported overall.

The below table summarizes the effect of students who were incorrectly reported.

Kerman Unified School District (excluding County programs)	
Certified total enrollment	5,131
Certified total unduplicated pupil count	4,358
Unduplicated pupil count adjustment based on eligibility for FRPM	(11)
Adjusted total enrollment	5,131
Adjusted total unduplicated pupil count	4,347

Cause

During the annual updating process of student records, applications are collected and verified by the Food Services department of the District and the appropriate designations are input to the Mealtime software. The list of these students is then forwarded to the Testing and Information Services department to be uploaded to the Powerschools attendance software. Once all changes have been made, the updated pupil records are uploaded to the Calpads database via internet. The error occurred due to the Food Service department incorrectly calculating income eligibility to determine participants of the Free/Reduced meal program.

Questioned Cost

The above mention net effect has an estimated questioned cost of $10,799 as a reduction to revenue. The estimated questioned cost was calculated using the California Department of Education provided "Audit Finding Calculator for Fiscal Year 2016-2017 and Each Year Thereafter."

Recommendation

The District must have procedures in place to verify the status of the students reported on the CalPads database when the students are designated as an English Learner or participants of the Free/Reduced meal program.

Current Status

Implemented.

VAVRINEK, TRINE, DAY & CO., LLP
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Governing Board
Kerman Unified School District
Kerman, California

In planning and performing our audit of the financial statements of Kerman Unified School District (the District) for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 28, 2018, on the government-wide financial statements of the District.

DISTRICT OFFICE

Interfund Receivables and Payables

Observation

We discovered several instances where the beginning balance did not properly clear out in the current fiscal year.

California *Education Code* Section 42603 states, "Amounts transferred shall be repaid either in the same fiscal year, or in the following fiscal year if the transfer takes place within the final 120 calendar days of a fiscal year."

Recommendation

The District must ensure the balances in the interfund receivable and payable accounts are properly cleared in the subsequent fiscal year by either repayment of the funds or the recording of a permanent transfer.

KERMAN HIGH SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Sub-Receipts

Observation

During the audit of the cash receipts system, we discovered teachers are not consistently using sub-receipt books or a class roster (there is no supporting documentation) to document when money is being turned in, how much money, and by who. Without this supporting documentation we cannot determine if a deposit is intact or if club advisors/teachers are forwarding funds to the Bookkeeper in a timely manner. Since there are no sub-receipts attached to the monies turned in, the bookkeeper cannot reconcile the money back to any documentation to determine the accuracy of the cash count sheet and the actual money turned in.

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Recommendation

The site should maintain sub-receipt books in addition to the ASB's primary receipt book. These sub-receipt books would be given to teachers when they are conducting fundraising activities. A system should be established to track the receipts sequences of the sub-receipt books and to whom the books were given. For certain events, a class roster may be sufficient in place of using a sub-receipt book. Prenumbered receipts should be issued, or a classroom roster should be completed, for all cash collections by teachers/advisors which should include a specific description of the source of the funds. A carbon of the receipts issued, or a copy of the completed roster by the teachers and advisors should be forwarded with the cash to the bookkeeper as documentation that all monies collected have been turned in.

Stale Dated Checks

Observation

During our audit of the outstanding check listing for the November 2017 bank reconciliation, we discovered checks totaling $607.75 which were over six months old making for a low probability that they will clear the account.

Recommendation

Outstanding checks and deposit adjustments over six months old should be credited back to the appropriate account and taken off the subsequent bank reconciliation. If the check clears in the future, the amount should be charged against the appropriate account and supported with documentation from the

Cash Disbursements

Observation

In auditing the cash disbursement procedures at the site, we determined that internal controls over the disbursement process are not in place. We noted two of the eleven expenditures tested had approvals dated after the invoice/receipt date indicating the expenditure was not preapproved.

Recommendation

The site should review the cash disbursement procedures outlined in the Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference published by the Fiscal Crisis & Management Assistance Team (FCMAT) which is available at www.fcmat.org. In order to provide proper controls over spending, the site should take the necessary steps to ensure that expenditures are approved by site administration, a club advisor and a student representative prior to the item being purchased.

Revenue Potentials

Observation

Revenue potential forms are consistently used to approve and document fundraising activities as they occur. However, we noticed the forms are not consistently being filled out completely. Some did not include an analysis of whether or not the fundraiser was successful. The club should compare the anticipated versus actual revenues/expenses and note any differences. This part is helpful in explaining possible unforeseen events that might have caused the fundraiser to not do well.

Recommendation

The revenue potential form is a vital internal control tool; it should be used to document potential revenues and expenditures and also to document actual revenue and expenditures. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential can also identify weak control areas in the fundraising process at the site, including lost or stolen merchandise, problems with collecting all funds due and so forth. The revenue potential form used at the site should contain four major elements. These are:

- Potential Expense/Income-This lists the selling price of the item multiplied by the number of items purchased to compute the total income that should be deposited from the fundraiser if all the items were sold and all the funds were turned in. This element should also be utilized to track the cost of the items, check numbers used to purchase the items, and the purchase dates. This purchasing information is a good reference source for future sales and also tracks cost so profits can be determined.

- Expenditures/Receipts/Fundraiser Deposits-This records all expenditures and deposits turned in which are from funds generated from the sale. The check numbers and receipt numbers issued to the advisor from the bookkeeper, date, and deposit amount should be documented on the form. This is necessary to perform a recap of the expenses and income from deposits. It also creates a trail of checks and deposits that can be traced to the appropriate accounts.

- Analysis-This section is used to compare the potential income as calculated in the potential income section to the actual funds raised as calculated in the Receipts/Fundraiser Deposits section. The difference between these two amounts should be documented explained. The explanation can consist of merchandise not sold, merchandise lost or destroyed, or funds lost or stolen.

- Recap-This section figures the net profit of the sale. Fundraisers of this type can be planned or canceled depending on the information calculated in this section.

Master Ticket Log

Observation

A master ticket log is not being utilized to account for all tickets on hand and used during the year.

Recommendation

A master ticket log should be maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log and the form should be reconciled to the log. The log should be used in conjunction with a ticket sales recap form.

GOLDENROD ELEMENTARY SCHOOL - ASSOCIATED STUDENT BODY (ASB)

Cash Receipts

Observation

As discussed in the prior years' audit reports, when teachers make deposits to the office, the receipts being issued by the office to teachers are not prenumbered. Additionally, during our follow-up we noted that sub-receipts are not submitted with the deposits to the ASB Bookkeeper. Therefore, we were unable to determine the intactness and timeliness of the deposit.

Recommendation

The District should provide the site with policies/procedures or an in-service regarding the District's established ASB cash receipting procedures to ensure that the site has a sufficient understanding of what is required to properly handle and account for cash deposits.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Fresno, California
November 28, 2018

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE CITY OF KERMAN AND FRESNO COUNTY

*The Bonds are not a debt of the City of Kerman (the "**City**") or Fresno County (the **"County"**). The City and the County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Bonds at the time such payment is due.*

General Information

The County. The County is California's fifth-largest county as measured by area, covering approximately 6,000 square miles. It is located in the geographic center of the State and regularly ranks in the top three counties in agricultural production based on gross receipts of counties nation-wide.

Within the County, there are roughly four different agricultural areas. East and south of the City of Fresno, grapes and other fruit and nut crops are grown, harvested and processed for shipment. To the west, large crops of cotton, alfalfa, barley, rice, wheat and vegetables are produced. In the southwest are oil wells, extensive cattle and sheep ranches.

The County is the trade, financial and commercial center for many surrounding counties in the central part of the State known as the "Central Valley" and is a hub of transportation facilities connecting the Central Valley to other states. Two major north-south highways, State Highway 99 and Interstate Highway 5, pass through the County. State Routes 180 and 145 run east and west. Railroads, major airlines, bus lines and numerous trucking companies also serve the area.

The City. The City, incorporated in 1946, is located 16 miles west of the City of Fresno in the San Joaquin Valley. It is one of the fasting growing cities in California, and while predominately agricultural, there has been a shift on economic development in recent years, leading to industrial expansions.

Population

The most recent estimate of the County's population at January 1, 2018 was 1,007,229 persons according to the State Department of Finance. The table below shows population estimates for the cities in the County for the last five years.

FRESNO COUNTY
Population Estimates
Calendar Years 2014 through 2018

	2014	2015	2016	2017	2018
Clovis	102,442	105,220	107,958	110,532	113,883
Coalinga	16,383	16,484	16,654	16,987	16,791
Firebaugh	7,951	8,101	8,095	8,047	8,112
Fowler	5,777	5,841	5,918	6,092	6,241
Fresno	519,157	524,938	529,552	533,670	538,330
Huron	6,867	6,895	7,009	7,274	7,302
Kerman	**14,354**	**14,423**	**14,507**	**14,743**	**15,083**
Kingsburg	11,809	11,959	12,025	12,215	12,392
Mendota	11,409	11,418	11,560	11,704	12,051
Orange Cove	9,196	9,117	9,141	9,279	9,469
Parlier	14,755	14,815	15,112	15,283	15,493
Reedley	25,286	25,875	25,935	26,023	26,390
Sanger	24,912	25,286	25,878	26,249	26,648
San Joaquin	4,056	4,068	4,076	4,095	4,119
Selma	166,301	166,576	166,829	168,455	170,183
Balance of County	166,576	166,829	168,455	170,183	166,576
Fresno County Total	**964,611**	**975,043**	**984,537**	**995,233**	**1,007,229**

Source: State Department of Finance, Demographic Research.

Major Employers

The following table lists the major employers within the County as of April 2019, in alphabetical order without regard to the number of employees.

COUNTY OF FRESNO
Major Employers (Listed Alphabetically)
As of April 2019

Employer Name	Location	Industry
Aetna	Fresno	Insurance
California State Univ Fresno	Fresno	Schools-Universities & Colleges Academic
California Teaching Fellows	Fresno	Employment Service-Govt Co Fraternal
Community Medical Ctr	Fresno	Medical Centers
Community Regional Medical Ctr	Fresno	Hospitals
Foster Farms	Fresno	Poultry Farms
Fresno County Sheriff's Dept	Fresno	Police Departments
Fresno Police Dept	Fresno	Police Departments
Kaiser Permanente Fresno Med	Fresno	Hospitals
Lion Dehydrators	Selma	Dehydrating Service (mfrs)
Pelco-Schneider Electric	Fresno	Security Control Equip & Systems-Mfrs
Phebe Conley Art Gallery	Fresno	Art Galleries & Dealers
Pitman Family Farms	Sanger	Farms
Pleasant Valley State Prison	Coalinga	Government Offices-State
Shehadey Pavilion At St Agnes	Fresno	Diagnostic Imaging Centers
St Agnes Medical Ctr	Fresno	Information & Referral Svcs-Hlth Prgrms
St Agnes Medical Ctr	Fresno	Hospitals
Stamoules Produce Co	Mendota	Fruits & Vegetables & Produce-Retail
State Center Community College	Fresno	Junior-Community College-Tech Institutes
Sun Maid Growers	Kingsburg	Maid & Butler Service
Table Mountain Casino	Fraint	Casinos
Taylor Communications	Fresno	Commercial Printing NEC (mfrs)
US Veterans Medical Ctr	Fresno	Hospitals
Via West Insurance	Fresno	Insurance
Zacky Farms	Fresno	Poultry & Eggs NEC

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.

Employment and Industry

The District is located in the Fresno Metropolitan Statistical Area ("**MSA**"), which includes the entire County. The unemployment rate in the Fresno County was 9.4 percent in March 2019, up from a revised 8.9 percent in February 2019, and above the year-ago estimate of 9.1 percent. This compares with an unadjusted unemployment rate of 4.6 percent for California and 3.9 percent for the nation during the same period.

The following tables show civilian labor force and wage and salary employment data for the County, for the years 2014 through 2018.

COUNTY OF FRESNO
Fresno MSA
Civilian Labor Force, Employment and Unemployment, Unemployment by Industry
(Annual Averages)
(March 2018 benchmark)

	2014	2015	2016	2017	2018
Civilian Labor Force(1)	439,300	441,400	446,100	449,900	448,400
Civilian Employment	388,400	396,400	403,700	411,700	414,900
Civilian Unemployment	50,900	45,000	42,400	38,200	33,400
Civilian Unemployment Rate	11.6%	10.2%	9.5%	8.5%	7.5%
Wage and Salary Employment: (2)					
Agriculture	48,800	47,300	46,900	46,100	44,000
Mining and Logging	300	300	300	300	300
Construction	13,900	15,000	16,000	17,400	18,700
Manufacturing	24,000	25,400	25,200	25,600	26,000
Wholesale Trade	13,500	13,500	14,000	14,100	14,300
Retail Trade	36,500	37,600	38,800	38,900	39,200
Information	3,900	3,900	3,800	3,600	3,600
Financial and Insurance	8,400	8,500	8,700	9,000	9,200
Professional and Business Services	31,000	31,500	31,900	30,600	31,900
Educational and Health Services	57,000	60,400	64,300	67,700	70,100
Leisure and Hospitality	30,600	31,400	32,800	33,800	34,200
Other Services	11,200	11,500	11,700	11,800	12,000
Federal Government	9,800	9,600	9,800	9,800	10,000
State Government	11,400	11,900	12,100	12,400	12,600
Local Government	45,100	47,200	49,000	50,400	52,000
Total All Industries (3)	361,500	371,800	382,800	389,200	397,400

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Commercial Activity

Total taxable sales reported during the first quarter of calendar year 2018 in the City were reported to be $43,101,101, a 5.22% increase over the total taxable sales of $40,962,806 reported during first quarter of calendar year 2017. A summary of historic taxable sales within the City is shown in the following table. Taxable sales figures are not yet available for calendar year 2018.

CITY OF KERMAN
Taxable Transactions – 2013 through 2017
(dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	138	$108,279	186	$140,617
2014	138	122,112	192	158,365
2015[1]	129	120,130	200	162,093
2016	142	119,712	211	164,175
2017	148	122,799	214	176,801

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales reported during the first quarter of calendar year 2018 in the County were reported to be $3,552,773,101, a 5.59% increase over the total taxable sales of $3,364,822,076 reported during first quarter of calendar year 2017. A summary of historic taxable sales within the County is shown in the following table. Taxable sales figures are not yet available for calendar year 2018.

COUNTY OF FRESNO
Taxable Transactions – 2013 through 2017
(dollars in thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	12,047	$8,597,480	18,112	$12,618,111
2014	12,268	8,998,182	18,304	13,328,511
2015[1]	7,298	9,247,616	20,242	14,080,800
2016	13,128	9,567,618	20,530	14,073,246
2017	13,166	9,943,017	20,655	14,631,309

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Trends

Provided below are the building permits and valuations for the City for calendar years 2013 through 2017.

CITY OF KERMAN
Total Building Permit Valuations
(Valuations in Thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$1,580.6	$1,642.5	$4,214.9	$11,986.0	$6,533.1
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	926.3	1,056.8	726.2	211.9	199.6
Total Residential	2,506.8	2,699.3	4,941.1	12,197.9	6,732.7
New Commercial	4,792.3	1,182.3	1,182.3	18.5	95.3
New Industrial	0.0	0.0	1,500.0	0.0	0.0
New Other	2,325.5	326.5	383.7	1,148.1	692.8
Com. Alterations/Additions	606.9	1,237.1	1,529.2	963.7	693.8
Total Nonresidential	7,724.7	2,745.9	4,595.2	2,130.3	1,481.9
New Dwelling Units					
Single Family	8	12	31	93	45
Multiple Family	0	0	0	0	0
TOTAL	8	12	31	93	45

Source: Construction Industry Research Board, Building Permit Summary

Provided below are the building permits and valuations for the County for calendar years 2013 through 2017.

COUNTY OF FRESNO
Total Building Permit Valuations
(Valuations in Thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$622,066.8	$388,564.8	$580,986.1	$689,016.6	$512,951.0
New Multi-family	66,027.4	43,654.0	34,183.5	52,363.2	131,175.3
Res. Alterations/Additions	30,063.8	35,354.2	31,800.5	30,648.8	29,478.7
Total Residential	718,158.0	467,573.0	646,970.1	772,028.6	673,605.0
New Commercial	$129,117.6	$98,770.4	$210,280.3	$184,408.2	$201,676.5
New Industrial	20,967.0	21,368.5	8,359.4	14,895.8	14,087.9
New Other	49,089.1	49,382.5	121,042.6	147,642.2	68,383.0
Com. Alterations/Additions	77,977.8	70,566.8	88,609.5	80,745.4	69,202.2
Total Nonresidential	277,151.5	240,088.2	428,291.8	427,691.6	353,349.6
New Dwelling Units					
Single Family	2,310	1,140	2,153	2,559	1,886
Multiple Family	773	539	343	339	1,135
TOTAL	3,083	1,949	2,496	2,898	3,021

Source: Construction Industry Research Board, Building Permit Summary

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the median household effective buying income for the County, the State and the United States for the period 2015 through 2019.

FRESNO COUNTY, THE STATE OF CALIFORNIA
AND THE UNITED STATES
Median Household Effective Buying Income
2015 through 2019

	2015	2016	2017	2018	2019
City of Kerman	$39,311	$44,421	$39,585	$40,809	$42,864
County of Fresno	38,000	40,819	41,237	44,641	46,028
State	50,072	53,589	55,681	59,646	62,637
United States	45,448	46,738	48,043	50,735	52,841

Source: The Nielsen Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

________, 2019

Board of Trustees
Kerman Unified School District
151 South First Street
Kerman, California 93630

OPINION: $_____________ Kerman Unified School District
General Obligation Bonds Election of 2008, Series 2019

Members of the Board of Trustees:

We have acted as bond counsel to the Kerman Unified School District (the "District") in connection with the issuance by the District of $_____________ principal amount of Kerman Unified School District General Obligation Bonds, Election of 2008, Series 2019, dated the date hereof (together, the "Bonds"), under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Trustees adopted on April 11, 2019 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

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

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the Board enforceable against the Board in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Fresno is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except for certain personal property that is taxable at limited rates).

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to the portion of the Bonds designated as and comprising interest.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds, and in order for the Bonds to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds not to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

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

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$_____________
KERMAN UNIFIED SCHOOL DISTRICT
(Fresno County, California)
General Obligation Bonds
Election of 2008, Series 2019
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the Kerman Unified School District (the "**District**") in connection with the execution and delivery of the captioned bonds (the "**Bonds**"). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Trustees of the District on April 11, 2019 (the "**Resolution**"). U.S. Bank National Association is initially acting as paying agent for the Bonds (the "**Paying Agent**").

The District hereby covenants and agrees as follows:

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

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

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District (currently being March 31 based on a fiscal year ending June 30).

"*Dissemination Agent*" means, initially, KNN Public Finance, LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means U.S. Bank National Association, Los Angeles, California, or any successor thereto.

"*Participating Underwriter*" means Piper Jaffray & Co., the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2020 with the report for the 2018-19 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB in a timely manner, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), 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) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information with respect to the most recently completed fiscal year or, if available at the time of filing the Annual Report, the current fiscal year, showing:

(i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;

(ii) pension plan contributions made by the District for the preceding fiscal year;

(iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;

(iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;

(v) prior fiscal year total secured property tax levy and collections, showing current collections as a percent of the total levy; and

(vii) current fiscal year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be KNN Public Finance LLC. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

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

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

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

Date: _______, 2019

KERMAN UNIFIED SCHOOL DISTRICT

By: ______________________________
Name:_____________________________
Title:_____________________________

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT

KNN PUBLIC FINANCE LLC

By: ______________________________
Name:_____________________________
Title:_____________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Kerman Unified School District (the "District")
Name of Bond Issue:	Kerman Unified School District General Obligation Bonds, Election of 2008, Series 2019
Date of Issuance:	________, 2019

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

Dated:__________________

DISSEMINATION AGENT:

By: __________________________
Its: __________________________

cc: Paying Agent and Participating Underwriter

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

APPENDIX G

FRESNO COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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Oscar J. Garcia, CPA
Auditor-Controller/Treasurer-Tax Collector

County of Fresno Treasury Investment Pool

INVESTMENT POLICY

Established: 1984

Current Revision: December 4, 2018

(559) 600-3496
Room 105
Hall of Records
2281 Tulare Street
Fresno, California 93721

COUNTY OF FRESNO
AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR
TREASURY INVESTMENT POOL

INVESTMENT POLICY

TABLE OF CONTENTS

COUNTY OF FRESNO
AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR
TREASURY INVESTMENT POOL

INVESTMENT POLICY

1.0 Purpose

The Auditor-Controller/Treasurer-Tax Collector's policy is to invest public funds in a manner that will provide a market average rate of return consistent with the objectives included in this Investment Policy while meeting the daily cash flow demands of the County Treasury, and conform to all applicable state laws governing the investment of public funds.

Investments differing from this policy shall be made only in circumstances where market timing or economic trends indicate such investments are beneficial. Such investments must comply with all applicable laws and may only be made with written approval by the Auditor-Controller/Treasurer-Tax Collector.

2.0 Scope

This Investment Policy applies to all financial assets deposited and retained in the County of Fresno Treasury Investment Pool.

3.0 Objective

The primary objectives, in priority order, of the County of Fresno's investment activities shall be the following:

3.1 Legality. Investments shall only be made in securities legally permissible by the California Government Code(GC), Sections 53635, 53635.2 et. al. In recognition of a rapidly changing and expanding marketplace, new concepts or securities shall be reviewed for compliance and possible consideration. Legality issues shall be resolved with County Counsel.

3.2 Safety. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. Investments should be made in securities of high quality to avoid credit risk and loss of principal.

3.3 Liquidity. The investment portfolio should remain sufficiently liquid to enable the Treasury Investment Pool to meet all operating requirements which might be reasonably anticipated or respond to opportunities for investments arising from changing market conditions.

3.4 Return on Investment. The investment portfolio shall be designed with the objective of attaining the highest interest revenue, taking into consideration the objectives of this Investment Policy and the cash flow characteristics of the portfolio.

3.5 Local Community Reinvestment. When it is in the best interest of the investment portfolio, and within the confines of other objectives enumerated in this Investment Policy, the Auditor-Controller/Treasurer-Tax Collector may give preference to local investment opportunities.

4.0 Delegation of Authority

The authority of the Board of Supervisors to delegate management responsibility for the County of Fresno Treasury Investment Pool is derived from GC 53607. Investment authority, in accordance with this provision, has been delegated to the Auditor-Controller/Treasurer-Tax Collector. The original delegation is in the Ordinance Code of the County of Fresno, Section 2.20.080 and is subject to annual renewal by the Board of Supervisors. The Auditor-Controller/Treasurer-Tax Collector shall establish written procedures for the operation of the investment program consistent with this Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions (GC 53607).

No person may engage in an investment transaction for the Treasury Investment Pool except as provided under the terms of this policy and the procedures established by the Auditor-Controller/Treasurer-Tax Collector. The Auditor-Controller/Treasurer-Tax Collector shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate staff.

The County of Fresno Treasury Oversight Committee shall annually review and monitor the Investment Policy. The County of Fresno Treasury Oversight Committee shall also cause an annual audit to determine the Auditor-Controller/ Treasurer-Tax Collector's compliance with the Investment Policy. The cost of the audit shall be considered an administrative cost of investing. Audit Reports are available to participants of the Treasury Investment Pool upon request (GC 27133, 27134 and 27135).

5.0 **Ethics and Conflict of Interest**

The Auditor-Controller/Treasurer-Tax Collector, the County of Fresno Treasury Oversight Committee and staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers or other persons with whom the County Treasury conducts business by any member of the County of Fresno Treasury Oversight Committee shall require the completion of an annual Statement of Economic Interests by each member to be filed with the member's respective agency. This policy sets a $470 per current filing limit on the amount of honoraria, gifts and gratuities that a committee member may receive from a single source in a calendar year.

6.0 **Prudence**

Investments shall be made with judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, and not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

6.1 The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk of market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

7.0 **Borrowing for Purposes of Making Investments**

The Fresno County Auditor-Controller/Treasurer-Tax Collector is prohibited from the practice of borrowing for the sole purpose of making investments.

8.0 **Authorized Investments and Limits**

The following securities are authorized investments for the County of Fresno Treasury Investment Pool. Securities shall be valued at amortized cost when determining their percentage to the money in the County of Fresno Treasury Investment Pool. Additions or deviations from this list, in addition to being permissible under the Government Code, require approval by the Auditor-

Controller/ Treasurer-Tax Collector. Investments not expressly authorized by law are prohibited.
The Auditor-Controller/Treasurer-Tax Collector interprets the authorized investment limits to be based upon the portfolio allocation at the time a security is purchased. The portfolio allocation may temporarily fall outside of these limits due to maturities and fluctuations in the size of the pool after the purchase of a security. Additionally, the applicable credit ratings are interpreted to be based upon the rating at the time the security is purchased.

8.1 United States Treasury Bills, Notes, Certificates of Indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

8.2 Obligations issued by Federal Farm Credit Banks, Federal Home Loan Banks, the Federal Home Loan Mortgage Company, or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or in obligations, participations, or other instruments of or issued by a federal agency or a United States Government-sponsored enterprise

8.3 Bills of Exchange or Time Drafts drawn on and accepted by a commercial bank, otherwise known as Bankers Acceptances, both domestic and foreign, which are eligible for purchase by the Federal Reserve System. Any investment in Bankers Acceptances shall be restricted to the top 150 world banks as determined by their total assets and limited to those institutions in this group whose short term debt rating is of prime quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical-rating service.

Purchases of Bankers Acceptances may not exceed 180 days maturity or 40 percent of the money in the Treasury Investment Pool.

8.4 Commercial Paper of prime quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc., or Standard and Poor's (P-1; A-1). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars and having an "A" or higher rating for the issuer's other outstanding debentures by Standard and Poor's, or its equivalent or better ranking by a nationally recognized statistical-rating service and a maximum maturity limit of 270 days.

Additionally GC 53635 limits the assets held by the Treasury Investment Pool in any single issuer to 10 percent and the total Commercial Paper investments may not exceed 40 percent of the total assets in the Treasury Investment Pool.

8.5 Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, savings association, federal association, or state-licensed branch of a foreign bank. Any investment is to be restricted to the top 150 world banks as determined by their total assets and limited to those institutions in this group whose short term debt rating is of prime quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, Inc. or Standard and Poor's (P-1; A-1). As an alternative to the credit guidelines above, banks, savings associations or federal associations having a four star rating or higher rating as provided for by Bauer Financial, Inc. or a comparable rating service, shall be considered eligible institutions for these investments.

Investments in Negotiable Certificates of Deposit (in combination with section 8.6.1) may not exceed 30 percent of the money in the Treasury Investment Pool. No more than 5 percent of the money shall be invested in any one institution.

8.6 Non-negotiable Time Certificates of Deposit issued by a nationally or state-chartered bank, savings association or federal association (GC 53601 (n)). Unless fully covered by FDIC insurance, including the interest earned, these investments require full collateralization with government securities totaling 110 percent or mortgages totaling 150 percent of the principal amount (GC 53652). Any investment is to be restricted to those institutions whose short term rating is of prime quality of the highest ranking as provided for by Moody's Investors Service, Inc. or Standard and Poor's (P-1; A-1). As an alternative to the credit guidelines above, banks, savings associations or federal associations having a four star rating or higher as provided for by Bauer Financial, Inc. or a comparable rating service, shall be considered eligible institutions for these investments. Any investment will require the approval and execution of a Contract for Deposit by the Auditor-Controller/Treasurer-Tax Collector.

Investments in Non-negotiable Time Certificates of Deposit may not exceed 50 percent of the money in the Treasury Investment Pool. No more than 15 percent of the money shall be invested in any one institution.

8.6.1 Investments in certificates of deposit at a commercial bank, savings bank, savings and loan association, or credit union that uses a private sector entity that assists in the placement of certificates of deposit. Investments will be made in compliance with GC 53635.8. Investments shall be initially placed with a nationally or state-chartered commercial bank, savings bank, savings and loan association or a credit union in this state, which shall be known as the selected depository institution. Any investment will require the approval and execution of a Deposit Placement Agreement by the Auditor-

Controller/Treasurer-Tax Collector. Combined purchases under sections 8.5 and 8.6.1 shall not exceed 30 percent of the portfolio. Additionally, purchases under 8.6.1 shall not exceed 15 percent of the portfolio.

8.7 Investments in Repurchase Agreements representing United States Treasury Securities, United States Agency discount and coupon securities, domestic and foreign Banker's Acceptances, commercial paper, and domestic bank/savings associations or federal associations Negotiable Certificates of Deposit.

Investments shall be made only after the execution of a Repurchase and Custody Agreement (Tri-Party Agreement) between the County or the investment manager (if under contract), the dealer and the Custodian. Investments will consist of overnight Repurchase Agreements, which include weekend placements and maturities; however, securities with longer maturities may be used as collateral for these Agreements. (GC 53635.2)

Excluding circumstances of market-timing and known cash demands, investments in Repurchase Agreements shall be limited to not more than 15 percent of the money in the Treasury Investment Pool. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against these securities. Any exceptions to the maturity or investment amount provisions will require written approval by the Auditor-Controller/Treasurer-Tax Collector.

8.8 Medium-term Notes with a maximum remaining maturity of five years or less issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of "A" or higher, by Standard and Poor's Corporation, or its equivalent or better by a nationally recognized rating service

Investments in Medium-term Notes may not exceed 30 percent of the money in the Treasury Investment Pool.

8.9 Investment of funds in the Local Agency Investment Fund (LAIF) created by law, which the State Treasurer invests through the Pooled Money Investment Account. Money invested in LAIF is available for overnight liquidity; however, it is also subject to a limited number of transactions per month. Money shall be placed in LAIF as alternative liquid investments under the guidelines of this policy pertaining to yield. The County may invest up to the maximum amount permitted by LAIF, not to exceed 10 percent of the portfolio. The Auditor-Controller/ Treasurer-Tax Collector may invest any portion of debt proceeds in the LAIF.

8.10 Shares of beneficial interest issued by diversified management companies, otherwise known as Mutual Funds, investing in the securities and obligations as authorized by the GC 53601 et. seq.

To be eligible for investment, these companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by two of the largest nationally recognized rating services, or (2) have an investment adviser registered with the Securities and Exchange Commission with at least five years of experience investing in the securities authorized by the GC sections noted above and with assets under management in excess of $500,000,000.

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment, these companies shall either: (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations, or (2) retain an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of $500,000,000 (GC 53601).

Investment in Mutual Funds shall not include the payment of any commission that these companies may charge and may not exceed 20 percent of the surplus funds in the Treasury Investment Pool. Only 10 percent of the surplus funds may be invested in any one mutual fund (GC 53601, 53635.2).

8.11 Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond of a maximum of five years maturity. Securities eligible for investment shall be rated "AA" or its equivalent or better by a nationally recognized rating service.

Investments in these securities may not exceed 10 percent of the funds in the Treasury Investment Pool.

8.12 Bond proceeds may be invested in accordance with the Government Code provisions, or they may be invested in alternative vehicles if authorized by bond documents (GC 53635.2 and California Debt and Investment Advisory Commission (CDIAC) Local Agency Investment Guidelines).

8.13 External Investment Managers. The Auditor-Controller/Treasurer-Tax Collector may contract with external investment managers to provide investment management services. These managers may be hired to invest funds not needed for liquidity and to increase the rate of return of the pool by employing an active investment strategy. The external investment manager is allowed to make specific investment decisions within the framework of this investment policy.

External investment managers are required to provide timely transaction documentation and investment reports to ensure that the manager's actions comply with the requirements of the law and this investment policy. External investment managers shall remit, at least quarterly, the interest earnings to the Pool to allow these earnings to be apportioned to the pool participants.

Selection of External Investment Managers is subject to section 13.0 of this investment policy. Additionally, after selection, the manager's performance shall be reviewed against the agreed upon benchmark.

8.14 Registered state warrants or treasury notes or bonds of the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

Investments in these securities may not exceed 10 percent of the surplus funds in the Treasury Investment Pool.

9.0 Selection of Investments

Investments, with the exception of California registered state warrants in section 8.14, above, shall only be made following a minimum of three competitive comparisons with offerings documented and retained for each type of investment.

10.0 Diversification

The Treasury Investment Pool shall be diversified by security type and institution.

11.0 Maximum Maturities

To the extent possible, investments shall be made to match anticipated cash requirements. Unless matched to a specific cash flow, normal investments will be in securities such that the average weighted maturity of the Treasury Investment Pool shall not exceed 3.5 years. Proceeds of sales or funds set aside for the repayment of any notes issued for temporary borrowing purposes shall not be invested for a term that exceeds the term of the notes.

12.0 **Selling Securities Prior to Maturity**

Securities purchased shall normally be held until maturity. Occasionally, opportunities will exist to sell securities prior to maturity and purchase other securities (swap/trade). Securities that are no longer in compliance with this Investment Policy may be sold prior to maturity. Securities may also be sold in order to maintain the liquidity of the Treasury Investment Pool.

13.0 **Authorized Financial Dealers and Institutions**

The Auditor-Controller/Treasurer-Tax Collector shall maintain a list of financial institutions authorized to provide investment services. In addition, a list shall also be maintained of approved security broker/dealers selected by credit worthiness, who maintain an office in the State of California. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15c3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state laws.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following: audited financial statements, proof of Financial Industry Regulatory Authority membership, trading resolution, proof of state registration, completed broker-dealer questionnaire, certification of having read the County's Investment Policy, and if applicable, depository contracts. Broker-dealers are evaluated and selected based upon criteria that include: organization experience and credibility, individual broker-dealer qualifications, compliance, product inventory, and economic research.

An annual review of the financial conditions and registrations of selected brokers shall be conducted by the Auditor-Controller/Treasurer-Tax Collector. A current audited financial statement is required to be on file for each authorized financial institution and broker-dealer.

Investment managers are evaluated and selected based upon criteria that include: organization experience and credibility, staff experience, compliance, and performance.

The selection of any broker, brokerage firm, dealer or securities firm that has, within any consecutive 48 month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Auditor-Controller/ Treasurer-Tax Collector or member of the Board of Supervisors or any candidate for those offices is prohibited. The County will, to the best of its ability, monitor and comply with this requirement.

14.0 Confirmation

Receipts for confirmation of purchase of authorized securities should include the following information: trade date, par value, maturity, rate, price, yield, settlement date, description of securities purchased, agency's name, net amount due, and third party custodian information. Confirmation of all investment transactions should be received by the Auditor-Controller/Treasurer-Tax Collector within five business days of the transaction.

15.0 Safekeeping and Custody

Investments, excluding Non-negotiable Time Certificates of Deposit, Repurchase Agreements and investments that are under the management of contracted parties, shall be held in custody with the Service Bank or its correspondent or other institutions approved by the Auditor-Controller/Treasurer-Tax Collector. Investments in Repurchase Agreements shall be held in custody by the Custodian to the Tri-Party Agreement.

16.0 Performance Standards

The investment portfolio shall be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account investment risk constraints and cash flow needs.

16.1 Market yield benchmark. The investment strategy is passive. Given this strategy, the basis used by the Auditor-Controller/Treasurer-Tax Collector to determine whether market yields are being achieved shall be the one-year U.S. Treasury note rate.

17.0 Administrative Cost of Investing

The Auditor-Controller/Treasurer-Tax Collector may deduct actual administrative costs associated with investing, depositing, banking, auditing, reporting, or otherwise handling or managing of funds. The administrative costs shall be segregated and deducted from the interest earnings of the Treasury Pool each quarter prior to the distribution of interest earnings.

18.0 Credit of Interest Earnings

Interest shall be credited based on the average daily cash balance of money on deposit in the County Treasury for the calendar quarter and shall be paid quarterly.

19.0 **Local Agency Deposit of Excess Funds**

The County Auditor-Controller/Treasurer-Tax Collector is authorized to accept deposits of excess funds from local agencies within Fresno County pursuant to Resolution 98-354 and in accordance with Government Code section 53684. Such deposits will be accepted, if at all, subject to the terms and conditions of a written agreement between the depositing agency and the Auditor-Controller/Treasurer-Tax Collector. In deciding whether to accept such deposits, the Auditor-Controller/ Treasurer-Tax Collector considers factors that may include, but are not limited to, the objectives of this policy, the potential effect of such deposits on the volatility of the investment portfolio, the human resources available to conduct investment activities, and the best interests of current depositors.

20.0 **Withdrawal of Funds from the Treasury Pool**

The withdrawal of funds by any depositor/participant in the County of Fresno Treasury Investment Pool shall not adversely affect the interests of the other depositors/participants in the County of Fresno Treasury Investment Pool. All withdrawals that are not considered as funds being utilized for operations shall be presented to the Auditor-Controller/Treasurer-Tax Collector for review and approval. The Auditor-Controller/ Treasurer-Tax Collector shall perform an assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the Treasury Investment Pool as is required by GC 27136 and 27133. Prior to the approving a withdrawal, the Auditor-Controller/ Treasurer-Tax Collector shall find that the proposed withdrawal will not adversely affect the interests of the other depositors in the Treasury Investment Pool. All requests for withdrawals shall be considered in order of receipt and shall in no way affect the ability of the Auditor-Controller/Treasurer-Tax Collector to meet the pool's expenditure requirements.

If the assessment of the effect of the proposed withdrawal does not negatively impact the stability and predictability of the investments and the interests of other depositors, the Auditor-Controller/Treasurer-Tax Collector may authorize a total or partial withdrawal of funds from the Treasury Pool. A total withdrawal of funds from the County of Fresno Treasury Investment Pool by a participant requires a 30 day written notice to the Auditor-Controller/Treasurer-Tax Collector. Withdrawals involving less than the participant's total funds (other than for operational needs) are subject to all of the following constraints:

- each withdrawal shall be limited to a maximum of $5,000,000

- no more than two withdrawals of a non-operational purpose are allowed per 30 day period

- at least ten days must lapse before the second withdrawal in any 30 day period will be considered by the Auditor-Controller/Treasurer-Tax Collector

- each withdrawal shall be submitted to the Auditor-Controller/Treasurer-Tax Collector at least 2 business days prior to the date of withdrawal

The Auditor-Controller/Treasurer-Tax Collector shall be notified of normal operating expenditures or disbursements in excess of $1,000,000 as early as possible, preferably three business days in advance of disbursement, in order to adjust the cash position to meet disbursement requirements.

21.0 Reporting

The Auditor-Controller/Treasurer-Tax Collector shall provide the Board of Supervisors with a monthly inventory report and a monthly transaction report of the Treasury Investment Pool. The Auditor-Controller/ Treasurer-Tax Collector shall provide a quarterly investment report to the Board of Supervisors, the County Administrative Officer and the County of Fresno Treasury Oversight Committee. The quarterly report shall be submitted within 30 days following the end of the quarter covered by the report. Monthly inventory reports and quarterly investment reports are available to participants of the pool upon request (GC 53646).

22.0 Internal Control

As part of the County of Fresno's annual independent audit, the investment program shall be reviewed for appropriate internal controls that provide assurance of compliance with policies and procedures.

23.0 Investment Policy Review

This Investment Policy shall be reviewed on an annual basis by the Auditor-Controller/Treasurer-Tax Collector and rendered annually to the Board of Supervisors and the County of Fresno Treasury Oversight Committee, which consists of the following members:

- The County Auditor-Controller/Treasurer-Tax Collector
- A representative appointed by the County Board of Supervisors
- The County Superintendent of Schools or designee
- A representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County

- A representative selected by a majority of the presiding officers of the legislative bodies of the special districts in the County that are required or authorized to deposit funds in the County treasury

The Board of Supervisors shall accept and approve the investment policy and any changes thereto at a public meeting (GC 27133, 53646).

24.0 **Disaster/Business Continuity Plan**

The County of Fresno Treasurer's banking and investment functions are critical to the function of Treasury Investment Pool and therefore must have a continuity plan to guide operations in the event of a disaster or business interruption.

The objective of the Disaster/Business Continuity Plan is to protect and account for all funds on deposit with the county treasurer and to be able to continue banking and investment functions for all participants in the event of an occurrence; i.e. earthquake, fire, flood, or some other event, which disrupts normal operations. The Plan provides for the ability to perform banking and investment functions at an off-site location under less than optimal conditions.

Approved

Oscar J. Garcia

Oscar J. Garcia, CPA
Auditor-Controller/Treasurer-Tax Collector

12-4-18
Date

APPENDIX A

Permitted Investments/Deposits	Government Code Limits %	Investment Policy Limits %	Investment Policy Term Limit	Minimum Rating
Securities of the U.S. Government	No Limit	No Limit	5 years	N/A
Securities issued by United States Government Sponsored Enterprises	No Limit	No Limit	5 years	N/A
Bankers Acceptances (1)	40%	40%	180 days	N/A
Commercial Paper	40%	40%	270 days	P-1, A-1
Negotiable Certificates of Deposit (2)	30%	30%	13 months	P-1, or A-1 or 4 Star
Non-negotiable Certificates of Deposit (2)	No Limit	50%	13 months	P-1 or A-1 or 4 Star
Account Registry Service Deposits (2)	30%	15%	13 months	N/A
Repurchase Agreements	No Limit	15%	Overnight/Weekend	N/A
Medium Term Notes	30%	30%	5 years	A
LAIF (3)	No Limit	10%	5 years	N/A
Mutual Funds (4)	20%	20%	5 years	AAA,Aaa
Mortgage-Backed Securities	20%	10%	5 years	AA
State of California Debt	No Limit	10%	5 years	N/A

APPENDIX A
(Continued)

(1) Investment policy limits any investment in bankers acceptances to the top 150 world banks as determined by their total assets and limited to those institutions in this group whose short term debt is of prime quality and of the highest ranking as provided for by Moody's or Standard and Poor's (P-1, A-1).

(2) Banks, savings associations or federal associations having a "4 Star" or higher rating as provided by Bauer Financial, Inc. or a comparable rating service. For negotiable certificates of deposit, no more than 5 percent of the money shall be invested in any one institution. Negotiable certificates of deposit and account registry service deposits combined shall not exceed 30% of the portfolio. For non-negotiable certificates of deposit, no more than 15 percent of the money shall be invested in any one institution.

(3) LAIF Board of Directors currently limits the investment to $65,000,000, excluding bond and note proceeds. Government Code does not place a percentage limit on the amount of money that may be invested in LAIF.

(4) Diversified management companies investing in the securities and obligations as authorized by California Government Code, Sections 53601, et seq., shall either (1) attain the highest ranking or the highest letter and numerical rating provided by two of the largest nationally recognized rating services, or (2) have an investment adviser registered with the SEC with at least five years of experience investing in the securities authorized by code sections noted in the policy and with assets under management in excess of $500,000,000.

Diversified management companies issuing shares of beneficial interest that are money market funds registered with the Securities and Exchange Commission (SEC) under the Investment Act of 1940 shall either (1) attain the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations, or (2) retain an investment adviser registered or exempt from registration with the SEC with not less than five years of experience managing money market mutual funds with assets under management in excess of $500,000,000. Only 10 percent of the money may be invested in any one mutual fund.

APPENDIX B

RATING SUMMARY

RATING SERVICE	RATING CATEGORY	RATING DEFINITION
Moody's	Aaa	Best Quality
	Aa	High Quality
	A	Upper-medium grade
	Baa	Medium grade obligations
	Ba	Judged to have speculative elements
	B	Lack characteristics of desirable investment
	Caa	Investment in poor standing
	Ca	Speculative in a high degree
	C	Poor prospect of attaining investment standing
Moody's Modifiers	1,2,and 3	Rankings within rating category
Moody's Commercial Paper	Prime-1	Superior ability for repayment
	Prime-2	Strong ability for repayment
	Prime-3	Acceptable ability for repayment
	Not Prime	Do not fall in top 3 rating categories
Standard & Poors	AAA	Highest Rating
	AA	Strong capacity for repayment
	A	Strong capacity for repayment but less than AA category
	BBB	Adequate capacity for repayment
	BB	Speculative
	B	Greater vulnerability to default than BB category
	CCC	Identifiable vulnerability to default
	CC	Subordinated debt of issues ranked in CCC category
	C	Subordinated debt of issues ranked in CCC category
	CI	Income bonds where no interest is paid
	D	Default
Standard & Poors – Modifiers	(+) or (-)	Rankings within rating category
Standard & Poors – Commercial	A-1	Highest degree of safety
	A-2	Timely repayment characteristics is satisfactory
	A-3	Adequate capacity for repayment
	B	Speculative
	C	Doubtful repayment
	D	Default

APPENDIX B
(Continued)

RATING SUMMARY

RATING SERVICE		RATING CATEGORY	RATING DEFINITION
Fitch		AAA	Highest credit quality
		AA	Very high credit quality
		A	High credit quality
		BBB	Good credit quality
		BB	Speculative
		B	High speculative
		CCC, CC, C	High default risk
		DDD, DD, D	Default
Fitch	Modifiers	"+" or "-	Relative status within rating categories
Fitch	Commercial Paper	F1	Highest credit quality
		F2	Good credit quality
		F3	Fair credit quality
		B	Speculative
		C	High default risk
		D	Default
Bauer		5 Star	Superior
		4 Star	Excellent
		3 ½ Star	Good
		3 Star	Adequate
		2 Star	Problematic
		1 Star	Troubled
		Zero	Our lowest star rating

APPENDIX C

Glossary of Cash Management Terms

The following is a glossary of key investing terms, many of which appear in County of Fresno Treasury Investment Policy. This glossary has been adapted from the Government Finance Officers Association (GFOA) sample investment policy.

Accrued Interest - The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization - The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Average Life - The average length of time that an issue of serial bonds term bonds, or both, with a mandatory sinking fund feature is expected to be outstanding.

Bankers' Acceptance – A draft or bill or exchange accepted by a bank or trust company. The accepting institution, as well as the issuer, guarantees payment of the bill.

Basis Point - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., 1/4 of 1 percent is equal to 25 basis points.

Bid - The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Callable Bond - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk - The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

APPENDIX C
(Continued)

Certificate of Deposit (CD) – A short-term, secured deposit in a financial institution that usually returns principal and interest to the lender at the end of the loan period.

Certificate of Deposit Account Registry System (CDARS) – A private CD placement service that allows local agencies to purchase more than $100,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $100,000 each, so that FDIC coverage is maintained.

Collateralization - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan security, or both.

Commercial Paper - An unsecured short-term promissory note issued, with maturities ranging from 1 to 270 days.

Convexity - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon Rate - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Quality - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk - The risk to an investor that an issuer will default in the payment of interest principal on a security, or both.

Current Yield (Current Return) - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Discount - The amount by which the par value of a security exceeds the price paid for the security.

Diversification - A process of investing assets among a range of security types by sector, maturity, and quality rating.

Fair Value - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

APPENDIX C
(Continued)

Federal Funds (Fed Funds) - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate - Interest rate charged by one institution lending federal funds to the other.

Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms in the United States.

Government Securities - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Interest Rate - See "Coupon Rate."

Interest Rate Risk - The risk associated with declines or rises in interest rates which cause in investment in a fixed-income security to increase or decrease in value.

Inverted Yield Curve - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940- Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Liquidity - An asset that can be converted easily and quickly into cash without significant loss of value.

Local Agency Investment Fund – A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

Local Government Investment Pool (LGIP) - An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-market - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

APPENDIX C
(Continued)

Market Risk - The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value - Current market price of a security.

Maturity - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

Medium-Term Note – Corporate or depository institution debt securities meeting certain minimum quality standards (as specified in California Government Code) with a remaining maturity of five years or less.

Money Market Mutual Fund - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mortgage Backed Securities – Mortgage-backed securities (MBS) are created when a purchaser of residential real estate mortgages creates a pool of mortgages and markets undivided interest or participations in the pool. MBS owners receive a prorate share of the interest and principal passed through from the pool of mortgages. Most MBS are issued guaranteed, or both, by federal agencies and instrumentalities.

Mortgage Pass-Through Obligations – Securities that are created when residential mortgages are pooled together and undivided interests or participations in the stream of revenues associated with the mortgages are sold.

Mutual Fund - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

APPENDIX C
(Continued)

Negotiable Certificates of Deposit – Short-term debt instrument that usually pays interest and is issued by a bank, savings or federal association, or state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

Net Asset Value - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.) [(Total assets) - (Liabilities)]/(Number of shares outstanding)

Nominal Yield - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Non-negotiable Certificates of Deposit – CDs that carry a penalty if redeemed prior to maturity. Non-negotiable CDs issued by banks and savings and loans are insured by the Federal Deposit Insurance Corporation up to $100,000, including principal and interest. Amounts deposited above this amount may be secured with other forms of collateral.

Offer - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Par - Face value or principal value of a bond, typically $1,000 per bond.

Positive Yield Curve - A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium - The amount by which the price paid for a security exceeds the security's par value.

Principal - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

APPENDIX C
(Continued)

Regular Way Delivery - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (Repo or RP) - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act - The Securities and Exchange Commission regulates money market funds in the United States and this rule restricts quality, maturity and diversity of investments by money market funds in an attempt to provide a safe, liquid alternative to bank deposits, while providing a higher yield.

Safekeeping - Holding of assets (e.g., securities) by a financial institution.

Swap - Trading one asset for another.

Term Bond - Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

Treasury Bills - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

APPENDIX C
(Continued)

Treasury Notes - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Treasury Bonds - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule - SEC Rule 15c3-1 outlining capital requirements for broker-dealers.

Volatility - A degree of fluctuation in the price and valuation of securities.

Weighted Average Maturity (WAM) - The dollar-weighted average maturity of all the securities that comprise a portfolio.

When Issued (WI) - A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

Yield - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield-to-call (YTC) - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield Curve - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-maturity - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Quarterly Investment Report

As of December 31, 2018

P.O. Box 1247 | Fresno, CA 93715 | Telephone 559.600.3487 | investments@FresnoCountyCA.gov

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Board of Supervisors: Buddy Mendes, Brian Pacheco, Nathan Magsig, Sal Quintero

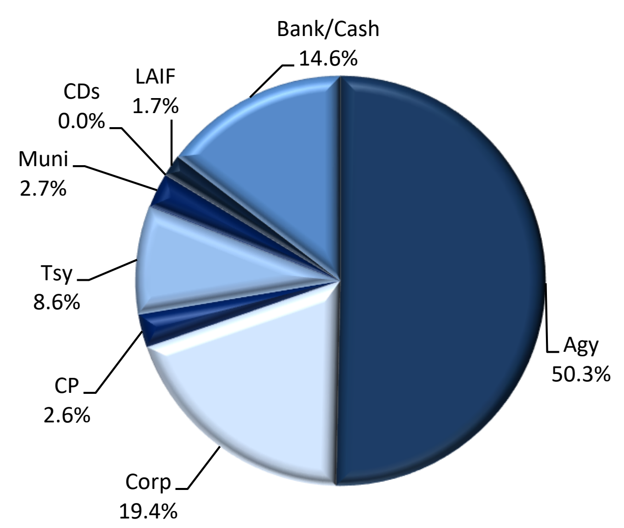
County Administrative Officer: Jean Rousseau

FTN FINANCIAL MAIN STREET ADVISORS
A Subsidiary of First Tennessee Bank National Association

Portfolio Summary
12/31/2018

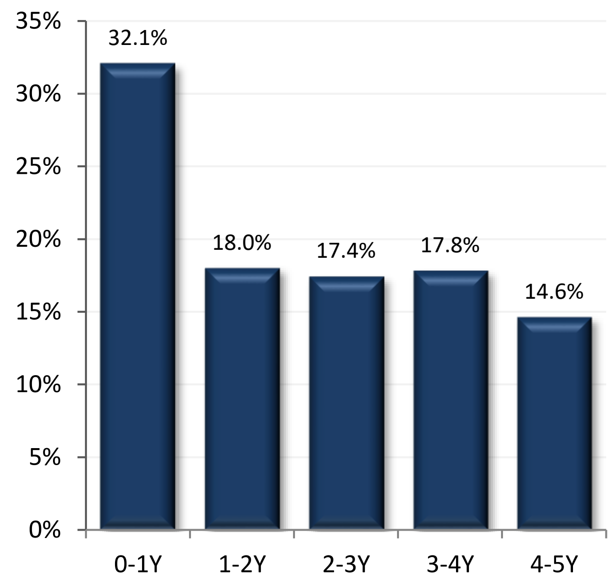
County of Fresno

SECTOR ALLOCATION



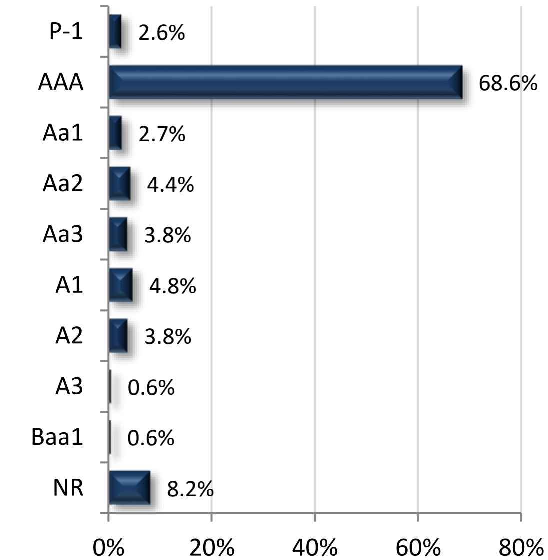
Per Book Value

MATURITY DISTRIBUTION



Per Book Value

CREDIT QUALITY (MOODY'S)



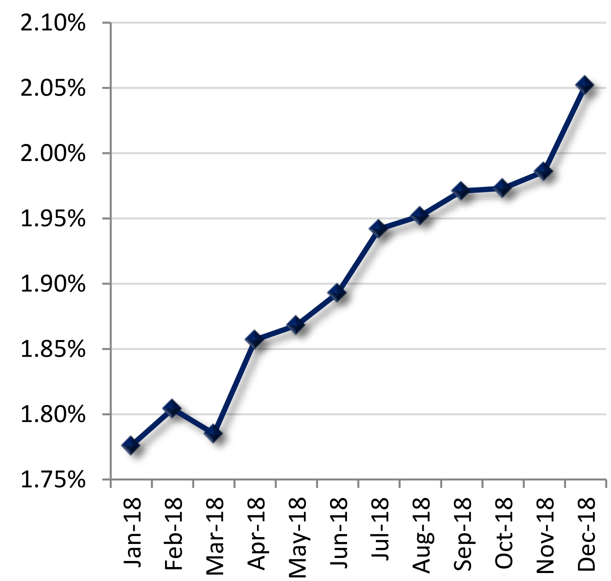
NR: Not Rated

ACCOUNT SUMMARY

	12/31/18	9/30/18
Market Value	$3,770,988,770	$3,263,439,272
Book Value*	$3,808,681,373	$3,325,605,518
Unrealized G/L	-$37,692,603	-$62,166,245
Par Value	$3,810,724,704	$3,327,620,818
Net Asset Value	$99.010	$98.131
Book Yield	2.05%	1.97%
Years to Maturity	1.98	2.33
Effective Duration	1.86	2.21

*Book Value is Amortized

PORTFOLIO BOOK YIELD HISTORY



TOP ISSUERS

Issuer	% Portfolio
FEDERAL NATIONAL MORTGAGE	18.7%
FEDERAL HOME LOAN BANK	18.7%
FEDERAL FARM CREDIT BANK	9.3%
US TREASURY NOTE	8.6%
FIDELITY 2642	8.1%
UNION BANK MM	5.3%
FEDERAL HOME MORTGAGE CO	3.7%
US BANK NA	2.8%
STATE OF CALIFORNIA	2.7%
APPLE INC	2.7%
TOYOTA MOTOR CREDIT	2.3%
JP MORGAN	2.2%
CHEVRON CORP	2.1%
WELLS FARGO	2.1%
BANK OF NEW YORK	2.0%

Per Book Value

FTN FINANCIAL
MAIN STREET ADVISORS
A Subsidiary of First Tennessee Bank National Association

Investment Policy Compliance
12/31/2018

County of Fresno

Item / Sector	Parameters	In Compliance	
11.0 Weighted Average Maturity	Weighted Average Maturity (WAM) must be less than 3.5 years.	Yes	1.98 Yrs
8.1 U.S. Treasuries	No sector limit, no issuer limit, max maturity 5 years.	Yes	8.6%
8.2 U.S. Agencies	No sector limit, no issuer limit, max maturity 5 years.	Yes	50.3%
8.3 Banker Acceptances	40% limit, Issue is eligible for purchase by Federal Reserve. Issuer is among 150 largest banks based on total asset size; max maturity 180 days; rated A-1 or P-1.	Yes	0.0%
8.4 Commercial Paper	40% limit, corporation organized and operating in the US with total assets of $500mm. 10% of issuer's CP / 10% in any one issuer; max maturity 270 days; minimum short-term rating of A-1 by S&P or P-1 by Moody's, minimum long-term rating of A by S&P or its equivalent or better ranking by a nationally recognized rating service.	Yes	2.6%
8.5 Negotiable CDs	30% limit (combined with 8.6.1), Issued by national or state chartered bank or savings assoc., or a state licensed branch of a foreign bank that is among 150 largest banks in total asset size; minimum short-term rating of P-1 or A-1 or issuer meets rating requirements; 5% in any one issuer, max maturity 13 months.	Yes	0.0%
8.6 Non-Negotiable CDs	50% limit, Issued by national or state chartered bank or savings association. FDIC insurance OR full collateralization of 110% government or 150% mortgages. Contract for Deposit in place. 15% in any one issuer; short-term rating is a minimum of A-1 by S&P or P-1 by Moody's, max maturity 13 months.	Yes	0.0%
8.6.1 Placement CDs	15% limit (30% combined with 8.5), Issued by national or state chartered bank or savings association or credit union that uses a placement entity. Deposit Placement Agreement in place.	Yes	0.0%
8.7 Repurchase Agreements	15% limit, Tri-party agreement in place. 102% collateralization of US treasuries or agencies, BAs, CP, Negotiable CD's; Overnight or weekend maturities.	Yes	0.0%
8.8 Medium-Term Notes	30% limit, organized and operating in the US or state licensed depository institution; max maturity 5 years; rated A or better by S&P, or its equivalent or better by a nationally recognized rating service.	Yes	19.4%
8.9 L.A.I.F	California State's deposit limit is $65 million; Current investment policy limit is not to exceed 10% of the portfolio.	Yes	$65 Mil

Investment Policy Compliance (Continued)
12/31/2018

Item / Sector	Parameters	In Compliance	
8.10 Mutual Funds/ Money Markets Funds	20% limit, 10% per issuer; Registered with SEC, 5 years experience, $500mm AUM or rated by AAA-m, Aaa-mf, AAA-m by not less than two nationally recognized rating agencies.	Yes	8.1%
8.11 ABS and MBS	10% limit combined. Security must be AA rated by one rating agency, with an A or better rating for the underlying, max maturity 5 years.	Yes	0.0%
8.12 Money Held from Pledged Assets	Invest according to statutory provision or according to entity providing issuance.	Yes	0.0%
8.13 External Managers	Invest per policy.	Yes	0.0%
8.14 State of California Debt	10% limit, Registered State warrants or CA treasury notes, including revenue producing entities controlled or operated by the State or by a department, board, agency, or authority of the State; 5 years max maturity.	Yes	2.7%
Cash & Bank Account	NA	NA	6.5%

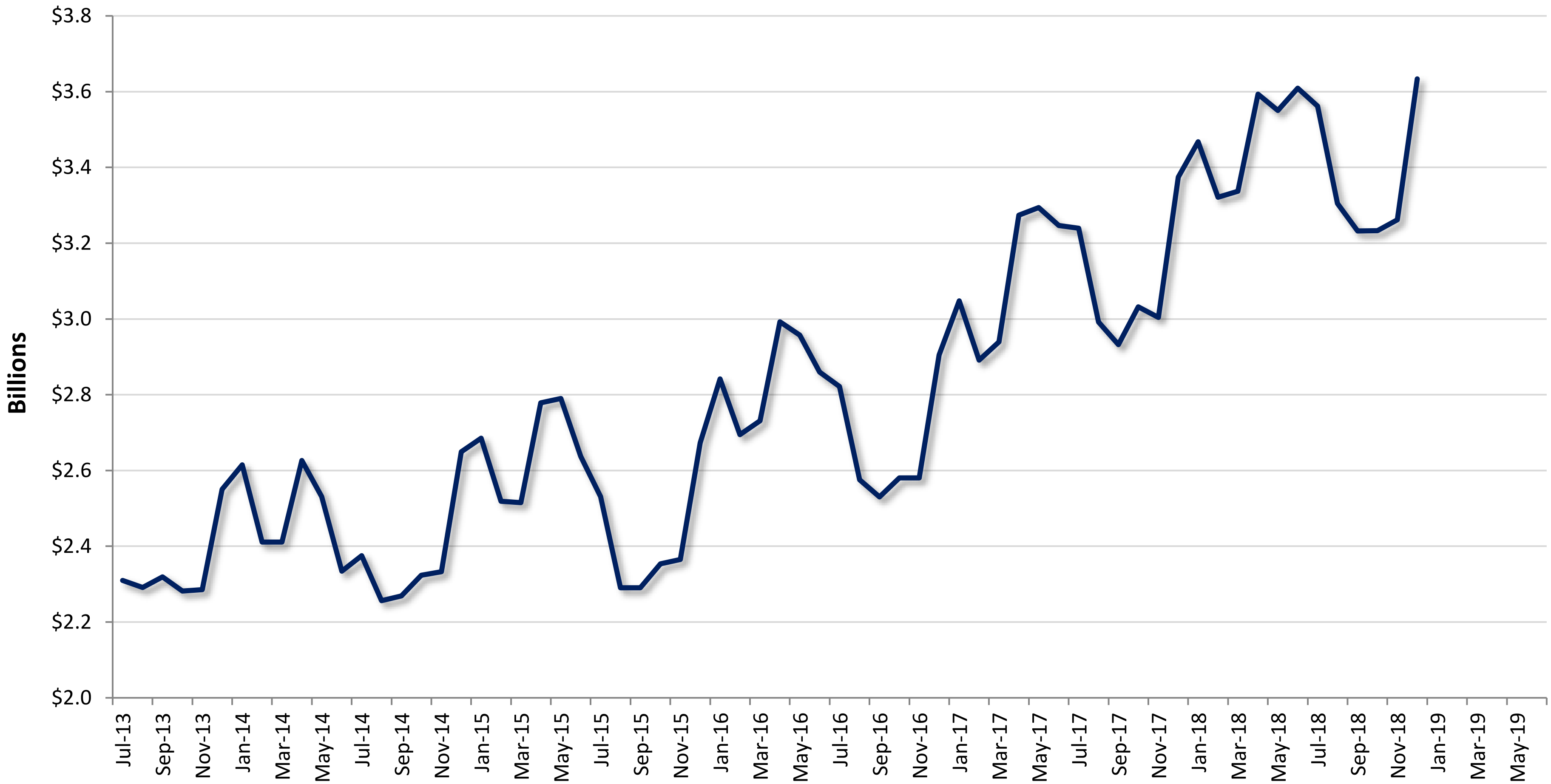
Compliance
The Treasury Investment Pool is in compliance with the County of Fresno Treasury Investment Pool Investment Policy.
The Treasury Investment Pool contains sufficient cash flow to meet the expected expenditures for the next six months.

Review and Monitoring
FTN Financial Main Street Advisors, the County's investment advisor, currently monitors the Treasury Department's investment activities.

Additional Information
Securities are purchased with the expectation that they will be held to maturity, so unrealized gains or losses are not reflected in the yield calculations.

The market values of securities were taken from pricing services provided by Interactive Data Corporation.

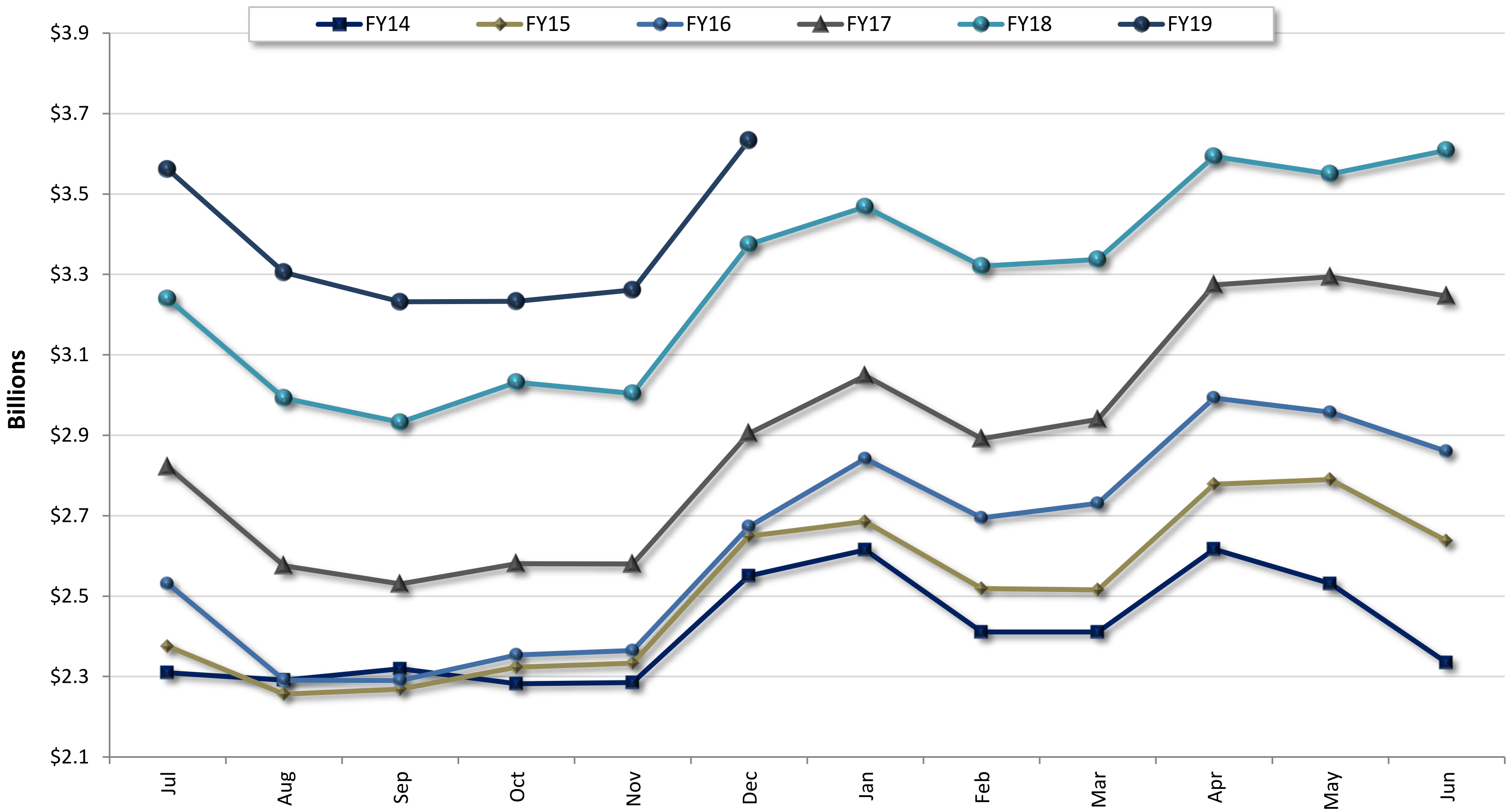
Historical Book Values
12/31/2018



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fiscal Year 2014	$2.310	$2.291	$2.319	$2.282	$2.285	$2.551	$2.615	$2.411	$2.411	$2.617	$2.531	$2.335
Fiscal Year 2015	$2.375	$2.256	$2.269	$2.323	$2.333	$2.649	$2.685	$2.519	$2.515	$2.778	$2.790	$2.637
Fiscal Year 2016	$2.531	$2.291	$2.290	$2.354	$2.365	$2.673	$2.842	$2.695	$2.731	$2.993	$2.957	$2.860
Fiscal Year 2017	$2.822	$2.576	$2.530	$2.581	$2.580	$2.905	$3.048	$2.891	$2.940	$3.274	$3.294	$3.247
Fiscal Year 2018	$3.240	$2.992	$2.932	$3.032	$3.004	$3.374	$3.468	$3.321	$3.337	$3.593	$3.550	$3.609
Fiscal Year 2019	$3.562	$3.305	$3.232	$3.233	$3.262	$3.634						

Figures in Billions, Average Daily Balance

Historical Book Values Per Fiscal Year
12/31/2018



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fiscal Year 2014	$2.310	$2.291	$2.319	$2.282	$2.285	$2.551	$2.615	$2.411	$2.411	$2.617	$2.531	$2.335
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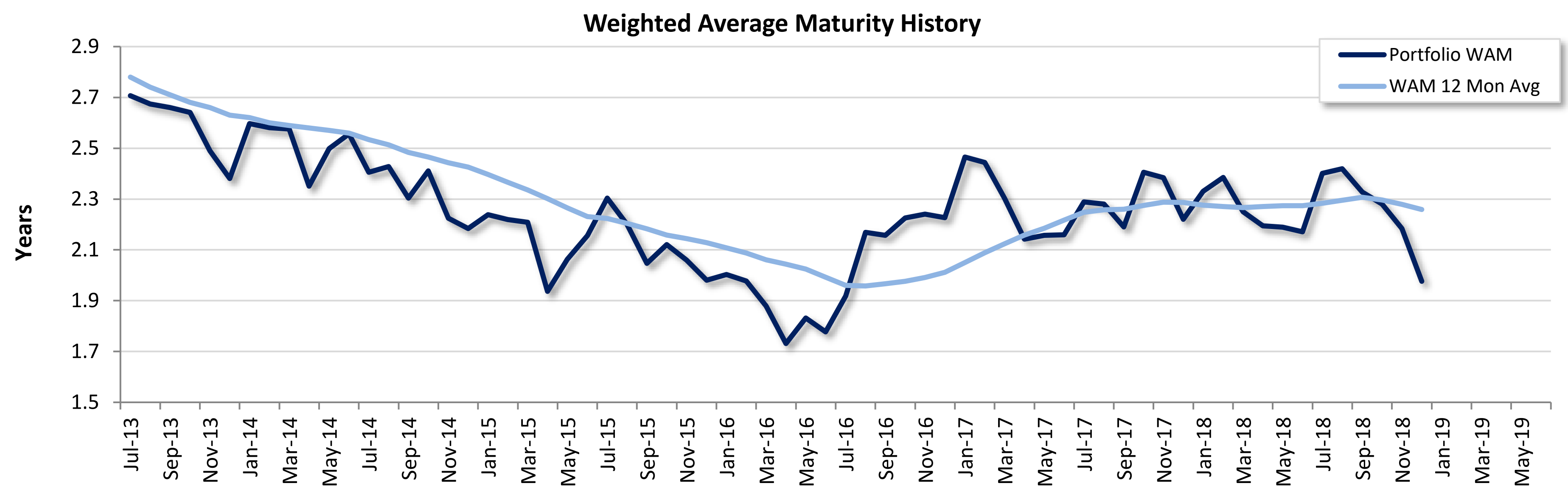
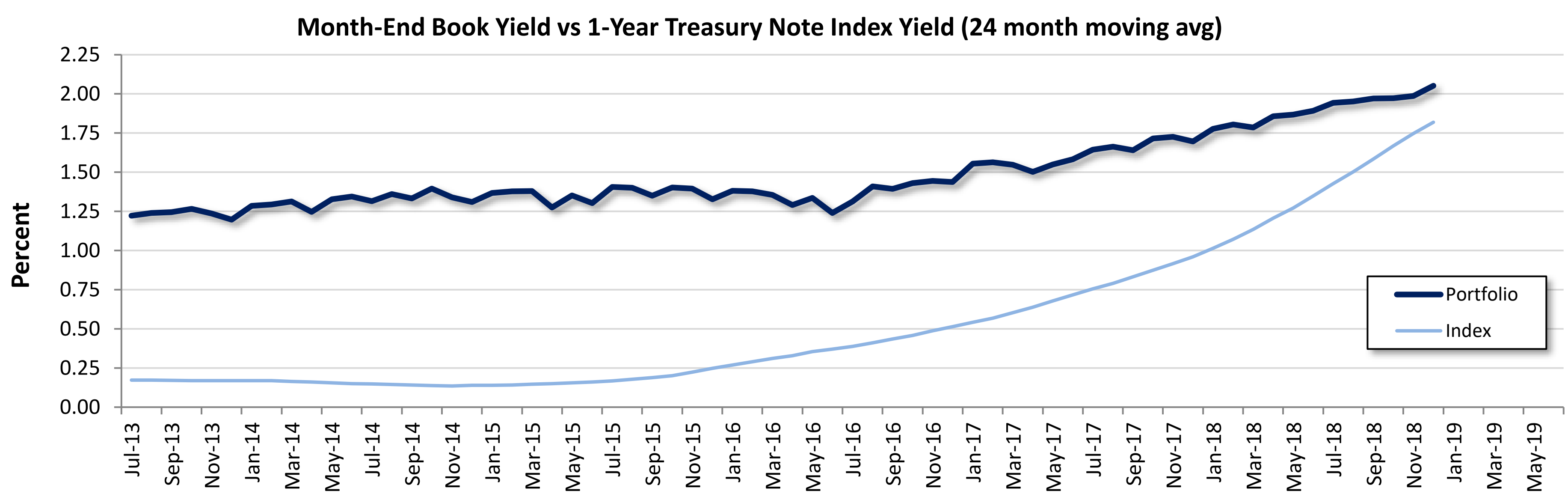
Figures in Billions, Average Daily Balance

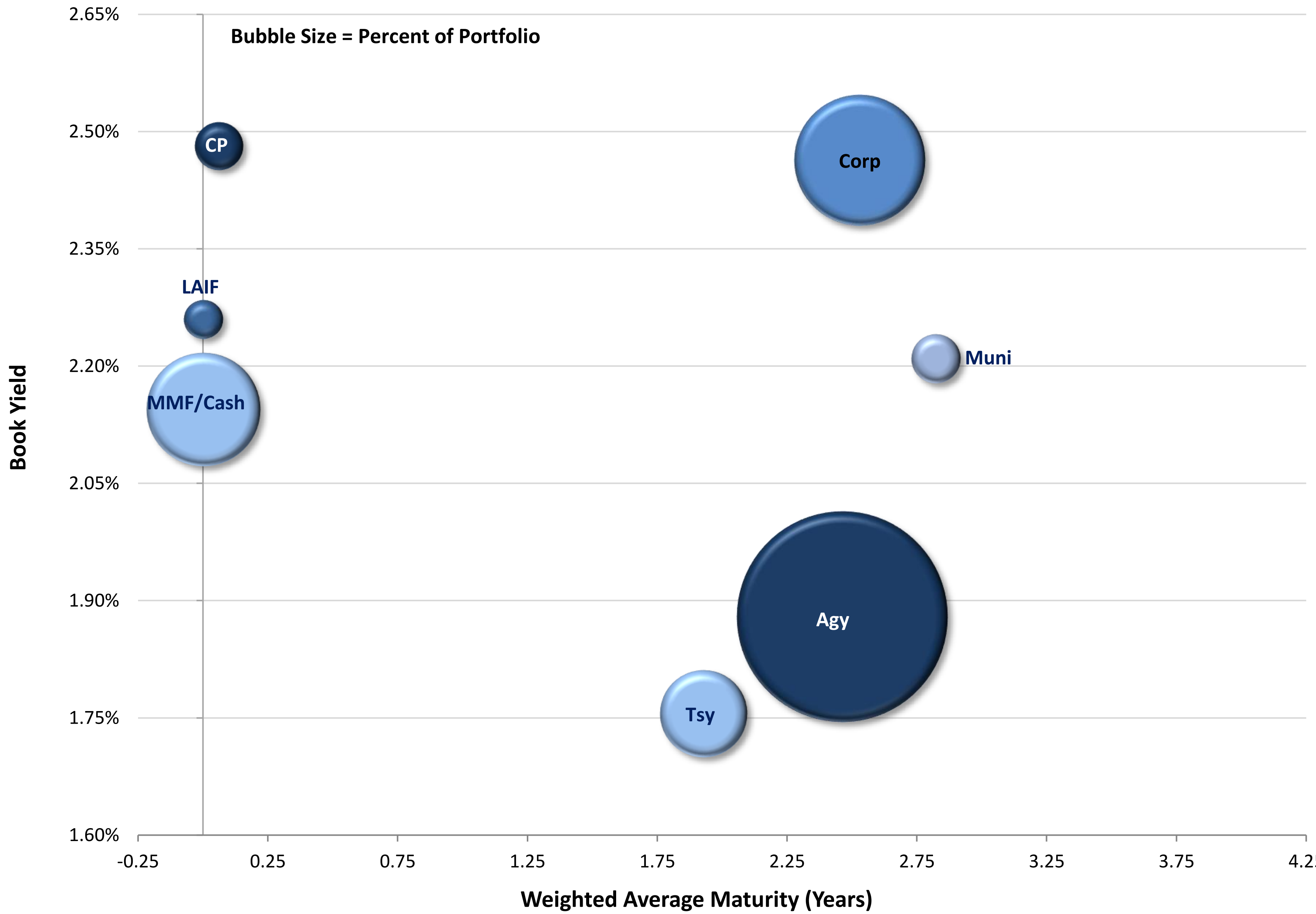




Index: 24 Month Moving Average of the ICE BofAML 1-Year US Treasury Note Index

Book Yield per WAM per Percent of Portfolio
12/31/2018

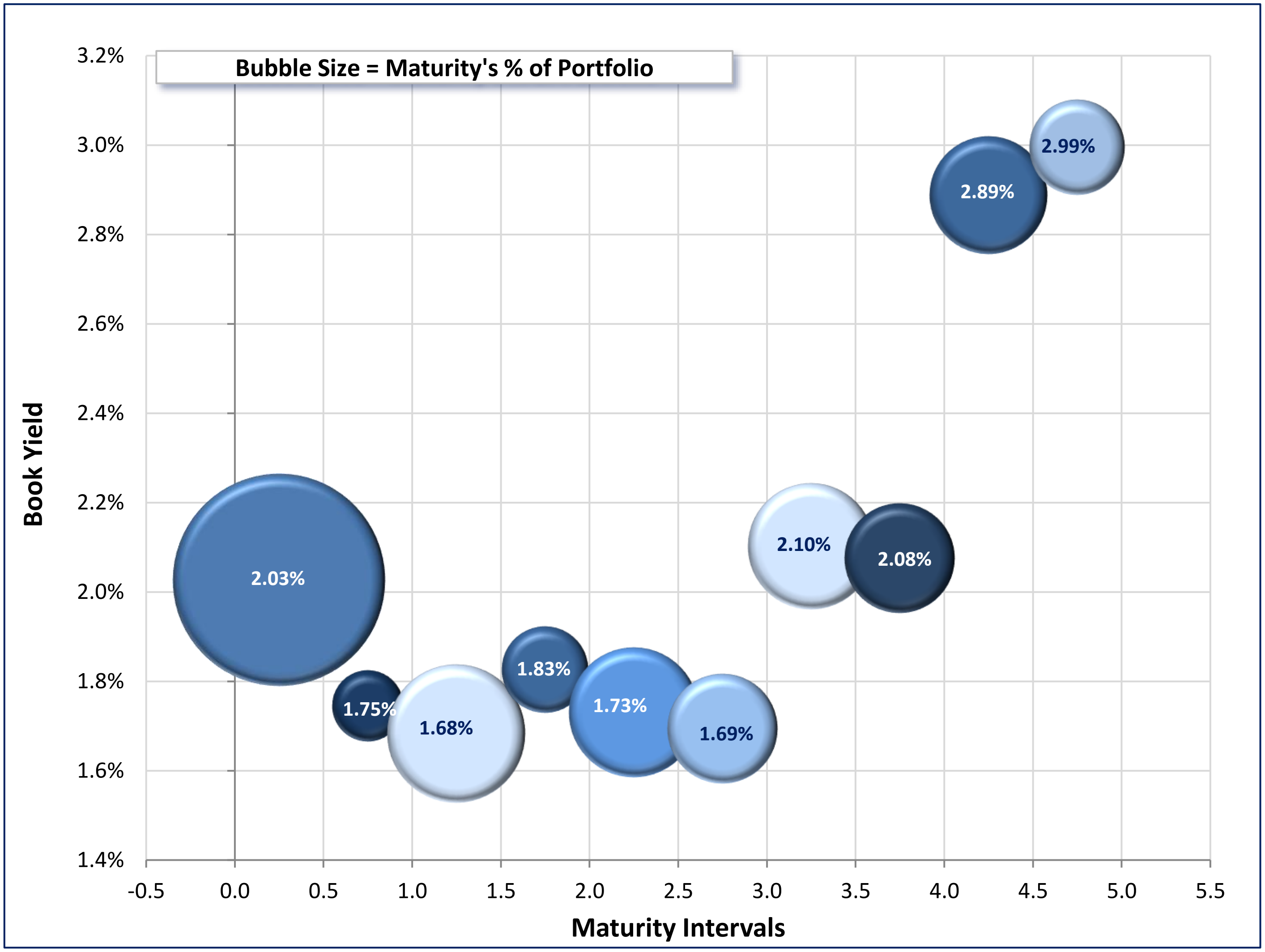
County of Fresno

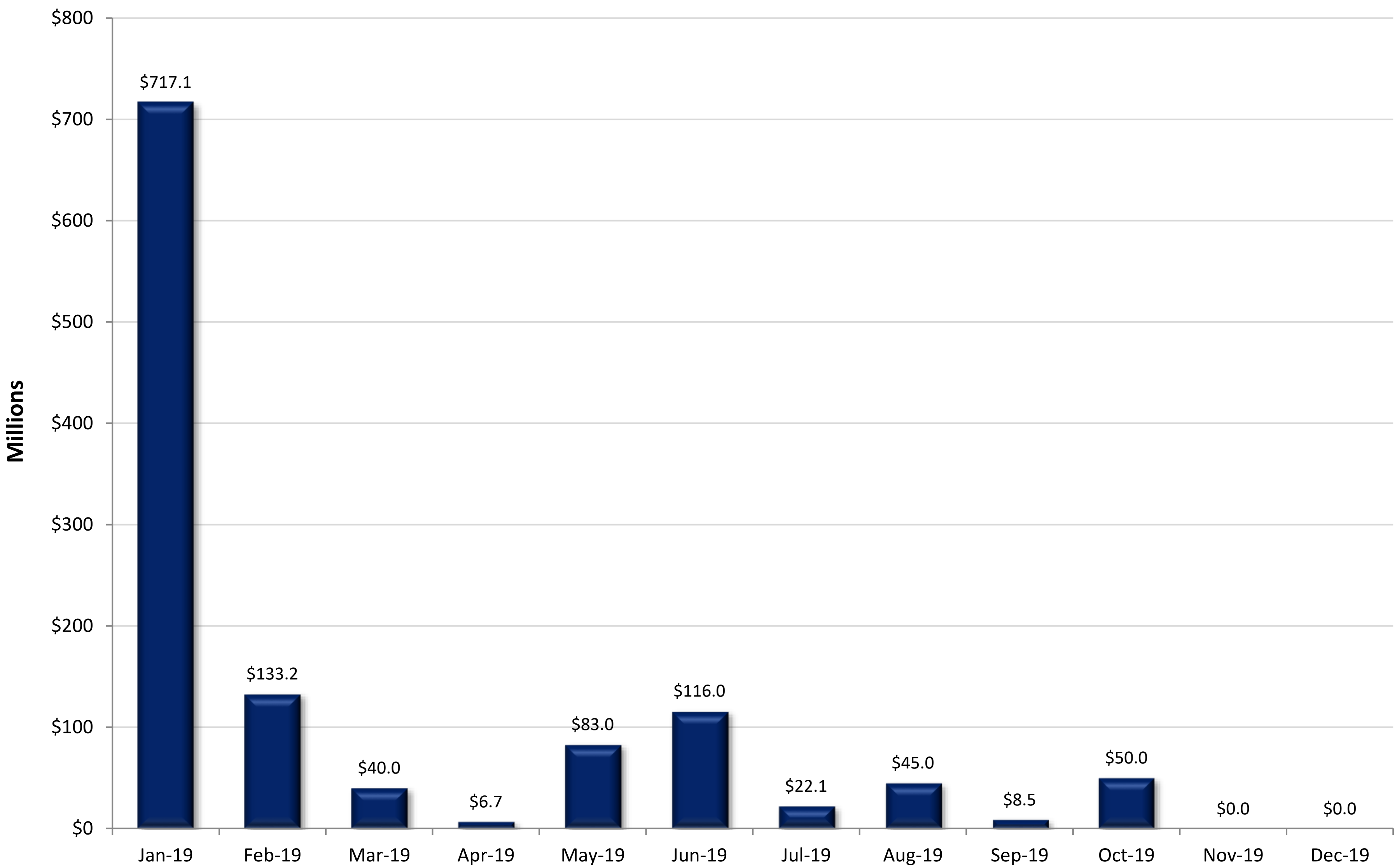


Book YTM Per 6-Month Maturity Intervals
12/31/2018

Years	Book Yield	% of Portfolio*
0 to .5	2.03%	28.84%
.5 to 1.0	1.75%	3.24%
1.0 to 1.5	1.68%	12.20%
1.5 to 2.0	1.83%	4.75%
2.0 to 2.5	1.73%	10.76%
2.5 to 3.0	1.69%	7.73%
3.0 to 3.5	2.10%	10.14%
3.5 to 4.0	2.08%	7.70%
4.0 to 4.5	2.89%	8.85%
4.5 to 5.0+	2.99%	5.79%

*Based on Book Value

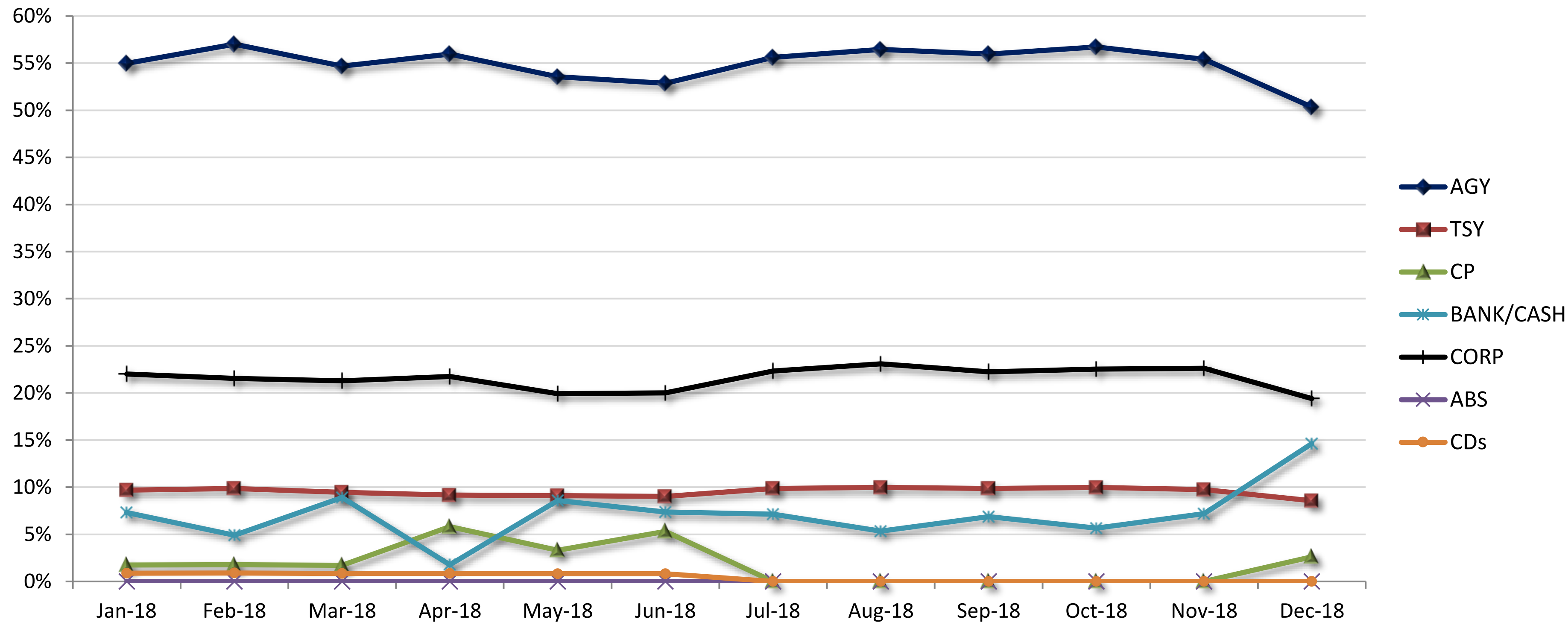




	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Maturities	$717.1	$133.2	$40.0	$6.7	$83.0	$116.0	$22.1	$45.0	$8.5	$50.0	$0.0	$0.0

Par Value in Millions

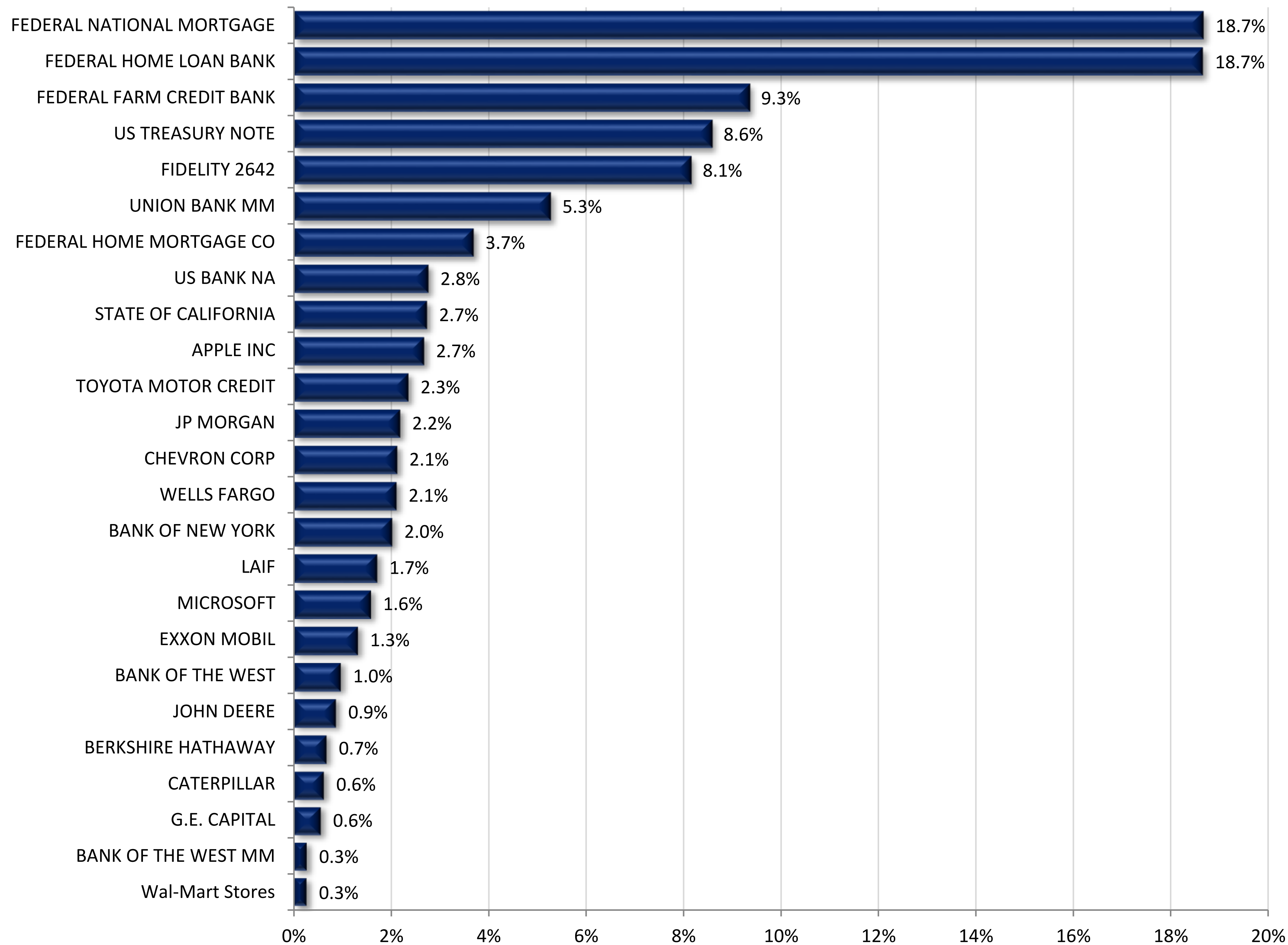
Historical Sector Allocation
12/31/2018



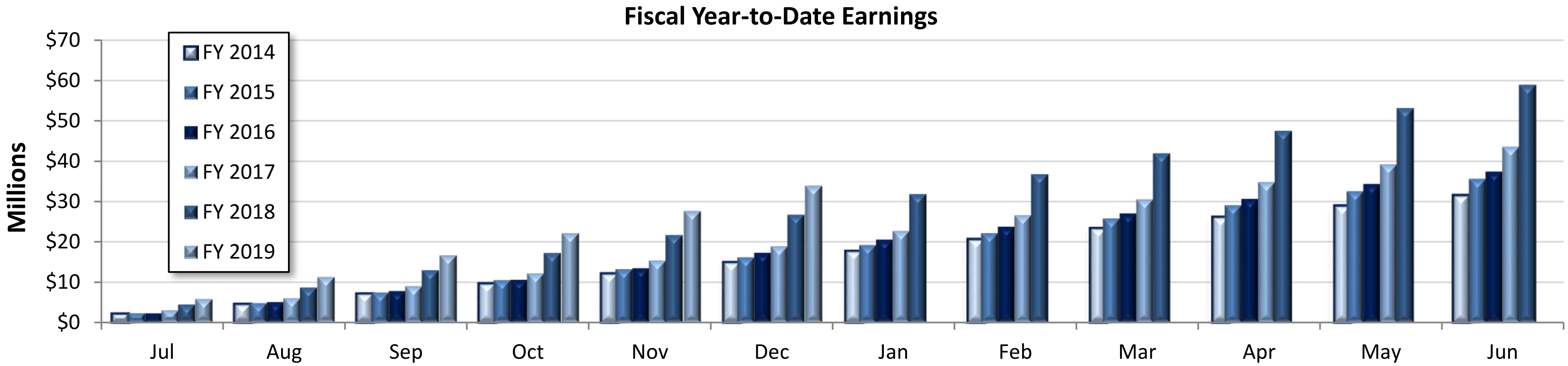
Sector	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Agency	55.0%	57.0%	54.7%	56.0%	53.6%	52.8%	55.6%	56.4%	56.0%	56.7%	55.4%	50.3%
Treasury	9.7%	9.9%	9.5%	9.2%	9.1%	9.0%	9.9%	10.0%	9.9%	10.0%	9.7%	8.6%
Commercial Paper	1.7%	1.8%	1.7%	5.8%	3.3%	5.3%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%
LAIF	0.3%	0.9%	0.1%	1.8%	1.8%	1.8%	2.0%	2.0%	2.0%	2.0%	1.9%	1.7%
Muni	3.1%	3.1%	3.0%	2.9%	2.9%	2.8%	3.1%	3.2%	3.1%	3.2%	3.1%	2.7%
Corporates	22.0%	21.5%	21.3%	21.7%	19.9%	20.0%	22.3%	23.1%	22.2%	22.5%	22.6%	19.4%
CDs	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ABS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bank/Cash	7.3%	4.9%	8.9%	1.8%	8.6%	7.4%	7.2%	5.3%	6.9%	5.6%	7.2%	14.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Holdings Allocation by Issuer
12/31/2018

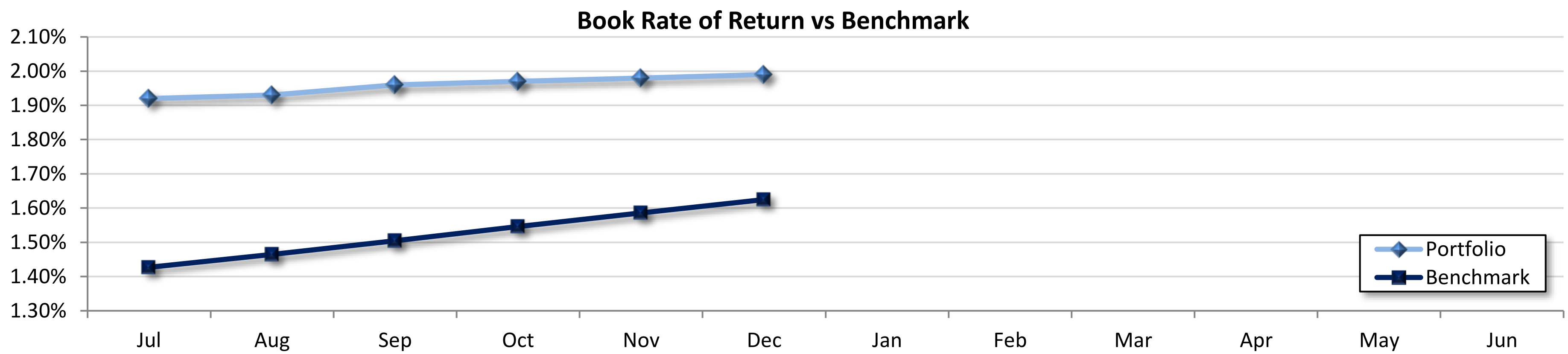
County of Fresno



Historical Earnings and Book Rate of Return Performance
12/31/2018



Fiscal YTD ($Mil)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 2014	$2.3	$4.7	$7.3	$9.8	$12.2	$15.0	$17.7	$20.7	$23.4	$26.2	$29.0	$31.6
FY 2015	$2.3	$4.9	$7.5	$10.5	$13.3	$16.2	$19.2	$22.1	$25.8	$29.0	$32.5	$35.5
FY 2016	$2.3	$5.1	$7.8	$10.6	$13.4	$17.2	$20.5	$23.7	$26.9	$30.5	$34.2	$37.3
FY 2017	$3.0	$6.0	$9.0	$12.1	$15.3	$18.9	$22.7	$26.5	$30.5	$34.8	$39.2	$43.5
FY 2018	$4.5	$8.7	$12.9	$17.3	$21.6	$26.7	$31.7	$36.7	$41.9	$47.4	$53.0	$58.8
FY 2019	$5.8	$11.3	$16.7	$22.1	$27.5	$33.8						

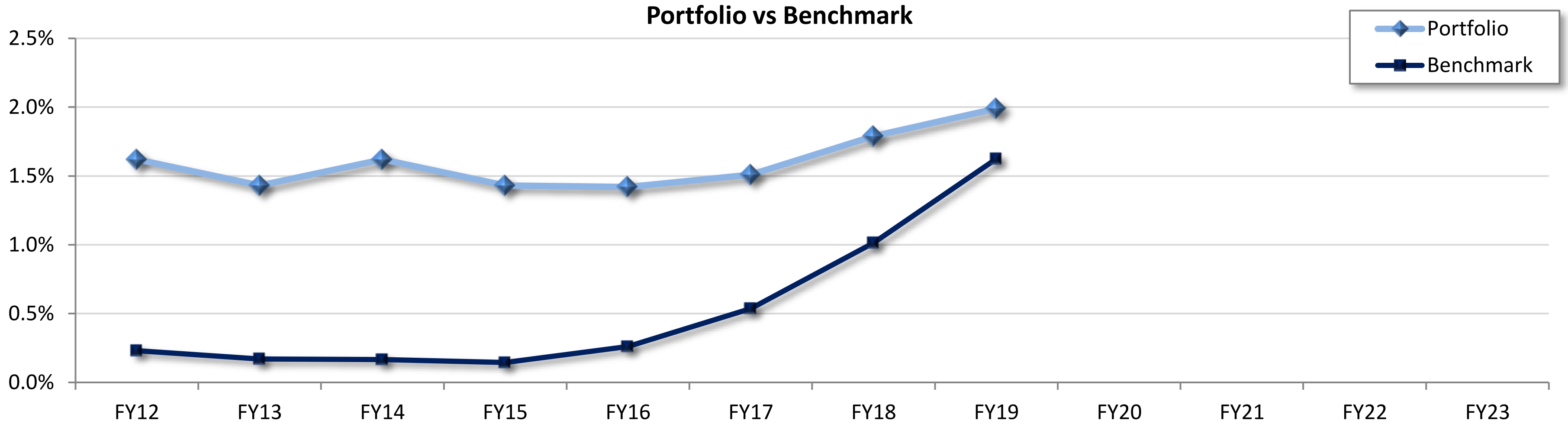


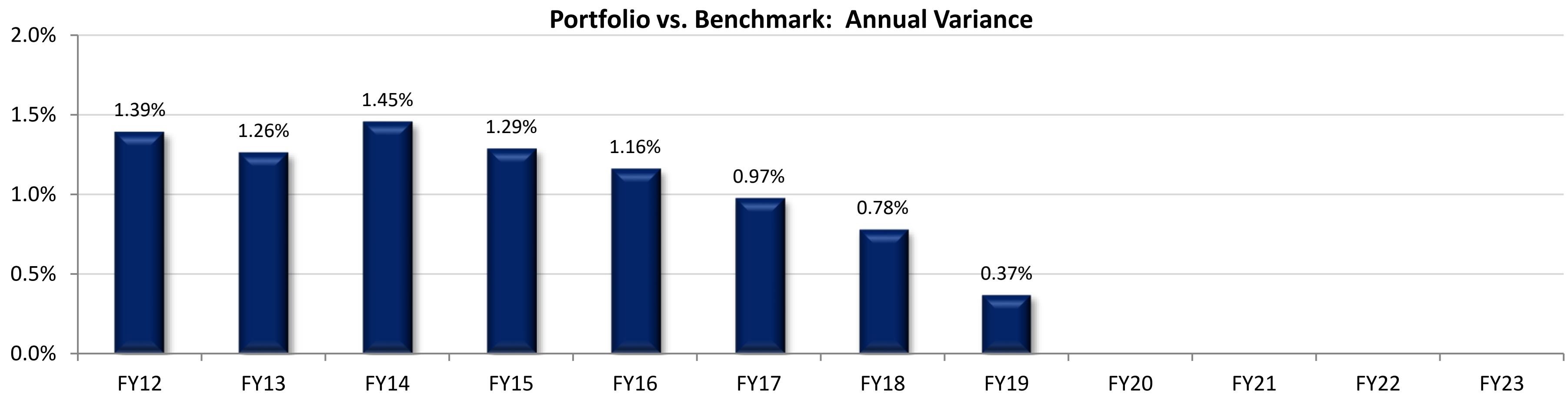
Fiscal YTD	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Book Rate of Rtn	1.92%	1.93%	1.96%	1.97%	1.98%	1.99%						
Benchmark*	1.43%	1.46%	1.50%	1.55%	1.59%	1.62%						
Variance	0.49%	0.47%	0.46%	0.42%	0.39%	0.37%						

*Benchmark: ICE BofAML 1-Year US Treasury Note Index (24 Month Moving Average)--Average Builds Over the Fiscal Year Period

Historical Book Rate of Return Performance
12/31/2018

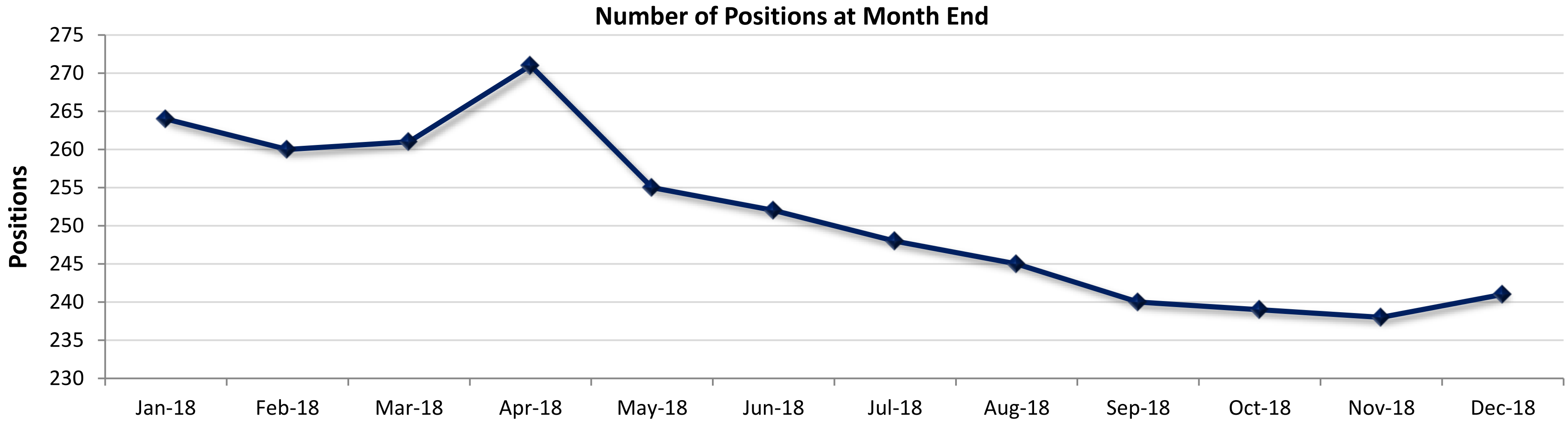
County of Fresno



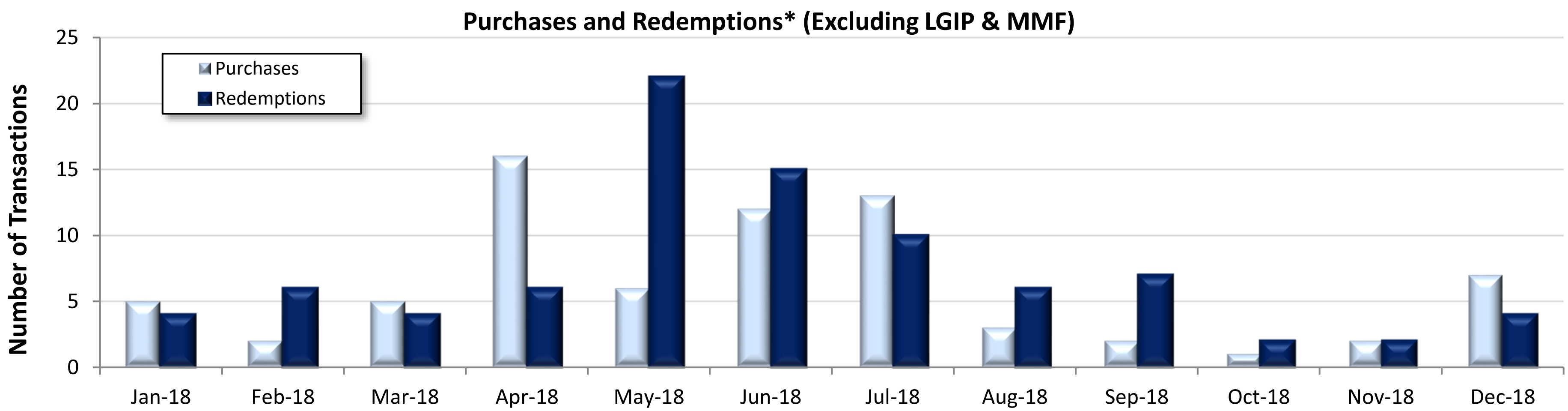


Fiscal YTD	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Portfolio	1.62%	1.43%	1.62%	1.43%	1.42%	1.51%	1.79%	1.99%				
Benchmark*	0.23%	0.17%	0.17%	0.14%	0.26%	0.54%	1.01%	1.62%				
Variance	1.39%	1.26%	1.45%	1.29%	1.16%	0.97%	0.78%	0.37%				

*Benchmark: ICE BofAML 1-Year US Treasury Note Index (24 Month Moving Average)--Average Builds Over the Fiscal Year Period



	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Positions	264	260	261	271	255	252	248	245	240	239	238	241



*Redemptions include maturities, calls, and sells

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Purchases	5	2	5	16	6	12	13	3	2	1	2	7
Redemptions	4	6	4	6	22	15	10	6	7	2	2	4
Total Transactions	9	8	9	22	28	27	23	9	9	3	4	11

Summary of Portfolio

	December 2018	September 2018	June 2018	March 2018	December 2017
Market Value	$3,770,988,770	$3,263,439,272	$3,602,167,778	$3,445,620,926	$3,507,783,549
Amortize Cost Value	$3,808,681,373	$3,325,605,518	$3,657,258,602	$3,492,422,560	$3,528,384,784
Unrealized Gain/Loss % on cost	-0.99%	-1.87%	-1.51%	-1.34%	-0.58%
Yield (weighted on cost value)	2.05%	1.97%	1.89%	1.79%	1.70%
Years to Maturity (weighted on cost value)	1.98	2.33	2.17	2.25	2.22
Avg Dollar-Weighted Quality Rating	AA+	AA+	AA+	AA+	AA+

Projection of Future Cash Flows (in millions)

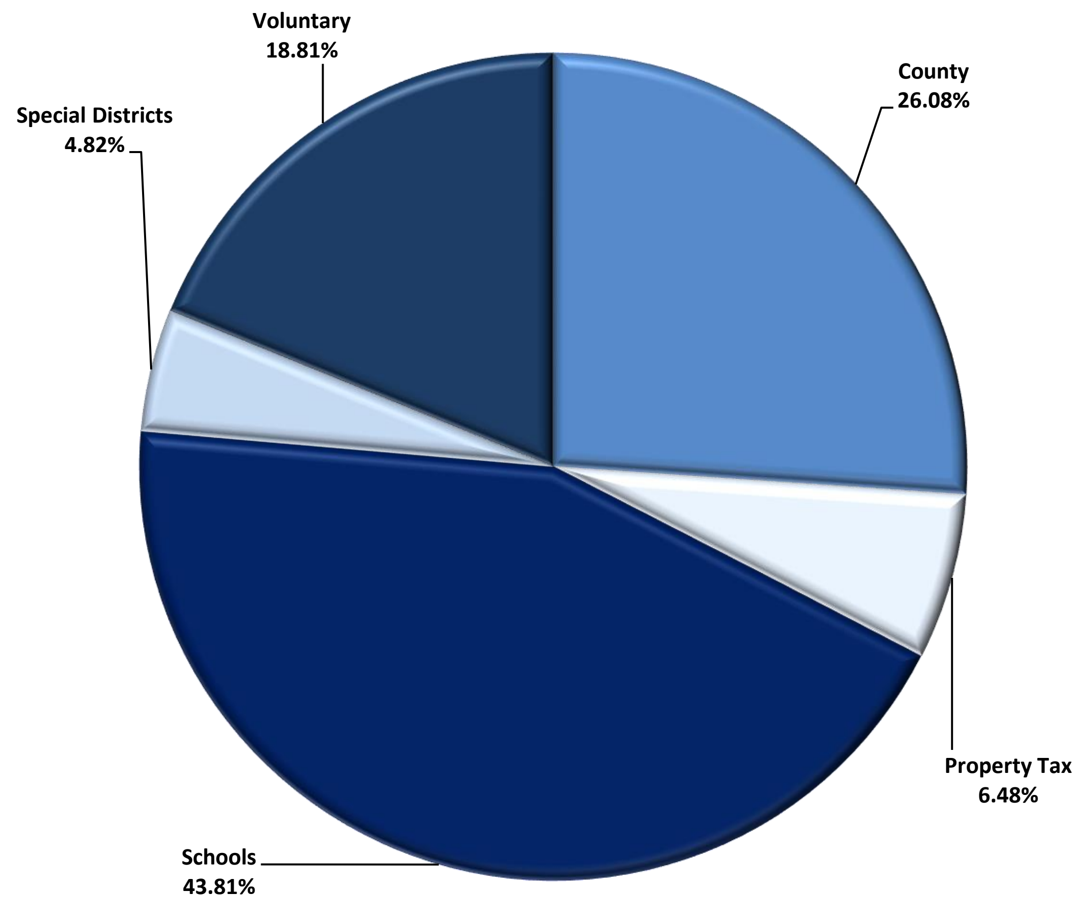
Month	Monthly Receipts (a)	Monthly Disburs. (a)	Difference	Actual Inv. Maturities	Balance
Beginning Balance (b)					622.1
1/19	488.9	600.4	-111.5	95.0	605.6
2/19	417.8	460.0	-42.2	133.2	696.6
3/19	579.6	508.8	70.8	40.0	807.4
4/19	644.8	549.1	95.7	6.7	909.8
5/19	379.6	491.7	-112.1	83.0	880.7
6/19	561.9	612.6	-50.7	116.0	946.0
Totals	**3,072.6**	**3,222.6**	**-150.0**	**473.9**	

(a) Monthly Receipt and Monthly Disbursement amounts are estimates based upon historical cash flows and may change as actual cash flow information becomes available.

(b) Beg. Balance is taken from Bank Accounts, Mutual Funds, and LAIF.

Pool Participant Breakdown
12/31/2018

Entity	Portfolio $	Portfolio %
County	1,012,787,127	26.08%
Property Tax	251,689,728	6.48%
Schools	1,701,305,582	43.81%
Special Districts	187,306,112	4.82%
Voluntary	730,364,397	18.81%
Total	**3,883,452,946**	**100.00%**



Fresno County
P.O. Box 1247
Fresno, CA 93715
(559)600-3496

County of Fresno
Portfolio Management
Portfolio Summary
December 31, 2018

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.
Bank Accounts	36,705,619.77	36,705,619.77	36,705,619.77	0.96	1	1	0.444
Federal Agency Coupons	1,918,520,000.00	1,894,932,716.09	1,917,531,080.84	50.35	1,706	899	1.879
Medium Term Notes	740,609,000.00	729,619,705.26	739,011,611.98	19.40	1,642	923	2.463
Treasury Notes	326,000,000.00	322,048,129.00	326,289,754.62	8.57	1,459	704	1.755
Discount Commercial Paper	100,000,000.00	99,834,000.00	99,839,347.29	2.62	35	23	2.481
Mutual Funds	310,000,000.00	310,000,000.00	310,000,000.00	8.14	1	1	2.347
Local Agency Investment Funds	65,000,000.00	65,000,000.00	65,000,000.00	1.71	1	1	2.260
Bank Money Market Accounts	210,390,084.58	210,390,084.58	210,390,084.58	5.52	1	1	2.142
Municipal Bonds	103,500,000.00	102,458,515.00	103,913,874.07	2.73	1,598	1,031	2.209
Investments	**3,810,724,704.35**	**3,770,988,769.70**	**3,808,681,373.15**	**100.00%**	**1,347**	**721**	**2.052**

Total Earnings	**December 31 Month Ending**	**Fiscal Year To Date**
Current Year	6,217,228.58	33,787,866.23
Average Daily Balance	**3,633,769,049.85**	**3,372,530,781.68**
Effective Rate of Return	**2.01%**	**1.99%**

Oscar J. Garcia, CPA, Treasurer/ Tax Collector

Reporting period 12/01/2018-12/31/2018

Run Date: 01/16/2019 - 09:34

Portfolio FSNO
AC
PM (PRF_PM1) 7.3.0
Report Ver. 7.3.6.1

County of Fresno
Portfolio Management
Portfolio Details - Investments
December 31, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	S&P	Moody's	Maturity Date
Bank Accounts												
SYS03400B	03400B	BANK OF AMERICA			0.00	0.00	0.00	0.220	0.220			
SYS03400A	03400A	BANK OF THE WEST			36,705,619.77	36,705,619.77	36,705,619.77	0.450	0.450			
		Subtotal and Average	**36,830,956.60**		**36,705,619.77**	**36,705,619.77**	**36,705,619.77**		**0.450**			
Federal Agency Coupons												
3133EDLR1	17248	FEDERAL FARM CREDIT BANK		05/27/2014	5,000,000.00	4,984,130.00	5,000,584.56	1.650	1.617	AA+	Aaa	05/15/2019
3133EEW55	17316	FEDERAL FARM CREDIT BANK		06/15/2015	10,000,000.00	9,885,540.00	9,987,968.38	1.800	1.887	AA+	Aaa	06/15/2020
3133EFYZ4	17359	FEDERAL FARM CREDIT BANK		02/29/2016	17,800,000.00	17,370,699.60	17,777,955.84	1.375	1.436	AA+	Aaa	02/10/2021
3133EFW52	17383	FEDERAL FARM CREDIT BANK		06/09/2016	2,060,000.00	2,045,889.00	2,061,000.69	1.150	1.051	AA+	Aaa	07/01/2019
3133EGBR5	17384	FEDERAL FARM CREDIT BANK		06/09/2016	5,000,000.00	4,990,050.00	4,999,867.49	0.950	0.968	AA+	Aaa	02/25/2019
3133EGYQ2	17410	FEDERAL FARM CREDIT BANK		10/27/2016	10,000,000.00	9,684,080.00	9,984,722.07	1.400	1.457	AA+	Aaa	10/14/2021
3133EGZJ7	17411	FEDERAL FARM CREDIT BANK		10/27/2016	10,000,000.00	9,673,880.00	9,977,796.90	1.375	1.457	AA+	Aaa	10/25/2021
3133EG5D3	17447	FEDERAL FARM CREDIT BANK		01/27/2017	50,000,000.00	49,118,550.00	50,000,000.00	2.030	2.030	AA+	Aaa	01/27/2022
3133EHJT1	17479	FEDERAL FARM CREDIT BANK		05/18/2017	5,000,000.00	4,894,975.00	4,996,146.17	2.000	2.024	AA+	Aaa	05/18/2022
3133EEY20	17495	FEDERAL FARM CREDIT BANK		09/21/2017	10,000,000.00	9,914,690.00	10,155,421.34	2.400	1.928	AA+	Aaa	06/17/2022
3133EHVS9	17499	FEDERAL FARM CREDIT BANK		09/28/2017	5,500,000.00	5,342,144.50	5,474,856.43	1.840	1.972	AA+	Aaa	08/23/2022
3133EJBP3	17535	FEDERAL FARM CREDIT BANK		02/07/2018	10,000,000.00	9,920,640.00	9,964,704.19	2.500	2.593	AA+	Aaa	02/02/2023
3133EJBP3	17536	FEDERAL FARM CREDIT BANK		02/28/2018	51,180,000.00	50,773,835.52	50,670,399.30	2.500	2.762	AA+	Aaa	02/02/2023
3133EH7F4	17557	FEDERAL FARM CREDIT BANK		04/19/2018	19,869,000.00	19,603,192.52	19,534,433.40	2.350	2.797	AA+	Aaa	01/17/2023
3133EJUS6	17584	FEDERAL FARM CREDIT BANK		07/17/2018	20,000,000.00	20,215,700.00	19,997,636.89	2.875	2.878	AA+	Aaa	07/17/2023
3133EJUS6	17589	FEDERAL FARM CREDIT BANK		07/25/2018	30,000,000.00	30,323,550.00	29,931,249.93	2.875	2.945	AA+	Aaa	07/17/2023
3133EJUS6	17593	FEDERAL FARM CREDIT BANK		09/19/2018	10,000,000.00	10,107,850.00	9,984,582.20	2.875	3.029	AA+	Aaa	07/17/2023
3133EJK57	17606	FEDERAL FARM CREDIT BANK		12/20/2018	17,000,000.00	17,329,120.00	17,302,178.09	3.080	2.775	AA+	Aaa	07/24/2023
3133EJUS6	17607	FEDERAL FARM CREDIT BANK		12/20/2018	2,910,000.00	2,941,384.35	2,958,032.24	2.875	2.774	AA+	Aaa	07/17/2023
3133EJ4G1	17610	FEDERAL FARM CREDIT BANK		12/28/2018	65,000,000.00	65,307,840.00	64,952,506.51	2.770	2.787	AA+	Aaa	07/28/2023
313379EE5	17250	FEDERAL HOME LOAN BANK		06/18/2014	5,000,000.00	4,978,325.00	4,994,981.12	1.625	1.858	AA+	Aaa	06/14/2019
3130A2FH4	17256	FEDERAL HOME LOAN BANK		09/02/2014	20,000,000.00	19,921,000.00	20,000,757.26	1.750	1.741	AA+	Aaa	06/14/2019
313379EE5	17259	FEDERAL HOME LOAN BANK		09/10/2014	10,000,000.00	9,956,650.00	9,990,366.45	1.625	1.848	AA+	Aaa	06/14/2019
3130A2FH4	17260	FEDERAL HOME LOAN BANK		09/10/2014	10,000,000.00	9,960,500.00	9,995,805.18	1.750	1.847	AA+	Aaa	06/14/2019
3133X72S2	17272	FEDERAL HOME LOAN BANK		12/09/2014	10,000,000.00	10,098,840.00	10,130,977.44	5.375	1.706	AA+	Aaa	05/15/2019
3133X72S2	17279	FEDERAL HOME LOAN BANK		12/19/2014	20,500,000.00	20,702,622.00	20,771,041.95	5.375	1.675	AA+	Aaa	05/15/2019
313383HU8	17315	FEDERAL HOME LOAN BANK		06/12/2015	20,000,000.00	19,769,280.00	19,999,722.13	1.750	1.751	AA+	Aaa	06/12/2020
313383HU8	17317	FEDERAL HOME LOAN BANK		06/26/2015	12,615,000.00	12,469,473.36	12,601,781.57	1.750	1.826	AA+	Aaa	06/12/2020
3130A7CV5	17363	FEDERAL HOME LOAN BANK		03/03/2016	5,000,000.00	4,883,785.00	4,984,559.02	1.375	1.526	AA+	Aaa	02/18/2021
313376XN0	17364	FEDERAL HOME LOAN BANK		03/03/2016	820,000.00	812,553.58	829,022.59	2.100	1.554	AA+	Aaa	02/08/2021
3130A7CV5	17371	FEDERAL HOME LOAN BANK		04/21/2016	10,000,000.00	9,767,570.00	9,994,215.49	1.375	1.403	AA+	Aaa	02/18/2021

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Federal Agency Coupons												
313381CA1	17372	FEDERAL HOME LOAN BANK		04/21/2016	5,000,000.00	4,889,335.00	5,000,553.29	1.375	1.369	AA+	Aaa	12/11/2020
3130A7CV5	17376	FEDERAL HOME LOAN BANK		05/20/2016	5,000,000.00	4,883,785.00	4,990,547.22	1.375	1.467	AA+	Aaa	02/18/2021
3130A7CV5	17379	FEDERAL HOME LOAN BANK		05/25/2016	10,000,000.00	9,767,570.00	9,976,192.82	1.375	1.491	AA+	Aaa	02/18/2021
3130A1W95	17386	FEDERAL HOME LOAN BANK		07/15/2016	30,000,000.00	29,784,840.00	30,709,062.74	2.250	1.250	AA+	Aaa	06/11/2021
3130A7CV5	17388	FEDERAL HOME LOAN BANK		08/08/2016	10,000,000.00	9,767,570.00	10,041,577.99	1.375	1.174	AA+	Aaa	02/18/2021
3130A8QS5	17389	FEDERAL HOME LOAN BANK		08/08/2016	15,000,000.00	14,486,460.00	14,956,200.68	1.125	1.244	AA+	Aaa	07/14/2021
313379RB7	17392	FEDERAL HOME LOAN BANK		08/17/2016	10,000,000.00	9,813,990.00	10,134,104.08	1.875	1.307	AA+	Aaa	06/11/2021
3130A8QS5	17399	FEDERAL HOME LOAN BANK		08/29/2016	3,955,000.00	3,819,596.62	3,936,235.59	1.125	1.319	AA+	Aaa	07/14/2021
3130A8QS5	17400	FEDERAL HOME LOAN BANK		09/13/2016	15,000,000.00	14,486,460.00	14,924,311.72	1.125	1.331	AA+	Aaa	07/14/2021
3130A8QS5	17403	FEDERAL HOME LOAN BANK		09/28/2016	10,000,000.00	9,657,640.00	9,971,747.36	1.125	1.240	AA+	Aaa	07/14/2021
3133752P1	17405	FEDERAL HOME LOAN BANK		10/05/2016	5,700,000.00	5,836,834.20	6,006,028.07	3.500	1.342	AA+	Aaa	07/29/2021
3130A8QS5	17408	FEDERAL HOME LOAN BANK		10/13/2016	10,000,000.00	9,657,640.00	9,927,797.76	1.125	1.420	AA+	Aaa	07/14/2021
3130A8QS5	17414	FEDERAL HOME LOAN BANK		11/14/2016	10,000,000.00	9,657,640.00	9,901,205.79	1.125	1.530	AA+	Aaa	07/14/2021
3130A1W95	17420	FEDERAL HOME LOAN BANK		11/29/2016	18,470,000.00	18,337,533.16	18,647,176.19	2.250	1.839	AA+	Aaa	06/11/2021
3130A7CV5	17457	FEDERAL HOME LOAN BANK		03/20/2017	20,000,000.00	19,535,140.00	19,799,882.73	1.375	1.864	AA+	Aaa	02/18/2021
3130AAX45	17460	FEDERAL HOME LOAN BANK		03/28/2017	15,000,000.00	14,793,075.00	15,032,085.60	1.875	1.768	AA+	Aaa	01/28/2021
3130A8QS5	17464	FEDERAL HOME LOAN BANK		04/06/2017	20,000,000.00	19,315,280.00	19,668,453.61	1.125	1.807	AA+	Aaa	07/14/2021
3130AB3M6	17465	FEDERAL HOME LOAN BANK		04/10/2017	5,000,000.00	4,924,530.00	5,002,661.51	1.875	1.853	AA+	Aaa	06/30/2021
313379RB7	17466	FEDERAL HOME LOAN BANK		04/11/2017	15,000,000.00	14,720,985.00	15,010,120.00	1.875	1.846	AA+	Aaa	06/11/2021
313379Q69	17485	FEDERAL HOME LOAN BANK		06/28/2017	5,000,000.00	4,915,305.00	5,038,066.92	2.125	1.892	AA+	Aaa	06/10/2022
313379Q69	17486	FEDERAL HOME LOAN BANK		06/28/2017	5,000,000.00	4,915,305.00	5,038,101.68	2.125	1.892	AA+	Aaa	06/10/2022
313379Q69	17487	FEDERAL HOME LOAN BANK		06/28/2017	3,820,000.00	3,755,293.02	3,849,601.04	2.125	1.888	AA+	Aaa	06/10/2022
313379Q69	17488	FEDERAL HOME LOAN BANK		07/07/2017	13,470,000.00	13,241,831.67	13,523,560.23	2.125	2.003	AA+	Aaa	06/10/2022
3130AC5A8	17494	FEDERAL HOME LOAN BANK		09/19/2017	10,000,000.00	9,738,780.00	9,983,947.36	1.850	1.896	AA+	Aaa	08/15/2022
3130AC5A8	17496	FEDERAL HOME LOAN BANK		09/27/2017	9,280,000.00	9,037,587.84	9,255,742.69	1.850	1.926	AA+	Aaa	08/15/2022
313379Q69	17498	FEDERAL HOME LOAN BANK		09/27/2017	20,000,000.00	19,661,220.00	20,160,565.03	2.125	1.880	AA+	Aaa	06/10/2022
3130ACKC7	17500	FEDERAL HOME LOAN BANK		10/18/2017	50,000,000.00	48,891,400.00	50,000,000.00	1.950	1.950	AA+	Aaa	07/18/2022
3130ACM27	17502	FEDERAL HOME LOAN BANK		10/12/2017	15,000,000.00	14,669,430.00	14,988,630.19	1.950	1.973	AA+	Aaa	07/11/2022
3130ACM27	17509	FEDERAL HOME LOAN BANK		10/19/2017	4,455,000.00	4,356,820.71	4,446,855.62	1.950	2.005	AA+	Aaa	07/11/2022
3130ACUV4	17512	FEDERAL HOME LOAN BANK		11/30/2017	50,000,000.00	49,084,400.00	50,000,000.00	2.070	2.070	AA+	Aaa	07/29/2022
3130ACUZ5	17513	FEDERAL HOME LOAN BANK		11/24/2017	23,000,000.00	22,603,296.00	22,983,678.23	2.060	2.082	AA+	Aaa	05/24/2022
3130ACYP3	17515	FEDERAL HOME LOAN BANK		12/05/2017	20,000,000.00	19,654,740.00	19,986,032.44	2.100	2.121	AA+	Aaa	07/27/2022
313379Q69	17516	FEDERAL HOME LOAN BANK		12/01/2017	2,000,000.00	1,966,122.00	1,999,473.67	2.125	2.133	AA+	Aaa	06/10/2022
3130ACUV4	17517	FEDERAL HOME LOAN BANK		12/06/2017	8,890,000.00	8,727,206.32	8,861,610.32	2.070	2.165	AA+	Aaa	07/29/2022
313379Q69	17527	FEDERAL HOME LOAN BANK		12/20/2017	1,900,000.00	1,867,815.90	1,893,636.62	2.125	2.228	AA+	Aaa	06/10/2022
3130A5P45	17528	FEDERAL HOME LOAN BANK		12/20/2017	1,925,000.00	1,908,943.58	1,934,233.65	2.375	2.228	AA+	Aaa	06/10/2022

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Federal Agency Coupons												
3130ACXH2	17567	FEDERAL HOME LOAN BANK		12/04/2017	25,000,000.00	24,535,875.00	24,936,121.79	2.020	2.099	AA+	Aaa	05/25/2022
3130AEEW6	17572	FEDERAL HOME LOAN BANK		06/07/2018	21,150,000.00	21,231,279.45	21,035,551.32	2.760	2.893	AA+	Aaa	05/30/2023
3130AEAP5	17576	FEDERAL HOME LOAN BANK		05/30/2018	50,000,000.00	50,429,900.00	49,977,533.31	2.875	2.886	AA+	Aaa	05/30/2023
3130AFBD8	17608	FEDERAL HOME LOAN BANK		12/20/2018	12,500,000.00	12,747,450.00	12,746,839.03	3.125	2.774	AA+	Aaa	07/25/2023
3137EADK2	17275	FEDERAL HOME MORTGAGE CO		12/11/2014	15,000,000.00	14,875,170.00	14,966,926.89	1.250	1.644	AA+	Aaa	08/01/2019
3137EADK2	17276	FEDERAL HOME MORTGAGE CO		12/11/2014	20,000,000.00	19,833,560.00	19,956,340.12	1.250	1.640	AA+	Aaa	08/01/2019
3137EADM8	17280	FEDERAL HOME MORTGAGE CO		12/19/2014	20,000,000.00	19,793,340.00	19,928,058.39	1.250	1.750	AA+	Aaa	10/02/2019
3137EADM8	17281	FEDERAL HOME MORTGAGE CO		12/19/2014	20,000,000.00	19,793,340.00	19,928,341.50	1.250	1.748	AA+	Aaa	10/02/2019
3137EADM8	17282	FEDERAL HOME MORTGAGE CO		12/19/2014	10,000,000.00	9,896,670.00	9,964,170.75	1.250	1.748	AA+	Aaa	10/02/2019
3137EADR7	17303	FEDERAL HOME MORTGAGE CO		05/06/2015	10,000,000.00	9,845,570.00	9,967,188.86	1.375	1.632	AA+	Aaa	05/01/2020
3137EADR7	17309	FEDERAL HOME MORTGAGE CO		05/08/2015	10,000,000.00	9,845,570.00	9,965,315.78	1.375	1.647	AA+	Aaa	05/01/2020
3134G44G0	17328	FEDERAL HOME MORTGAGE CO		10/29/2015	5,000,000.00	4,928,735.00	4,998,387.84	1.500	1.524	AA+	Aaa	05/22/2020
3137EAEB1	17391	FEDERAL HOME MORTGAGE CO		08/11/2016	10,000,000.00	9,904,610.00	9,996,743.67	0.875	0.935	AA+	Aaa	07/19/2019
3137EAEC9	17393	FEDERAL HOME MORTGAGE CO		08/17/2016	10,000,000.00	9,658,070.00	9,950,197.77	1.125	1.322	AA+	Aaa	08/12/2021
3134G9M79	17463	FEDERAL HOME MORTGAGE CO		04/06/2017	4,410,000.00	4,338,240.48	4,409,214.07	1.875	1.882	AA+	Aaa	07/26/2021
3134G9N86	17476	FEDERAL HOME MORTGAGE CO		05/11/2017	6,170,000.00	6,069,521.55	6,166,231.25	1.875	1.900	AA+	Aaa	07/27/2021
3135G0ZA4	17222	FEDERAL NATIONAL MORTGAGE		02/25/2014	10,000,000.00	9,992,220.00	10,001,856.86	1.875	1.729	AA+	Aaa	02/19/2019
3135G0ZA4	17223	FEDERAL NATIONAL MORTGAGE		03/03/2014	25,000,000.00	24,980,550.00	25,006,497.20	1.875	1.671	AA+	Aaa	02/19/2019
3135G0ZA4	17224	FEDERAL NATIONAL MORTGAGE		03/03/2014	10,000,000.00	9,992,220.00	10,002,631.13	1.875	1.669	AA+	Aaa	02/19/2019
3135G0ZA4	17235	FEDERAL NATIONAL MORTGAGE		03/20/2014	600,000.00	599,533.20	600,015.78	1.875	1.854	AA+	Aaa	02/19/2019
3135G0ZE6	17251	FEDERAL NATIONAL MORTGAGE		06/18/2014	5,000,000.00	4,981,770.00	4,997,636.63	1.750	1.856	AA+	Aaa	06/20/2019
3135G0ZA4	17268	FEDERAL NATIONAL MORTGAGE		10/01/2014	5,000,000.00	4,996,110.00	5,000,868.44	1.875	1.739	AA+	Aaa	02/19/2019
3135G0ZE6	17269	FEDERAL NATIONAL MORTGAGE		10/01/2014	30,000,000.00	29,890,620.00	29,986,959.45	1.750	1.847	AA+	Aaa	06/20/2019
3136FTZZ5	17274	FEDERAL NATIONAL MORTGAGE		12/09/2014	10,000,000.00	9,994,560.00	10,001,233.13	1.750	1.591	AA+	Aaa	01/30/2019
3135G0ZE6	17277	FEDERAL NATIONAL MORTGAGE		12/11/2014	10,000,000.00	9,963,540.00	10,006,764.15	1.750	1.600	AA+	Aaa	06/20/2019
3135G0ZE6	17278	FEDERAL NATIONAL MORTGAGE		12/19/2014	26,000,000.00	25,905,204.00	26,010,541.81	1.750	1.660	AA+	Aaa	06/20/2019
3135G0A78	17299	FEDERAL NATIONAL MORTGAGE		03/04/2015	20,000,000.00	19,800,940.00	19,984,428.00	1.625	1.702	AA+	Aaa	01/21/2020
3135G0A78	17307	FEDERAL NATIONAL MORTGAGE		05/08/2015	10,000,000.00	9,900,470.00	10,000,269.34	1.625	1.622	AA+	Aaa	01/21/2020
3135G0A78	17308	FEDERAL NATIONAL MORTGAGE		05/08/2015	10,000,000.00	9,900,470.00	10,000,487.06	1.625	1.620	AA+	Aaa	01/21/2020
3135G0A78	17312	FEDERAL NATIONAL MORTGAGE		06/03/2015	15,000,000.00	14,850,705.00	14,998,458.81	1.625	1.635	AA+	Aaa	01/21/2020
3135G0D75	17327	FEDERAL NATIONAL MORTGAGE		10/29/2015	20,000,000.00	19,707,420.00	19,990,033.83	1.500	1.535	AA+	Aaa	06/22/2020
3135G0A78	17329	FEDERAL NATIONAL MORTGAGE		10/29/2015	10,000,000.00	9,900,470.00	10,018,650.46	1.625	1.442	AA+	Aaa	01/21/2020
3135G0RM7	17330	FEDERAL NATIONAL MORTGAGE		10/30/2015	10,060,000.00	9,889,050.42	10,069,502.34	1.630	1.576	AA+	Aaa	10/30/2020
3135G0D75	17331	FEDERAL NATIONAL MORTGAGE		10/30/2015	5,950,000.00	5,862,957.45	5,944,161.06	1.500	1.569	AA+	Aaa	06/22/2020
3135G0A78	17332	FEDERAL NATIONAL MORTGAGE		11/04/2015	10,000,000.00	9,900,470.00	10,010,270.27	1.625	1.524	AA+	Aaa	01/21/2020
3135G0D75	17333	FEDERAL NATIONAL MORTGAGE		11/04/2015	5,000,000.00	4,926,855.00	4,991,070.41	1.500	1.626	AA+	Aaa	06/22/2020

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Federal Agency Coupons												
3135G0D75	17334	FEDERAL NATIONAL MORTGAGE		11/04/2015	5,000,000.00	4,926,855.00	4,991,006.74	1.500	1.627	AA+	Aaa	06/22/2020
3135G0A78	17335	FEDERAL NATIONAL MORTGAGE		11/06/2015	10,000,000.00	9,900,470.00	10,003,641.98	1.625	1.589	AA+	Aaa	01/21/2020
3135G0D75	17336	FEDERAL NATIONAL MORTGAGE		11/06/2015	5,000,000.00	4,926,855.00	4,987,362.45	1.500	1.679	AA+	Aaa	06/22/2020
3135G0D75	17338	FEDERAL NATIONAL MORTGAGE		12/17/2015	30,000,000.00	29,561,130.00	29,883,960.98	1.500	1.774	AA+	Aaa	06/22/2020
3135G0D75	17339	FEDERAL NATIONAL MORTGAGE		12/17/2015	20,000,000.00	19,707,420.00	19,917,281.64	1.500	1.793	AA+	Aaa	06/22/2020
3135G0D75	17340	FEDERAL NATIONAL MORTGAGE		12/22/2015	10,000,000.00	9,853,710.00	9,971,430.89	1.500	1.702	AA+	Aaa	06/22/2020
3135G0A78	17341	FEDERAL NATIONAL MORTGAGE		12/22/2015	20,000,000.00	19,800,940.00	20,002,214.30	1.625	1.614	AA+	Aaa	01/21/2020
3135G0A78	17342	FEDERAL NATIONAL MORTGAGE		12/23/2015	10,000,000.00	9,900,470.00	10,000,698.91	1.625	1.618	AA+	Aaa	01/21/2020
3135G0D75	17343	FEDERAL NATIONAL MORTGAGE		12/23/2015	10,000,000.00	9,853,710.00	9,969,169.86	1.500	1.718	AA+	Aaa	06/22/2020
3135G0A78	17344	FEDERAL NATIONAL MORTGAGE		12/23/2015	20,000,000.00	19,800,940.00	20,000,994.01	1.625	1.620	AA+	Aaa	01/21/2020
3135G0H55	17374	FEDERAL NATIONAL MORTGAGE		05/20/2016	10,000,000.00	9,871,980.00	10,087,977.37	1.875	1.417	AA+	Aaa	12/28/2020
3135G0K69	17380	FEDERAL NATIONAL MORTGAGE		05/25/2016	10,000,000.00	9,710,290.00	9,938,496.72	1.250	1.523	AA+	Aaa	05/06/2021
3135G0J53	17390	FEDERAL NATIONAL MORTGAGE		08/11/2016	26,561,000.00	26,501,822.09	26,565,965.31	1.000	0.876	AA+	Aaa	02/26/2019
3135G0N82	17396	FEDERAL NATIONAL MORTGAGE		08/29/2016	10,000,000.00	9,683,760.00	9,988,942.17	1.250	1.294	AA+	Aaa	08/17/2021
3135G0N82	17397	FEDERAL NATIONAL MORTGAGE		08/29/2016	10,000,000.00	9,683,760.00	9,977,831.43	1.250	1.337	AA+	Aaa	08/17/2021
3135G0N82	17398	FEDERAL NATIONAL MORTGAGE		08/29/2016	10,000,000.00	9,683,760.00	9,972,699.33	1.250	1.358	AA+	Aaa	08/17/2021
3135G0K69	17402	FEDERAL NATIONAL MORTGAGE		09/28/2016	25,000,000.00	24,275,725.00	25,008,495.74	1.250	1.235	AA+	Aaa	05/06/2021
3135G0Q89	17406	FEDERAL NATIONAL MORTGAGE		10/07/2016	20,000,000.00	19,398,740.00	19,981,850.67	1.375	1.409	AA+	Aaa	10/07/2021
3135G0Q89	17407	FEDERAL NATIONAL MORTGAGE		10/13/2016	10,000,000.00	9,699,370.00	9,967,244.15	1.375	1.498	AA+	Aaa	10/07/2021
3135G0Q89	17409	FEDERAL NATIONAL MORTGAGE		10/27/2016	5,000,000.00	4,849,685.00	4,989,760.22	1.375	1.452	AA+	Aaa	10/07/2021
3135G0K69	17412	FEDERAL NATIONAL MORTGAGE		11/02/2016	10,000,000.00	9,710,290.00	9,970,508.25	1.250	1.380	AA+	Aaa	05/06/2021
3135G0K69	17413	FEDERAL NATIONAL MORTGAGE		11/14/2016	8,000,000.00	7,768,232.00	7,950,054.84	1.250	1.526	AA+	Aaa	05/06/2021
3135G0K69	17421	FEDERAL NATIONAL MORTGAGE		12/02/2016	25,000,000.00	24,275,725.00	24,629,722.09	1.250	1.911	AA+	Aaa	05/06/2021
3135G0S38	17440	FEDERAL NATIONAL MORTGAGE		01/09/2017	20,000,000.00	19,704,060.00	19,972,658.57	2.000	2.048	AA+	Aaa	01/05/2022
3135G0S38	17441	FEDERAL NATIONAL MORTGAGE		01/09/2017	10,000,000.00	9,852,030.00	9,985,764.35	2.000	2.050	AA+	Aaa	01/05/2022
3135G0S38	17459	FEDERAL NATIONAL MORTGAGE		03/28/2017	10,000,000.00	9,852,030.00	10,004,229.94	2.000	1.985	AA+	Aaa	01/05/2022
3136G2CS4	17461	FEDERAL NATIONAL MORTGAGE		03/28/2017	5,000,000.00	4,914,510.00	5,002,151.64	2.000	1.985	AA+	Aaa	01/27/2022
3135G0S38	17480	FEDERAL NATIONAL MORTGAGE		06/02/2017	5,000,000.00	4,926,015.00	5,024,131.66	2.000	1.832	AA+	Aaa	01/05/2022
3135G0S38	17481	FEDERAL NATIONAL MORTGAGE		06/12/2017	5,000,000.00	4,926,015.00	5,023,998.56	2.000	1.833	AA+	Aaa	01/05/2022
3135G0T78	17501	FEDERAL NATIONAL MORTGAGE		10/10/2017	20,000,000.00	19,621,920.00	19,983,525.70	2.000	2.023	AA+	Aaa	10/05/2022
3135G0T78	17503	FEDERAL NATIONAL MORTGAGE		10/12/2017	15,000,000.00	14,716,440.00	14,986,067.32	2.000	2.026	AA+	Aaa	10/05/2022
3135G0T78	17531	FEDERAL NATIONAL MORTGAGE		01/11/2018	5,000,000.00	4,905,480.00	4,932,911.84	2.000	2.379	AA+	Aaa	10/05/2022
3135G0T94	17533	FEDERAL NATIONAL MORTGAGE		01/23/2018	50,000,000.00	49,625,800.00	49,757,879.45	2.375	2.503	AA+	Aaa	01/19/2023
		Subtotal and Average	**1,857,512,033.43**		**1,918,520,000.00**	**1,894,932,716.09**	**1,917,531,080.84**		**1.905**			

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	S&P	Moody's	Maturity Date
Medium Term Notes												
037833BD1	17348	APPLE INC		12/28/2015	10,000,000.00	9,905,370.00	9,998,824.62	2.000	2.009	AA+	Aa1	05/06/2020
037833CC2	17425	APPLE INC		12/13/2016	5,000,000.00	4,847,970.00	4,917,196.95	1.550	2.226	AA+	Aa1	08/04/2021
037833BS8	17443	APPLE INC		01/19/2017	10,000,000.00	9,882,840.00	10,000,000.00	2.250	2.250	AA+	Aa1	02/23/2021
037833CM0	17448	APPLE INC		02/21/2017	15,000,000.00	14,763,375.00	14,976,927.18	2.500	2.553	AA+	Aa1	02/09/2022
037833AY6	17470	APPLE INC		04/18/2017	10,000,000.00	9,749,980.00	9,986,716.21	2.150	2.195	AA+	Aa1	02/09/2022
037833CQ1	17475	APPLE INC		05/11/2017	20,000,000.00	19,518,600.00	19,967,733.33	2.300	2.351	AA+	Aa1	05/11/2022
037833BU3	17540	APPLE INC		03/01/2018	10,000,000.00	9,877,410.00	9,918,406.25	2.850	3.064	AA+	Aa1	02/23/2023
037833DE7	17541	APPLE INC		03/01/2018	2,500,000.00	2,426,025.00	2,438,472.33	2.400	3.060	AA+	Aa1	01/13/2023
037833AK6	17563	APPLE INC		05/03/2018	5,000,000.00	4,834,655.00	4,825,403.11	2.400	3.279	AA+	Aa1	05/03/2023
037833AK6	17564	APPLE INC		05/03/2018	5,000,000.00	4,834,655.00	4,825,229.56	2.400	3.280	AA+	Aa1	05/03/2023
037833AK6	17581	APPLE INC		06/22/2018	10,000,000.00	9,669,310.00	9,662,800.69	2.400	3.246	AA+	Aa1	05/03/2023
084670BL1	17264	BERKSHIRE HATHAWAY		10/01/2014	10,000,000.00	9,951,720.00	9,995,598.52	2.100	2.175	AA	Aa2	08/14/2019
084670BF4	17520	BERKSHIRE HATHAWAY		12/14/2017	15,000,000.00	15,198,330.00	15,457,294.58	3.400	2.355	AA	Aa2	01/31/2022
06406HCU1	17261	BANK OF NEW YORK		09/16/2014	2,500,000.00	2,494,212.50	2,499,838.39	2.200	2.218	A	A1	05/15/2019
06406HCU1	17262	BANK OF NEW YORK		09/16/2014	5,000,000.00	4,988,425.00	4,999,904.23	2.200	2.205	A	A1	05/15/2019
06406HCW7	17266	BANK OF NEW YORK		10/01/2014	8,501,000.00	8,456,811.80	8,494,791.40	2.300	2.412	A	A1	09/11/2019
06406HCZ0	17297	BANK OF NEW YORK		03/04/2015	3,000,000.00	2,973,714.00	3,002,083.46	2.150	2.086	A	A1	02/24/2020
06406HDD8	17347	BANK OF NEW YORK		12/28/2015	5,000,000.00	4,967,105.00	5,013,605.45	2.600	2.422	A	A1	08/17/2020
06406HBP3	17350	BANK OF NEW YORK		12/28/2015	5,000,000.00	5,083,445.00	5,114,429.37	4.600	2.281	A	A1	01/15/2020
06406HCR8	17373	BANK OF NEW YORK		05/19/2016	30,000,000.00	29,964,840.00	30,034,565.37	2.200	1.525	A	A1	03/04/2019
06406RAA5	17469	BANK OF NEW YORK		04/18/2017	10,000,000.00	9,822,990.00	10,051,423.78	2.600	2.423	A	A1	02/07/2022
06406FAB9	17490	BANK OF NEW YORK		07/18/2017	7,500,000.00	7,320,187.50	7,459,658.02	2.050	2.291	A	A1	05/03/2021
14912L6J5	17360	CATERPILLAR		03/04/2016	8,278,000.00	8,179,094.46	8,270,086.35	2.000	2.085	A	A3	03/05/2020
14912L6U0	17401	CATERPILLAR		09/16/2016	15,294,000.00	14,680,634.13	15,204,979.72	1.700	1.935	A	A3	08/09/2021
166764AY6	17346	CHEVRON CORP		12/28/2015	10,000,000.00	9,907,970.00	9,990,815.01	2.419	2.471	AA	Aa2	11/17/2020
166764BH2	17378	CHEVRON CORP		05/25/2016	20,000,000.00	19,892,000.00	19,992,487.39	1.561	1.664	AA	Aa2	05/16/2019
166764BH2	17381	CHEVRON CORP		05/27/2016	10,000,000.00	9,946,000.00	9,996,249.30	1.561	1.664	AA	Aa2	05/16/2019
166764BG4	17471	CHEVRON CORP		04/25/2017	20,000,000.00	19,613,920.00	19,994,498.97	2.100	2.112	AA	Aa2	05/16/2021
166764BK5	17571	CHEVRON CORP		06/08/2018	10,000,000.00	9,738,770.00	9,700,882.87	2.566	3.313	AA	Aa2	05/16/2023
166764BK5	17579	CHEVRON CORP		06/22/2018	5,000,000.00	4,869,385.00	4,860,191.96	2.566	3.262	AA	Aa2	05/16/2023
166764BK5	17585	CHEVRON CORP		07/25/2018	6,288,000.00	6,123,738.58	6,106,519.82	2.566	3.284	AA	Aa2	05/16/2023
36962G7M0	17296	G.E. CAPITAL		03/04/2015	10,350,000.00	10,199,283.30	10,372,656.36	2.200	1.974	BBB+	Baa1	01/09/2020
36962G5J9	17511	G.E. CAPITAL		11/16/2017	10,000,000.00	10,029,990.00	10,586,060.95	4.650	2.438	BBB+	Baa1	10/17/2021
24422ESK6	17226	JOHN DEERE		03/05/2014	10,000,000.00	9,980,360.00	10,000,381.71	1.950	1.927	A	A2	03/04/2019
24422ERY7	17349	JOHN DEERE		12/28/2015	9,000,000.00	8,882,568.00	8,948,620.56	1.700	2.278	A	A2	01/15/2020
24422ETF6	17362	JOHN DEERE		03/04/2016	5,000,000.00	4,954,820.00	5,038,132.07	2.550	2.150	A	A2	01/08/2021

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	S&P	Moody's	Maturity Date
Medium Term Notes												
24422ERH4	17427	JOHN DEERE		12/13/2016	8,707,000.00	8,719,868.95	8,872,552.76	3.150	2.423	A	A2	10/15/2021
46625HJR2	17217	JP MORGAN		01/28/2014	5,000,000.00	4,997,530.00	4,999,968.50	2.350	2.359	A-	A2	01/28/2019
46625HJR2	17225	JP MORGAN		03/05/2014	10,000,000.00	9,995,060.00	10,000,938.80	2.350	2.217	A-	A2	01/28/2019
46625HHL7	17252	JP MORGAN		07/23/2014	6,740,000.00	6,805,890.24	6,818,941.47	6.300	2.303	A-	A2	04/23/2019
46625HJR2	17263	JP MORGAN		09/16/2014	5,000,000.00	4,997,530.00	5,000,418.23	2.350	2.232	A-	A2	01/28/2019
46625HKA7	17295	JP MORGAN		03/04/2015	10,000,000.00	9,900,400.00	9,990,401.14	2.250	2.346	A-	A2	01/23/2020
46625HNX4	17361	JP MORGAN		03/04/2016	6,181,000.00	6,112,285.82	6,183,282.43	2.550	2.528	A-	A2	10/29/2020
46625HJH4	17559	JP MORGAN		04/26/2018	10,000,000.00	9,854,310.00	9,868,334.23	3.200	3.554	A-	A2	01/25/2023
46632FPH2	17590	JP MORGAN		08/14/2018	30,000,000.00	28,848,000.00	30,000,000.00	3.450	3.450	A+	Aa2	07/14/2023
594918BP8	17394	MICROSOFT		08/22/2016	15,000,000.00	14,572,005.00	14,994,727.41	1.550	1.564	AAA	Aaa	08/08/2021
594918BP8	17424	MICROSOFT		12/13/2016	5,000,000.00	4,857,335.00	4,921,683.58	1.550	2.186	AAA	Aaa	08/08/2021
594918BW3	17449	MICROSOFT		02/21/2017	6,725,000.00	6,647,521.28	6,721,462.95	2.400	2.418	AAA	Aaa	02/06/2022
594918BA1	17450	MICROSOFT		02/21/2017	6,450,000.00	6,371,851.80	6,441,893.50	2.375	2.418	AAA	Aaa	02/12/2022
594918BW3	17525	MICROSOFT		12/21/2017	17,375,000.00	17,174,822.63	17,375,000.00	2.400	2.400	AAA	Aaa	02/06/2022
594918AT1	17580	MICROSOFT		06/22/2018	10,000,000.00	9,785,890.00	9,685,841.51	2.375	3.162	AAA	Aaa	05/01/2023
89236TBP9	17265	TOYOTA MOTOR CREDIT		10/01/2014	10,000,000.00	9,946,200.00	9,996,201.45	2.125	2.198	AA-	Aa3	07/18/2019
89233P7F7	17538	TOYOTA MOTOR CREDIT		03/01/2018	5,000,000.00	4,867,660.00	4,920,309.14	2.625	3.054	AA-	Aa3	01/10/2023
89236TEL5	17539	TOYOTA MOTOR CREDIT		03/01/2018	5,000,000.00	4,856,590.00	4,934,194.86	2.700	3.054	AA-	Aa3	01/11/2023
89236TEL5	17542	TOYOTA MOTOR CREDIT		04/02/2018	20,000,000.00	19,426,360.00	19,677,271.67	2.700	3.134	AA-	Aa3	01/11/2023
91159HHL7	17395	US BANK NA		08/22/2016	5,000,000.00	4,926,160.00	5,066,690.03	2.350	1.681	A+	A1	01/29/2021
91159HHL7	17426	US BANK NA		12/13/2016	4,634,000.00	4,565,565.09	4,645,126.46	2.350	2.228	A+	A1	01/29/2021
91159HHL7	17431	US BANK NA		12/22/2016	5,000,000.00	4,926,160.00	4,993,773.42	2.350	2.413	A+	A1	01/29/2021
91159HHL7	17432	US BANK NA		12/22/2016	7,522,000.00	7,410,915.10	7,513,390.80	2.350	2.408	A+	A1	01/29/2021
91159HHL7	17458	US BANK NA		03/22/2017	10,000,000.00	9,852,320.00	10,004,799.71	2.350	2.325	A+	A1	01/29/2021
91159HHL7	17482	US BANK NA		06/27/2017	4,803,000.00	4,732,069.30	4,830,887.48	2.350	2.058	A+	A1	01/29/2021
91159HHP8	17483	US BANK NA		06/27/2017	20,000,000.00	19,696,100.00	20,206,402.31	2.625	2.268	A+	A1	01/24/2022
91159JAA4	17529	US BANK NA		12/21/2017	10,004,000.00	9,867,875.57	10,116,101.03	2.950	2.606	A-	A1	07/15/2022
90331HNL3	17534	US BANK NA		01/24/2018	10,000,000.00	9,829,330.00	9,984,965.54	2.850	2.890	AA-	A1	01/23/2023
90331HNL3	17537	US BANK NA		03/01/2018	5,000,000.00	4,914,665.00	4,946,913.30	2.850	3.134	AA-	A1	01/23/2023
90331HNL3	17556	US BANK NA		04/20/2018	10,000,000.00	9,829,330.00	9,882,229.20	2.850	3.164	AA-	A1	01/23/2023
90331HNV1	17586	US BANK NA		07/25/2018	10,000,000.00	9,979,470.00	9,989,254.39	3.400	3.428	AA-	A1	07/24/2023
90331HNV1	17587	US BANK NA		07/25/2018	1,500,000.00	1,496,920.50	1,497,394.96	3.400	3.444	AA-	A1	07/24/2023
90331HNV1	17588	US BANK NA		07/25/2018	1,250,000.00	1,247,433.75	1,248,291.49	3.400	3.435	AA-	A1	07/24/2023
931142EK5	17604	Wal-Mart Stores		11/13/2018	10,000,000.00	10,103,050.00	9,953,773.90	3.400	3.512	AA	Aa2	06/26/2023
94974BFQ8	17207	WELLS FARGO		01/15/2014	15,000,000.00	14,995,650.00	14,999,577.67	2.150	2.227	A-	A2	01/15/2019
949746SA0	17445	WELLS FARGO		01/25/2017	10,000,000.00	9,687,790.00	9,826,698.03	2.100	2.823	A-	A2	07/26/2021

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Medium Term Notes												
949746SA0	17467	WELLS FARGO		04/17/2017	5,000,000.00	4,843,895.00	4,955,282.65	2.100	2.469	A-	A2	07/26/2021
949746SA0	17477	WELLS FARGO		05/15/2017	13,232,000.00	12,818,883.73	13,111,467.08	2.100	2.475	A-	A2	07/26/2021
949746SA0	17491	WELLS FARGO		07/18/2017	12,275,000.00	11,891,762.23	12,178,315.30	2.100	2.424	A-	A2	07/26/2021
95000U2B8	17508	WELLS FARGO		10/20/2017	5,000,000.00	4,821,305.00	4,998,279.03	2.625	2.635	A-	A2	07/22/2022
94988J5R4	17591	WELLS FARGO		08/14/2018	10,000,000.00	9,957,720.00	9,984,940.61	3.550	3.586	A+	Aa2	08/14/2023
94988J5R4	17602	WELLS FARGO		11/13/2018	10,000,000.00	9,957,720.00	9,970,168.12	3.550	3.830	A+	Aa2	08/14/2023
		Subtotal and Average	**746,861,714.72**		**740,609,000.00**	**729,619,705.26**	**739,011,611.98**		**2.497**			
Treasury Notes												
912828C24	17245	US TREASURY NOTE		03/31/2014	1,000,000.00	998,569.00	999,657.95	1.500	1.725	AA+	Aaa	02/28/2019
912828ND8	17345	US TREASURY NOTE		12/23/2015	40,000,000.00	40,498,440.00	40,980,821.65	3.500	1.637	AA+	Aaa	05/15/2020
912828XE5	17416	US TREASURY NOTE		11/15/2016	15,000,000.00	14,779,680.00	15,019,174.16	1.500	1.407	AA+	Aaa	05/31/2020
912828XE5	17428	US TREASURY NOTE		12/13/2016	40,000,000.00	39,412,480.00	39,952,835.97	1.500	1.586	AA+	Aaa	05/31/2020
912828N48	17429	US TREASURY NOTE		12/16/2016	40,000,000.00	39,429,680.00	39,870,172.76	1.750	1.919	AA+	Aaa	12/31/2020
912828XM7	17433	US TREASURY NOTE		12/22/2016	40,000,000.00	39,432,800.00	39,927,436.88	1.625	1.744	AA+	Aaa	07/31/2020
912828WN6	17434	US TREASURY NOTE		12/28/2016	40,000,000.00	39,556,240.00	40,004,261.80	2.000	1.995	AA+	Aaa	05/31/2021
912828XM7	17435	US TREASURY NOTE		12/28/2016	40,000,000.00	39,432,800.00	39,914,726.35	1.625	1.765	AA+	Aaa	07/31/2020
912828L65	17436	US TREASURY NOTE		12/28/2016	30,000,000.00	29,410,560.00	29,775,485.15	1.375	1.820	AA+	Aaa	09/30/2020
912828XR6	17497	US TREASURY NOTE		09/27/2017	20,000,000.00	19,525,000.00	19,940,692.74	1.750	1.841	AA+	Aaa	05/31/2022
912828L24	17510	US TREASURY NOTE		10/23/2017	20,000,000.00	19,571,880.00	19,904,489.21	1.875	2.012	AA+	Aaa	08/31/2022
		Subtotal and Average	**326,933,506.90**		**326,000,000.00**	**322,048,129.00**	**326,289,754.62**		**1.780**			
Discount Commercial Paper												
30229BNA1	17609	EXXON MOBIL		12/20/2018	50,000,000.00	49,972,000.00	49,969,875.07	2.410	2.447	A-1+	P-1	01/10/2019
89233HP73	17605	TOYOTA MOTOR CREDIT		12/19/2018	50,000,000.00	49,862,000.00	49,869,472.22	2.540	2.584	A-1+	P-1	02/07/2019
		Subtotal and Average	**40,240,179.26**		**100,000,000.00**	**99,834,000.00**	**99,839,347.29**		**2.516**			
Mutual Funds												
09248U718	9267	BLACKROCK PROVIDENT TFUND		07/01/2018	0.00	0.00	0.00	1.720	1.720	AAA	Aaa	
SYS16450	16450	BLACKROCK LIQUIDITY FED FUND		07/01/2018	0.00	0.00	0.00	1.730	1.730	AAA	Aaa	
SYS02642	02642	FIDELITY 2642			310,000,000.00	310,000,000.00	310,000,000.00	2.380	2.380	AAA	Aaa	
SYS05831	05831	FIDELITY 057		07/01/2018	0.00	0.00	0.00	0.070	0.070	AAA	Aaa	
SYS15497	15497	FIDELITY 2644		07/01/2018	0.00	0.00	0.00	2.290	2.290	AAA	Aaa	
		Subtotal and Average	**214,677,419.35**		**310,000,000.00**	**310,000,000.00**	**310,000,000.00**		**2.380**			

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Local Agency Investment Funds												
SYS05291	05291	LAIF			65,000,000.00	65,000,000.00	65,000,000.00	2.291	2.291			
		Subtotal and Average	**65,000,000.00**		**65,000,000.00**	**65,000,000.00**	**65,000,000.00**		**2.291**			
Federal Agency Discounts												
		Subtotal and Average	**28,220,302.42**									
Bank Money Market Accounts												
SYS16800	16800	BANK OF THE WEST MM			10,035,945.94	10,035,945.94	10,035,945.94	1.600	1.600			
SYS16500	16500	UNION BANK MM		09/24/2018	200,354,138.64	200,354,138.64	200,354,138.64	2.200	2.200			
		Subtotal and Average	**213,573,032.48**		**210,390,084.58**	**210,390,084.58**	**210,390,084.58**		**2.171**			
Municipal Bonds												
13063CKL3	17249	STATE OF CALIFORNIA		06/12/2014	10,000,000.00	9,982,900.00	10,003,642.98	2.250	2.134	AA-	Aa3	05/01/2019
13063DAD0	17472	STATE OF CALIFORNIA		04/27/2017	5,000,000.00	4,926,950.00	5,000,000.00	2.367	2.367	AA-	Aa3	04/01/2022
13063DAD0	17473	STATE OF CALIFORNIA		04/27/2017	10,500,000.00	10,346,595.00	10,537,810.65	2.367	2.249	AA-	Aa3	04/01/2022
13063DAD0	17474	STATE OF CALIFORNIA		05/03/2017	8,000,000.00	7,883,120.00	8,019,747.06	2.367	2.286	AA-	Aa3	04/01/2022
13063DDF2	17504	STATE OF CALIFORNIA		10/26/2017	10,000,000.00	9,894,100.00	10,105,946.48	2.500	2.200	AA-	Aa3	10/01/2022
13063DDF2	17505	STATE OF CALIFORNIA		10/26/2017	10,000,000.00	9,894,100.00	10,105,946.48	2.500	2.200	AA-	Aa3	10/01/2022
13063DDE5	17518	STATE OF CALIFORNIA		12/11/2017	25,000,000.00	24,795,500.00	25,105,103.96	2.300	2.051	AA-	Aa3	10/01/2020
13063DDF2	17519	STATE OF CALIFORNIA		12/14/2017	20,000,000.00	19,788,200.00	20,048,778.23	2.500	2.430	AA-	Aa3	10/01/2022
13063DDF2	17532	STATE OF CALIFORNIA		01/16/2018	5,000,000.00	4,947,050.00	4,986,898.23	2.500	2.574	AA-	Aa3	10/01/2022
		Subtotal and Average	**103,919,904.70**		**103,500,000.00**	**102,458,515.00**	**103,913,874.07**		**2.240**			
		Total and Average	**3,633,769,049.85**		**3,810,724,704.35**	**3,770,988,769.70**	**3,808,681,373.15**		**2.080**			

County of Fresno
Portfolio Management
Portfolio Details - Cash
December 31, 2018

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM 365	S&P Moody's
		Average Balance	0.00							
	Total Cash and Investments		3,633,769,049.85		3,810,724,704.35	3,770,988,769.70	3,808,681,373.15		2.080	

County of Fresno
Inventory by Maturity Report
December 31, 2018

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM 360	YTM 365	Days to Maturity
30229BNA1	17609	TREAS	ACP	EXXON MOBIL	12/20/2018	49,969,875.07	2.410	01/10/2019	50,000,000.00	21	50,000,000.00	2.413	2.447	9
94974BFQ8	17207	TREAS	MTN	WELLS FARGO	01/15/2014	14,999,577.67	2.150	01/15/2019	15,161,250.00	1,826	15,000,000.00	2.196	2.227	14
46625HJR2	17217	TREAS	MTN	JP MORGAN	01/28/2014	4,999,968.50	2.350	01/28/2019	5,000,000.00	1,826	5,000,000.00	2.327	2.359	27
46625HJR2	17225	TREAS	MTN	JP MORGAN	03/05/2014	10,000,938.80	2.350	01/28/2019	10,000,000.00	1,790	10,000,000.00	2.187	2.217	27
46625HJR2	17263	TREAS	MTN	JP MORGAN	09/16/2014	5,000,418.23	2.350	01/28/2019	5,000,000.00	1,595	5,000,000.00	2.201	2.232	27
3136FTZZ5	17274	TREAS	FAC	FEDERAL NATIONAL	12/09/2014	10,001,233.13	1.750	01/30/2019	10,000,000.00	1,513	10,000,000.00	1.569	1.591	29
89233HP73	17605	TREAS	ACP	TOYOTA MOTOR CREDIT	12/19/2018	49,869,472.22	2.540	02/07/2019	50,000,000.00	50	50,000,000.00	2.549	2.584	37
3135G0ZA4	17222	TREAS	FAC	FEDERAL NATIONAL	02/25/2014	10,001,856.86	1.875	02/19/2019	10,000,000.00	1,820	10,000,000.00	1.705	1.729	49
3135G0ZA4	17223	TREAS	FAC	FEDERAL NATIONAL	03/03/2014	25,006,497.20	1.875	02/19/2019	25,000,000.00	1,814	25,000,000.00	1.648	1.671	49
3135G0ZA4	17224	TREAS	FAC	FEDERAL NATIONAL	03/03/2014	10,002,631.13	1.875	02/19/2019	10,000,000.00	1,814	10,000,000.00	1.646	1.669	49
3135G0ZA4	17235	TREAS	FAC	FEDERAL NATIONAL	03/20/2014	600,015.78	1.875	02/19/2019	600,000.00	1,797	600,000.00	1.829	1.854	49
3135G0ZA4	17268	TREAS	FAC	FEDERAL NATIONAL	10/01/2014	5,000,868.44	1.875	02/19/2019	5,000,000.00	1,602	5,000,000.00	1.715	1.739	49
3133EGBR5	17384	TREAS	FAC	FEDERAL FARM CREDIT	06/09/2016	4,999,867.49	0.950	02/25/2019	5,000,000.00	991	5,000,000.00	0.955	0.968	55
3135G0J53	17390	TREAS	FAC	FEDERAL NATIONAL	08/11/2016	26,565,965.31	1.000	02/26/2019	26,561,000.00	929	26,561,000.00	0.864	0.876	56
912828C24	17245	TREAS	TRC	US TREASURY NOTE	03/31/2014	999,657.95	1.500	02/28/2019	1,000,000.00	1,795	1,000,000.00	1.702	1.725	58
24422ESK6	17226	TREAS	MTN	JOHN DEERE	03/05/2014	10,000,381.71	1.950	03/04/2019	10,000,000.00	1,825	10,000,000.00	1.901	1.927	62
06406HCR8	17373	TREAS	MTN	BANK OF NEW YORK	05/19/2016	30,034,565.37	2.200	03/04/2019	30,000,000.00	1,019	30,000,000.00	1.504	1.525	62
46625HHL7	17252	TREAS	MTN	JP MORGAN	07/23/2014	6,818,941.47	6.300	04/23/2019	6,740,000.00	1,735	6,740,000.00	2.271	2.303	112
13063CKL3	17249	TREAS	MUN	STATE OF CALIFORNIA	06/12/2014	10,003,642.98	2.250	05/01/2019	10,000,000.00	1,784	10,000,000.00	2.105	2.134	120
3133EDLR1	17248	TREAS	FAC	FEDERAL FARM CREDIT	05/27/2014	5,000,584.56	1.650	05/15/2019	5,000,000.00	1,814	5,000,000.00	1.595	1.617	134
06406HCU1	17261	TREAS	MTN	BANK OF NEW YORK	09/16/2014	2,499,838.39	2.200	05/15/2019	2,500,000.00	1,702	2,500,000.00	2.188	2.218	134
06406HCU1	17262	TREAS	MTN	BANK OF NEW YORK	09/16/2014	4,999,904.23	2.200	05/15/2019	5,000,000.00	1,702	5,000,000.00	2.175	2.205	134
3133X72S2	17272	TREAS	FAC	FEDERAL HOME LOAN	12/09/2014	10,130,977.44	5.375	05/15/2019	10,000,000.00	1,618	10,000,000.00	1.683	1.706	134
3133X72S2	17279	TREAS	FAC	FEDERAL HOME LOAN	12/19/2014	20,771,041.95	5.375	05/15/2019	20,500,000.00	1,608	20,500,000.00	1.652	1.675	134
166764BH2	17378	TREAS	MTN	CHEVRON CORP	05/25/2016	19,992,487.39	1.561	05/16/2019	20,000,000.00	1,086	20,000,000.00	1.641	1.664	135
166764BH2	17381	TREAS	MTN	CHEVRON CORP	05/27/2016	9,996,249.30	1.561	05/16/2019	10,000,000.00	1,084	10,000,000.00	1.641	1.664	135
313379EE5	17250	TREAS	FAC	FEDERAL HOME LOAN	06/18/2014	4,994,981.12	1.625	06/14/2019	5,000,000.00	1,822	5,000,000.00	1.833	1.858	164
3130A2FH4	17256	TREAS	FAC	FEDERAL HOME LOAN	09/02/2014	20,000,757.26	1.750	06/14/2019	20,000,000.00	1,746	20,000,000.00	1.717	1.741	164
313379EE5	17259	TREAS	FAC	FEDERAL HOME LOAN	09/10/2014	9,990,366.45	1.625	06/14/2019	10,000,000.00	1,738	10,000,000.00	1.823	1.848	164
3130A2FH4	17260	TREAS	FAC	FEDERAL HOME LOAN	09/10/2014	9,995,805.18	1.750	06/14/2019	10,000,000.00	1,738	10,000,000.00	1.822	1.847	164
3135G0ZE6	17251	TREAS	FAC	FEDERAL NATIONAL	06/18/2014	4,997,636.63	1.750	06/20/2019	5,000,000.00	1,828	5,000,000.00	1.830	1.856	170
3135G0ZE6	17269	TREAS	FAC	FEDERAL NATIONAL	10/01/2014	29,986,959.45	1.750	06/20/2019	30,000,000.00	1,723	30,000,000.00	1.822	1.847	170
3135G0ZE6	17277	TREAS	FAC	FEDERAL NATIONAL	12/11/2014	10,006,764.15	1.750	06/20/2019	10,000,000.00	1,652	10,000,000.00	1.578	1.600	170
3135G0ZE6	17278	TREAS	FAC	FEDERAL NATIONAL	12/19/2014	26,010,541.81	1.750	06/20/2019	26,000,000.00	1,644	26,000,000.00	1.637	1.660	170
3133EFW52	17383	TREAS	FAC	FEDERAL FARM CREDIT	06/09/2016	2,061,000.69	1.150	07/01/2019	2,060,000.00	1,117	2,060,000.00	1.037	1.051	181

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM 360	YTM 365	Days to Maturity
89236TBP9	17265	TREAS	MTN	TOYOTA MOTOR CREDIT	10/01/2014	9,996,201.45	2.125	07/18/2019	10,000,000.00	1,751	10,000,000.00	2.168	2.198	198
3137EAEB1	17391	TREAS	FAC	FEDERAL HOME	08/11/2016	9,996,743.67	0.875	07/19/2019	10,000,000.00	1,072	10,000,000.00	0.922	0.935	199
3137EADK2	17275	TREAS	FAC	FEDERAL HOME	12/11/2014	14,966,926.89	1.250	08/01/2019	15,000,000.00	1,694	15,000,000.00	1.621	1.644	212
3137EADK2	17276	TREAS	FAC	FEDERAL HOME	12/11/2014	19,956,340.12	1.250	08/01/2019	20,000,000.00	1,694	20,000,000.00	1.618	1.640	212
084670BL1	17264	TREAS	MTN	BERKSHIRE HATHAWAY	10/01/2014	9,995,598.52	2.100	08/14/2019	10,000,000.00	1,778	10,000,000.00	2.145	2.175	225
06406HCW7	17266	TREAS	MTN	BANK OF NEW YORK	10/01/2014	8,494,791.40	2.300	09/11/2019	8,501,000.00	1,806	8,501,000.00	2.379	2.412	253
3137EADM8	17280	TREAS	FAC	FEDERAL HOME	12/19/2014	19,928,058.39	1.250	10/02/2019	20,000,000.00	1,748	20,000,000.00	1.726	1.750	274
3137EADM8	17281	TREAS	FAC	FEDERAL HOME	12/19/2014	19,928,341.50	1.250	10/02/2019	20,000,000.00	1,748	20,000,000.00	1.724	1.748	274
3137EADM8	17282	TREAS	FAC	FEDERAL HOME	12/19/2014	9,964,170.75	1.250	10/02/2019	10,000,000.00	1,748	10,000,000.00	1.724	1.748	274
36962G7M0	17296	TREAS	MTN	G.E. CAPITAL	03/04/2015	10,372,656.36	2.200	01/09/2020	10,350,000.00	1,772	10,350,000.00	1.947	1.974	373
24422ERY7	17349	TREAS	MTN	JOHN DEERE	12/28/2015	8,948,620.56	1.700	01/15/2020	9,000,000.00	1,479	9,000,000.00	2.247	2.278	379
06406HBP3	17350	TREAS	MTN	BANK OF NEW YORK	12/28/2015	5,114,429.37	4.600	01/15/2020	5,000,000.00	1,479	5,000,000.00	2.250	2.281	379
3135G0A78	17299	TREAS	FAC	FEDERAL NATIONAL	03/04/2015	19,984,428.00	1.625	01/21/2020	20,000,000.00	1,784	20,000,000.00	1.679	1.702	385
3135G0A78	17307	TREAS	FAC	FEDERAL NATIONAL	05/08/2015	10,000,269.34	1.625	01/21/2020	10,000,000.00	1,719	10,000,000.00	1.600	1.622	385
3135G0A78	17308	TREAS	FAC	FEDERAL NATIONAL	05/08/2015	10,000,487.06	1.625	01/21/2020	10,000,000.00	1,719	10,000,000.00	1.598	1.620	385
3135G0A78	17312	TREAS	FAC	FEDERAL NATIONAL	06/03/2015	14,998,458.81	1.625	01/21/2020	15,000,000.00	1,693	15,000,000.00	1.613	1.635	385
3135G0A78	17329	TREAS	FAC	FEDERAL NATIONAL	10/29/2015	10,018,650.46	1.625	01/21/2020	10,000,000.00	1,545	10,000,000.00	1.422	1.442	385
3135G0A78	17332	TREAS	FAC	FEDERAL NATIONAL	11/04/2015	10,010,270.27	1.625	01/21/2020	10,000,000.00	1,539	10,000,000.00	1.503	1.524	385
3135G0A78	17335	TREAS	FAC	FEDERAL NATIONAL	11/06/2015	10,003,641.98	1.625	01/21/2020	10,000,000.00	1,537	10,000,000.00	1.567	1.589	385
3135G0A78	17341	TREAS	FAC	FEDERAL NATIONAL	12/22/2015	20,002,214.30	1.625	01/21/2020	20,000,000.00	1,491	20,000,000.00	1.592	1.614	385
3135G0A78	17342	TREAS	FAC	FEDERAL NATIONAL	12/23/2015	10,000,698.91	1.625	01/21/2020	10,000,000.00	1,490	10,000,000.00	1.596	1.618	385
3135G0A78	17344	TREAS	FAC	FEDERAL NATIONAL	12/23/2015	20,000,994.01	1.625	01/21/2020	20,000,000.00	1,490	20,000,000.00	1.598	1.620	385
46625HKA7	17295	TREAS	MTN	JP MORGAN	03/04/2015	9,990,401.14	2.250	01/23/2020	10,000,000.00	1,786	10,000,000.00	2.314	2.346	387
06406HCZ0	17297	TREAS	MTN	BANK OF NEW YORK	03/04/2015	3,002,083.46	2.150	02/24/2020	3,000,000.00	1,818	3,000,000.00	2.057	2.086	419
14912L6J5	17360	TREAS	MTN	CATERPILLAR	03/04/2016	8,270,086.35	2.000	03/05/2020	8,278,000.00	1,462	8,278,000.00	2.056	2.085	429
3137EADR7	17303	TREAS	FAC	FEDERAL HOME	05/06/2015	9,967,188.86	1.375	05/01/2020	10,000,000.00	1,822	10,000,000.00	1.610	1.632	486
3137EADR7	17309	TREAS	FAC	FEDERAL HOME	05/08/2015	9,965,315.78	1.375	05/01/2020	10,000,000.00	1,820	10,000,000.00	1.624	1.647	486
037833BD1	17348	TREAS	MTN	APPLE INC	12/28/2015	9,998,824.62	2.000	05/06/2020	10,000,000.00	1,591	10,000,000.00	1.981	2.009	491
912828ND8	17345	TREAS	TRC	US TREASURY NOTE	12/23/2015	40,980,821.65	3.500	05/15/2020	40,000,000.00	1,605	40,000,000.00	1.614	1.637	500
3134G44G0	17328	TREAS	FAC	FEDERAL HOME	10/29/2015	4,998,387.84	1.500	05/22/2020	5,000,000.00	1,667	5,000,000.00	1.503	1.524	507
912828XE5	17416	TREAS	TRC	US TREASURY NOTE	11/15/2016	15,019,174.16	1.500	05/31/2020	15,000,000.00	1,293	15,000,000.00	1.388	1.407	516
912828XE5	17428	TREAS	TRC	US TREASURY NOTE	12/13/2016	39,952,835.97	1.500	05/31/2020	40,000,000.00	1,265	40,000,000.00	1.564	1.586	516
313383HU8	17315	TREAS	FAC	FEDERAL HOME LOAN	06/12/2015	19,999,722.13	1.750	06/12/2020	20,000,000.00	1,827	20,000,000.00	1.727	1.751	528
313383HU8	17317	TREAS	FAC	FEDERAL HOME LOAN	06/26/2015	12,601,781.57	1.750	06/12/2020	12,615,000.00	1,813	12,615,000.00	1.801	1.826	528
3133EEW55	17316	TREAS	FAC	FEDERAL FARM CREDIT	06/15/2015	9,987,968.38	1.800	06/15/2020	10,000,000.00	1,827	10,000,000.00	1.861	1.887	531
3135G0D75	17327	TREAS	FAC	FEDERAL NATIONAL	10/29/2015	19,990,033.83	1.500	06/22/2020	20,000,000.00	1,698	20,000,000.00	1.514	1.535	538
3135G0D75	17331	TREAS	FAC	FEDERAL NATIONAL	10/30/2015	5,944,161.06	1.500	06/22/2020	5,950,000.00	1,697	5,950,000.00	1.548	1.569	538
3135G0D75	17333	TREAS	FAC	FEDERAL NATIONAL	11/04/2015	4,991,070.41	1.500	06/22/2020	5,000,000.00	1,692	5,000,000.00	1.604	1.626	538
3135G0D75	17334	TREAS	FAC	FEDERAL NATIONAL	11/04/2015	4,991,006.74	1.500	06/22/2020	5,000,000.00	1,692	5,000,000.00	1.605	1.627	538
3135G0D75	17336	TREAS	FAC	FEDERAL NATIONAL	11/06/2015	4,987,362.45	1.500	06/22/2020	5,000,000.00	1,690	5,000,000.00	1.656	1.679	538

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM 360	YTM 365	Days to Maturity
3135G0D75	17338	TREAS	FAC	FEDERAL NATIONAL	12/17/2015	29,883,960.98	1.500	06/22/2020	30,000,000.00	1,649	30,000,000.00	1.750	1.774	538
3135G0D75	17339	TREAS	FAC	FEDERAL NATIONAL	12/17/2015	19,917,281.64	1.500	06/22/2020	20,000,000.00	1,649	20,000,000.00	1.769	1.793	538
3135G0D75	17340	TREAS	FAC	FEDERAL NATIONAL	12/22/2015	9,971,430.89	1.500	06/22/2020	10,000,000.00	1,644	10,000,000.00	1.679	1.702	538
3135G0D75	17343	TREAS	FAC	FEDERAL NATIONAL	12/23/2015	9,969,169.86	1.500	06/22/2020	10,000,000.00	1,643	10,000,000.00	1.695	1.718	538
912828XM7	17433	TREAS	TRC	US TREASURY NOTE	12/22/2016	39,927,436.88	1.625	07/31/2020	40,000,000.00	1,317	40,000,000.00	1.720	1.744	577
912828XM7	17435	TREAS	TRC	US TREASURY NOTE	12/28/2016	39,914,726.35	1.625	07/31/2020	40,000,000.00	1,311	40,000,000.00	1.740	1.765	577
06406HDD8	17347	TREAS	MTN	BANK OF NEW YORK	12/28/2015	5,013,605.45	2.600	08/17/2020	5,000,000.00	1,694	5,000,000.00	2.389	2.422	594
912828L65	17436	TREAS	TRC	US TREASURY NOTE	12/28/2016	29,775,485.15	1.375	09/30/2020	30,000,000.00	1,372	30,000,000.00	1.795	1.820	638
13063DDE5	17518	TREAS	MUN	STATE OF CALIFORNIA	12/11/2017	25,105,103.96	2.300	10/01/2020	25,000,000.00	1,025	25,000,000.00	2.023	2.051	639
46625HNX4	17361	TREAS	MTN	JP MORGAN	03/04/2016	6,183,282.43	2.550	10/29/2020	6,181,000.00	1,700	6,181,000.00	2.493	2.528	667
3135G0RM7	17330	TREAS	FAC	FEDERAL NATIONAL	10/30/2015	10,069,502.34	1.630	10/30/2020	10,060,000.00	1,827	10,060,000.00	1.555	1.576	668
166764AY6	17346	TREAS	MTN	CHEVRON CORP	12/28/2015	9,990,815.01	2.419	11/17/2020	10,000,000.00	1,786	10,000,000.00	2.437	2.471	686
313381CA1	17372	TREAS	FAC	FEDERAL HOME LOAN	04/21/2016	5,000,553.29	1.375	12/11/2020	5,000,000.00	1,695	5,000,000.00	1.350	1.369	710
3135G0H55	17374	TREAS	FAC	FEDERAL NATIONAL	05/20/2016	10,087,977.37	1.875	12/28/2020	10,000,000.00	1,683	10,000,000.00	1.398	1.417	727
912828N48	17429	TREAS	TRC	US TREASURY NOTE	12/16/2016	39,870,172.76	1.750	12/31/2020	40,000,000.00	1,476	40,000,000.00	1.893	1.919	730
24422ETF6	17362	TREAS	MTN	JOHN DEERE	03/04/2016	5,038,132.07	2.550	01/08/2021	5,000,000.00	1,771	5,000,000.00	2.121	2.150	738
3130AAX45	17460	TREAS	FAC	FEDERAL HOME LOAN	03/28/2017	15,032,085.60	1.875	01/28/2021	15,000,000.00	1,402	15,000,000.00	1.744	1.768	758
91159HHL7	17395	TREAS	MTN	US BANK NA	08/22/2016	5,066,690.03	2.350	01/29/2021	5,000,000.00	1,621	5,000,000.00	1.658	1.681	759
91159HHL7	17426	TREAS	MTN	US BANK NA	12/13/2016	4,645,126.46	2.350	01/29/2021	4,634,000.00	1,508	4,634,000.00	2.198	2.228	759
91159HHL7	17431	TREAS	MTN	US BANK NA	12/22/2016	4,993,773.42	2.350	01/29/2021	5,000,000.00	1,499	5,000,000.00	2.380	2.413	759
91159HHL7	17432	TREAS	MTN	US BANK NA	12/22/2016	7,513,390.80	2.350	01/29/2021	7,522,000.00	1,499	7,522,000.00	2.375	2.408	759
91159HHL7	17458	TREAS	MTN	US BANK NA	03/22/2017	10,004,799.71	2.350	01/29/2021	10,000,000.00	1,409	10,000,000.00	2.293	2.325	759
91159HHL7	17482	TREAS	MTN	US BANK NA	06/27/2017	4,830,887.48	2.350	01/29/2021	4,803,000.00	1,312	4,803,000.00	2.030	2.058	759
313376XN0	17364	TREAS	FAC	FEDERAL HOME LOAN	03/03/2016	829,022.59	2.100	02/08/2021	820,000.00	1,803	820,000.00	1.533	1.554	769
3133EFYZ4	17359	TREAS	FAC	FEDERAL FARM CREDIT	02/29/2016	17,777,955.84	1.375	02/10/2021	17,800,000.00	1,808	17,800,000.00	1.416	1.436	771
3130A7CV5	17363	TREAS	FAC	FEDERAL HOME LOAN	03/03/2016	4,984,559.02	1.375	02/18/2021	5,000,000.00	1,813	5,000,000.00	1.505	1.526	779
3130A7CV5	17371	TREAS	FAC	FEDERAL HOME LOAN	04/21/2016	9,994,215.49	1.375	02/18/2021	10,000,000.00	1,764	10,000,000.00	1.384	1.403	779
3130A7CV5	17376	TREAS	FAC	FEDERAL HOME LOAN	05/20/2016	4,990,547.22	1.375	02/18/2021	5,000,000.00	1,735	5,000,000.00	1.447	1.467	779
3130A7CV5	17379	TREAS	FAC	FEDERAL HOME LOAN	05/25/2016	9,976,192.82	1.375	02/18/2021	10,000,000.00	1,730	10,000,000.00	1.471	1.491	779
3130A7CV5	17388	TREAS	FAC	FEDERAL HOME LOAN	08/08/2016	10,041,577.99	1.375	02/18/2021	10,000,000.00	1,655	10,000,000.00	1.158	1.174	779
3130A7CV5	17457	TREAS	FAC	FEDERAL HOME LOAN	03/20/2017	19,799,882.73	1.375	02/18/2021	20,000,000.00	1,431	20,000,000.00	1.838	1.864	779
037833BS8	17443	TREAS	MTN	APPLE INC	01/19/2017	10,000,000.00	2.250	02/23/2021	10,000,000.00	1,496	10,000,000.00	2.219	2.250	784
06406FAB9	17490	TREAS	MTN	BANK OF NEW YORK	07/18/2017	7,459,658.02	2.050	05/03/2021	7,500,000.00	1,385	7,500,000.00	2.260	2.291	853
3135G0K69	17380	TREAS	FAC	FEDERAL NATIONAL	05/25/2016	9,938,496.72	1.250	05/06/2021	10,000,000.00	1,807	10,000,000.00	1.502	1.523	856
3135G0K69	17402	TREAS	FAC	FEDERAL NATIONAL	09/28/2016	25,008,495.74	1.250	05/06/2021	25,000,000.00	1,681	25,000,000.00	1.218	1.235	856
3135G0K69	17412	TREAS	FAC	FEDERAL NATIONAL	11/02/2016	9,970,508.25	1.250	05/06/2021	10,000,000.00	1,646	10,000,000.00	1.361	1.380	856
3135G0K69	17413	TREAS	FAC	FEDERAL NATIONAL	11/14/2016	7,950,054.84	1.250	05/06/2021	8,000,000.00	1,634	8,000,000.00	1.505	1.526	856
3135G0K69	17421	TREAS	FAC	FEDERAL NATIONAL	12/02/2016	24,629,722.09	1.250	05/06/2021	25,000,000.00	1,616	25,000,000.00	1.885	1.911	856
166764BG4	17471	TREAS	MTN	CHEVRON CORP	04/25/2017	19,994,498.97	2.100	05/16/2021	20,000,000.00	1,482	20,000,000.00	2.083	2.112	866
912828WN6	17434	TREAS	TRC	US TREASURY NOTE	12/28/2016	40,004,261.80	2.000	05/31/2021	40,000,000.00	1,615	40,000,000.00	1.968	1.995	881

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM 360	YTM 365	Days to Maturity
3130A1W95	17386	TREAS	FAC	FEDERAL HOME LOAN	07/15/2016	30,709,062.74	2.250	06/11/2021	30,000,000.00	1,792	30,000,000.00	1.233	1.250	892
313379RB7	17392	TREAS	FAC	FEDERAL HOME LOAN	08/17/2016	10,134,104.08	1.875	06/11/2021	10,000,000.00	1,759	10,000,000.00	1.289	1.307	892
3130A1W95	17420	TREAS	FAC	FEDERAL HOME LOAN	11/29/2016	18,647,176.19	2.250	06/11/2021	18,470,000.00	1,655	18,470,000.00	1.814	1.839	892
313379RB7	17466	TREAS	FAC	FEDERAL HOME LOAN	04/11/2017	15,010,120.00	1.875	06/11/2021	15,000,000.00	1,522	15,000,000.00	1.821	1.846	892
3130AB3M6	17465	TREAS	FAC	FEDERAL HOME LOAN	04/10/2017	5,002,661.51	1.875	06/30/2021	5,000,000.00	1,542	5,000,000.00	1.828	1.853	911
3130A8QS5	17389	TREAS	FAC	FEDERAL HOME LOAN	08/08/2016	14,956,200.68	1.125	07/14/2021	15,000,000.00	1,801	15,000,000.00	1.227	1.244	925
3130A8QS5	17399	TREAS	FAC	FEDERAL HOME LOAN	08/29/2016	3,936,235.59	1.125	07/14/2021	3,955,000.00	1,780	3,955,000.00	1.301	1.319	925
3130A8QS5	17400	TREAS	FAC	FEDERAL HOME LOAN	09/13/2016	14,924,311.72	1.125	07/14/2021	15,000,000.00	1,765	15,000,000.00	1.313	1.331	925
3130A8QS5	17403	TREAS	FAC	FEDERAL HOME LOAN	09/28/2016	9,971,747.36	1.125	07/14/2021	10,000,000.00	1,750	10,000,000.00	1.223	1.240	925
3130A8QS5	17408	TREAS	FAC	FEDERAL HOME LOAN	10/13/2016	9,927,797.76	1.125	07/14/2021	10,000,000.00	1,735	10,000,000.00	1.401	1.420	925
3130A8QS5	17414	TREAS	FAC	FEDERAL HOME LOAN	11/14/2016	9,901,205.79	1.125	07/14/2021	10,000,000.00	1,703	10,000,000.00	1.509	1.530	925
3130A8QS5	17464	TREAS	FAC	FEDERAL HOME LOAN	04/06/2017	19,668,453.61	1.125	07/14/2021	20,000,000.00	1,560	20,000,000.00	1.782	1.807	925
949746SA0	17445	TREAS	MTN	WELLS FARGO	01/25/2017	9,826,698.03	2.100	07/26/2021	10,000,000.00	1,643	10,000,000.00	2.784	2.823	937
3134G9M79	17463	TREAS	FAC	FEDERAL HOME	04/06/2017	4,409,214.07	1.875	07/26/2021	4,410,000.00	1,572	4,410,000.00	1.856	1.882	937
949746SA0	17467	TREAS	MTN	WELLS FARGO	04/17/2017	4,955,282.65	2.100	07/26/2021	5,000,000.00	1,561	5,000,000.00	2.435	2.469	937
949746SA0	17477	TREAS	MTN	WELLS FARGO	05/15/2017	13,111,467.08	2.100	07/26/2021	13,232,000.00	1,533	13,232,000.00	2.441	2.475	937
949746SA0	17491	TREAS	MTN	WELLS FARGO	07/18/2017	12,178,315.30	2.100	07/26/2021	12,275,000.00	1,469	12,275,000.00	2.390	2.424	937
3134G9N86	17476	TREAS	FAC	FEDERAL HOME	05/11/2017	6,166,231.25	1.875	07/27/2021	6,170,000.00	1,538	6,170,000.00	1.874	1.900	938
3133752P1	17405	TREAS	FAC	FEDERAL HOME LOAN	10/05/2016	6,006,028.07	3.500	07/29/2021	5,700,000.00	1,758	5,700,000.00	1.324	1.342	940
037833CC2	17425	TREAS	MTN	APPLE INC	12/13/2016	4,917,196.95	1.550	08/04/2021	5,000,000.00	1,695	5,000,000.00	2.195	2.226	946
594918BP8	17394	TREAS	MTN	MICROSOFT	08/22/2016	14,994,727.41	1.550	08/08/2021	15,000,000.00	1,812	15,000,000.00	1.543	1.564	950
594918BP8	17424	TREAS	MTN	MICROSOFT	12/13/2016	4,921,683.58	1.550	08/08/2021	5,000,000.00	1,699	5,000,000.00	2.156	2.186	950
14912L6U0	17401	TREAS	MTN	CATERPILLAR	09/16/2016	15,204,979.72	1.700	08/09/2021	15,294,000.00	1,788	15,294,000.00	1.909	1.935	951
3137EAEC9	17393	TREAS	FAC	FEDERAL HOME	08/17/2016	9,950,197.77	1.125	08/12/2021	10,000,000.00	1,821	10,000,000.00	1.304	1.322	954
3135G0N82	17396	TREAS	FAC	FEDERAL NATIONAL	08/29/2016	9,988,942.17	1.250	08/17/2021	10,000,000.00	1,814	10,000,000.00	1.276	1.294	959
3135G0N82	17397	TREAS	FAC	FEDERAL NATIONAL	08/29/2016	9,977,831.43	1.250	08/17/2021	10,000,000.00	1,814	10,000,000.00	1.319	1.337	959
3135G0N82	17398	TREAS	FAC	FEDERAL NATIONAL	08/29/2016	9,972,699.33	1.250	08/17/2021	10,000,000.00	1,814	10,000,000.00	1.339	1.358	959
3135G0Q89	17406	TREAS	FAC	FEDERAL NATIONAL	10/07/2016	19,981,850.67	1.375	10/07/2021	20,000,000.00	1,826	20,000,000.00	1.390	1.409	1,010
3135G0Q89	17407	TREAS	FAC	FEDERAL NATIONAL	10/13/2016	9,967,244.15	1.375	10/07/2021	10,000,000.00	1,820	10,000,000.00	1.478	1.498	1,010
3135G0Q89	17409	TREAS	FAC	FEDERAL NATIONAL	10/27/2016	4,989,760.22	1.375	10/07/2021	5,000,000.00	1,806	5,000,000.00	1.432	1.452	1,010
3133EGYQ2	17410	TREAS	FAC	FEDERAL FARM CREDIT	10/27/2016	9,984,722.07	1.400	10/14/2021	10,000,000.00	1,813	10,000,000.00	1.437	1.457	1,017
24422ERH4	17427	TREAS	MTN	JOHN DEERE	12/13/2016	8,872,552.76	3.150	10/15/2021	8,707,000.00	1,767	8,707,000.00	2.390	2.423	1,018
36962G5J9	17511	TREAS	MTN	G.E. CAPITAL	11/16/2017	10,586,060.95	4.650	10/17/2021	10,000,000.00	1,431	10,000,000.00	2.404	2.438	1,020
3133EGZJ7	17411	TREAS	FAC	FEDERAL FARM CREDIT	10/27/2016	9,977,796.90	1.375	10/25/2021	10,000,000.00	1,824	10,000,000.00	1.437	1.457	1,028
3135G0S38	17440	TREAS	FAC	FEDERAL NATIONAL	01/09/2017	19,972,658.57	2.000	01/05/2022	20,000,000.00	1,822	20,000,000.00	2.020	2.048	1,100
3135G0S38	17441	TREAS	FAC	FEDERAL NATIONAL	01/09/2017	9,985,764.35	2.000	01/05/2022	10,000,000.00	1,822	10,000,000.00	2.022	2.050	1,100
3135G0S38	17459	TREAS	FAC	FEDERAL NATIONAL	03/28/2017	10,004,229.94	2.000	01/05/2022	10,000,000.00	1,744	10,000,000.00	1.958	1.985	1,100
3135G0S38	17480	TREAS	FAC	FEDERAL NATIONAL	06/02/2017	5,024,131.66	2.000	01/05/2022	5,000,000.00	1,678	5,000,000.00	1.807	1.832	1,100
3135G0S38	17481	TREAS	FAC	FEDERAL NATIONAL	06/12/2017	5,023,998.56	2.000	01/05/2022	5,000,000.00	1,668	5,000,000.00	1.808	1.833	1,100
91159HHP8	17483	TREAS	MTN	US BANK NA	06/27/2017	20,206,402.31	2.625	01/24/2022	20,000,000.00	1,672	20,000,000.00	2.237	2.268	1,119

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM 360	YTM 365	Days to Maturity
3133EG5D3	17447	TREAS	FAC	FEDERAL FARM CREDIT	01/27/2017	50,000,000.00	2.030	01/27/2022	50,000,000.00	1,826	50,000,000.00	2.002	2.030	1,122
3136G2CS4	17461	TREAS	FAC	FEDERAL NATIONAL	03/28/2017	5,002,151.64	2.000	01/27/2022	5,000,000.00	1,766	5,000,000.00	1.958	1.985	1,122
084670BF4	17520	TREAS	MTN	BERKSHIRE HATHAWAY	12/14/2017	15,457,294.58	3.400	01/31/2022	15,000,000.00	1,509	15,000,000.00	2.323	2.355	1,126
594918BW3	17449	TREAS	MTN	MICROSOFT	02/21/2017	6,721,462.95	2.400	02/06/2022	6,725,000.00	1,811	6,725,000.00	2.385	2.418	1,132
594918BW3	17525	TREAS	MTN	MICROSOFT	12/21/2017	17,375,000.00	2.400	02/06/2022	17,375,000.00	1,508	17,375,000.00	2.367	2.400	1,132
06406RAA5	17469	TREAS	MTN	BANK OF NEW YORK	04/18/2017	10,051,423.78	2.600	02/07/2022	10,000,000.00	1,756	10,000,000.00	2.390	2.423	1,133
037833CM0	17448	TREAS	MTN	APPLE INC	02/21/2017	14,976,927.18	2.500	02/09/2022	15,000,000.00	1,814	15,000,000.00	2.518	2.553	1,135
037833AY6	17470	TREAS	MTN	APPLE INC	04/18/2017	9,986,716.21	2.150	02/09/2022	10,000,000.00	1,758	10,000,000.00	2.165	2.195	1,135
594918BA1	17450	TREAS	MTN	MICROSOFT	02/21/2017	6,441,893.50	2.375	02/12/2022	6,450,000.00	1,817	6,450,000.00	2.385	2.418	1,138
13063DAD0	17472	TREAS	MUN	STATE OF CALIFORNIA	04/27/2017	5,000,000.00	2.367	04/01/2022	5,000,000.00	1,800	5,000,000.00	2.335	2.367	1,186
13063DAD0	17473	TREAS	MUN	STATE OF CALIFORNIA	04/27/2017	10,537,810.65	2.367	04/01/2022	10,500,000.00	1,800	10,500,000.00	2.219	2.249	1,186
13063DAD0	17474	TREAS	MUN	STATE OF CALIFORNIA	05/03/2017	8,019,747.06	2.367	04/01/2022	8,000,000.00	1,794	8,000,000.00	2.255	2.286	1,186
037833CQ1	17475	TREAS	MTN	APPLE INC	05/11/2017	19,967,733.33	2.300	05/11/2022	20,000,000.00	1,826	20,000,000.00	2.319	2.351	1,226
3133EHJT1	17479	TREAS	FAC	FEDERAL FARM CREDIT	05/18/2017	4,996,146.17	2.000	05/18/2022	5,000,000.00	1,826	5,000,000.00	1.996	2.024	1,233
3130ACUZ5	17513	TREAS	FAC	FEDERAL HOME LOAN	11/24/2017	22,983,678.23	2.060	05/24/2022	23,000,000.00	1,642	23,000,000.00	2.053	2.082	1,239
3130ACXH2	17567	TREAS	FAC	FEDERAL HOME LOAN	12/04/2017	24,936,121.79	2.020	05/25/2022	25,000,000.00	1,633	25,000,000.00	2.070	2.099	1,240
912828XR6	17497	TREAS	TRC	US TREASURY NOTE	09/27/2017	19,940,692.74	1.750	05/31/2022	20,000,000.00	1,707	20,000,000.00	1.816	1.841	1,246
313379Q69	17485	TREAS	FAC	FEDERAL HOME LOAN	06/28/2017	5,038,066.92	2.125	06/10/2022	5,000,000.00	1,808	5,000,000.00	1.866	1.892	1,256
313379Q69	17486	TREAS	FAC	FEDERAL HOME LOAN	06/28/2017	5,038,101.68	2.125	06/10/2022	5,000,000.00	1,808	5,000,000.00	1.866	1.892	1,256
313379Q69	17487	TREAS	FAC	FEDERAL HOME LOAN	06/28/2017	3,849,601.04	2.125	06/10/2022	3,820,000.00	1,808	3,820,000.00	1.862	1.888	1,256
313379Q69	17488	TREAS	FAC	FEDERAL HOME LOAN	07/07/2017	13,523,560.23	2.125	06/10/2022	13,470,000.00	1,799	13,470,000.00	1.976	2.003	1,256
313379Q69	17498	TREAS	FAC	FEDERAL HOME LOAN	09/27/2017	20,160,565.03	2.125	06/10/2022	20,000,000.00	1,717	20,000,000.00	1.854	1.880	1,256
313379Q69	17516	TREAS	FAC	FEDERAL HOME LOAN	12/01/2017	1,999,473.67	2.125	06/10/2022	2,000,000.00	1,652	2,000,000.00	2.104	2.133	1,256
313379Q69	17527	TREAS	FAC	FEDERAL HOME LOAN	12/20/2017	1,893,636.62	2.125	06/10/2022	1,900,000.00	1,633	1,900,000.00	2.197	2.228	1,256
3130A5P45	17528	TREAS	FAC	FEDERAL HOME LOAN	12/20/2017	1,934,233.65	2.375	06/10/2022	1,925,000.00	1,633	1,925,000.00	2.197	2.228	1,256
3133EEY20	17495	TREAS	FAC	FEDERAL FARM CREDIT	09/21/2017	10,155,421.34	2.400	06/17/2022	10,000,000.00	1,730	10,000,000.00	1.901	1.928	1,263
3130ACM27	17502	TREAS	FAC	FEDERAL HOME LOAN	10/12/2017	14,988,630.19	1.950	07/11/2022	15,000,000.00	1,733	15,000,000.00	1.946	1.973	1,287
3130ACM27	17509	TREAS	FAC	FEDERAL HOME LOAN	10/19/2017	4,446,855.62	1.950	07/11/2022	4,455,000.00	1,726	4,455,000.00	1.977	2.005	1,287
91159JAA4	17529	TREAS	MTN	US BANK NA	12/21/2017	10,116,101.03	2.950	07/15/2022	10,004,000.00	1,667	10,004,000.00	2.570	2.606	1,291
3130ACKC7	17500	TREAS	FAC	FEDERAL HOME LOAN	10/18/2017	50,000,000.00	1.950	07/18/2022	50,000,000.00	1,734	50,000,000.00	1.924	1.950	1,294
95000U2B8	17508	TREAS	MTN	WELLS FARGO	10/20/2017	4,998,279.03	2.625	07/22/2022	5,000,000.00	1,736	5,000,000.00	2.599	2.635	1,298
3130ACYP3	17515	TREAS	FAC	FEDERAL HOME LOAN	12/05/2017	19,986,032.44	2.100	07/27/2022	20,000,000.00	1,695	20,000,000.00	2.092	2.121	1,303
3130ACUV4	17512	TREAS	FAC	FEDERAL HOME LOAN	11/30/2017	50,000,000.00	2.070	07/29/2022	50,000,000.00	1,702	50,000,000.00	2.042	2.070	1,305
3130ACUV4	17517	TREAS	FAC	FEDERAL HOME LOAN	12/06/2017	8,861,610.32	2.070	07/29/2022	8,890,000.00	1,696	8,890,000.00	2.135	2.165	1,305
3130AC5A8	17494	TREAS	FAC	FEDERAL HOME LOAN	09/19/2017	9,983,947.36	1.850	08/15/2022	10,000,000.00	1,791	10,000,000.00	1.870	1.896	1,322
3130AC5A8	17496	TREAS	FAC	FEDERAL HOME LOAN	09/27/2017	9,255,742.69	1.850	08/15/2022	9,280,000.00	1,783	9,280,000.00	1.899	1.926	1,322
3133EHVS9	17499	TREAS	FAC	FEDERAL FARM CREDIT	09/28/2017	5,474,856.43	1.840	08/23/2022	5,500,000.00	1,790	5,500,000.00	1.945	1.972	1,330
912828L24	17510	TREAS	TRC	US TREASURY NOTE	10/23/2017	19,904,489.21	1.875	08/31/2022	20,000,000.00	1,773	20,000,000.00	1.985	2.012	1,338
13063DDF2	17504	TREAS	MUN	STATE OF CALIFORNIA	10/26/2017	10,105,946.48	2.500	10/01/2022	10,000,000.00	1,801	10,000,000.00	2.170	2.200	1,369
13063DDF2	17505	TREAS	MUN	STATE OF CALIFORNIA	10/26/2017	10,105,946.48	2.500	10/01/2022	10,000,000.00	1,801	10,000,000.00	2.170	2.200	1,369

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM 360	YTM 365	Days to Maturity
13063DDF2	17519	TREAS	MUN	STATE OF CALIFORNIA	12/14/2017	20,048,778.23	2.500	10/01/2022	20,000,000.00	1,752	20,000,000.00	2.397	2.430	1,369
13063DDF2	17532	TREAS	MUN	STATE OF CALIFORNIA	01/16/2018	4,986,898.23	2.500	10/01/2022	5,000,000.00	1,719	5,000,000.00	2.539	2.574	1,369
3135G0T78	17501	TREAS	FAC	FEDERAL NATIONAL	10/10/2017	19,983,525.70	2.000	10/05/2022	20,000,000.00	1,821	20,000,000.00	1.995	2.023	1,373
3135G0T78	17503	TREAS	FAC	FEDERAL NATIONAL	10/12/2017	14,986,067.32	2.000	10/05/2022	15,000,000.00	1,819	15,000,000.00	1.998	2.026	1,373
3135G0T78	17531	TREAS	FAC	FEDERAL NATIONAL	01/11/2018	4,932,911.84	2.000	10/05/2022	5,000,000.00	1,728	5,000,000.00	2.346	2.379	1,373
89233P7F7	17538	TREAS	MTN	TOYOTA MOTOR CREDIT	03/01/2018	4,920,309.14	2.625	01/10/2023	5,000,000.00	1,776	5,000,000.00	3.012	3.054	1,470
89236TEL5	17539	TREAS	MTN	TOYOTA MOTOR CREDIT	03/01/2018	4,934,194.86	2.700	01/11/2023	5,000,000.00	1,777	5,000,000.00	3.012	3.054	1,471
89236TEL5	17542	TREAS	MTN	TOYOTA MOTOR CREDIT	04/02/2018	19,677,271.67	2.700	01/11/2023	20,000,000.00	1,745	20,000,000.00	3.091	3.134	1,471
037833DE7	17541	TREAS	MTN	APPLE INC	03/01/2018	2,438,472.33	2.400	01/13/2023	2,500,000.00	1,779	2,500,000.00	3.018	3.060	1,473
3133EH7F4	17557	TREAS	FAC	FEDERAL FARM CREDIT	04/19/2018	19,534,433.40	2.350	01/17/2023	19,869,000.00	1,734	19,869,000.00	2.759	2.797	1,477
3135G0T94	17533	TREAS	FAC	FEDERAL NATIONAL	01/23/2018	49,757,879.45	2.375	01/19/2023	50,000,000.00	1,822	50,000,000.00	2.469	2.503	1,479
90331HNL3	17534	TREAS	MTN	US BANK NA	01/24/2018	9,984,965.54	2.850	01/23/2023	10,000,000.00	1,825	10,000,000.00	2.850	2.890	1,483
90331HNL3	17537	TREAS	MTN	US BANK NA	03/01/2018	4,946,913.30	2.850	01/23/2023	5,000,000.00	1,789	5,000,000.00	3.091	3.134	1,483
90331HNL3	17556	TREAS	MTN	US BANK NA	04/20/2018	9,882,229.20	2.850	01/23/2023	10,000,000.00	1,739	10,000,000.00	3.121	3.164	1,483
46625HJH4	17559	TREAS	MTN	JP MORGAN	04/26/2018	9,868,334.23	3.200	01/25/2023	10,000,000.00	1,735	10,000,000.00	3.505	3.554	1,485
3133EJBP3	17535	TREAS	FAC	FEDERAL FARM CREDIT	02/07/2018	9,964,704.19	2.500	02/02/2023	10,000,000.00	1,821	10,000,000.00	2.557	2.593	1,493
3133EJBP3	17536	TREAS	FAC	FEDERAL FARM CREDIT	02/28/2018	50,670,399.30	2.500	02/02/2023	51,180,000.00	1,800	51,180,000.00	2.724	2.762	1,493
037833BU3	17540	TREAS	MTN	APPLE INC	03/01/2018	9,918,406.25	2.850	02/23/2023	10,000,000.00	1,820	10,000,000.00	3.022	3.064	1,514
594918AT1	17580	TREAS	MTN	MICROSOFT	06/22/2018	9,685,841.51	2.375	05/01/2023	10,000,000.00	1,774	10,000,000.00	3.119	3.162	1,581
037833AK6	17563	TREAS	MTN	APPLE INC	05/03/2018	4,825,403.11	2.400	05/03/2023	5,000,000.00	1,826	5,000,000.00	3.234	3.279	1,583
037833AK6	17564	TREAS	MTN	APPLE INC	05/03/2018	4,825,229.56	2.400	05/03/2023	5,000,000.00	1,826	5,000,000.00	3.235	3.280	1,583
037833AK6	17581	TREAS	MTN	APPLE INC	06/22/2018	9,662,800.69	2.400	05/03/2023	10,000,000.00	1,776	10,000,000.00	3.202	3.246	1,583
166764BK5	17571	TREAS	MTN	CHEVRON CORP	06/08/2018	9,700,882.87	2.566	05/16/2023	10,000,000.00	1,803	10,000,000.00	3.267	3.313	1,596
166764BK5	17579	TREAS	MTN	CHEVRON CORP	06/22/2018	4,860,191.96	2.566	05/16/2023	5,000,000.00	1,789	5,000,000.00	3.217	3.262	1,596
166764BK5	17585	TREAS	MTN	CHEVRON CORP	07/25/2018	6,106,519.82	2.566	05/16/2023	6,288,000.00	1,756	6,288,000.00	3.239	3.284	1,596
3130AEEW6	17572	TREAS	FAC	FEDERAL HOME LOAN	06/07/2018	21,035,551.32	2.760	05/30/2023	21,150,000.00	1,818	21,150,000.00	2.853	2.893	1,610
3130AEAP5	17576	TREAS	FAC	FEDERAL HOME LOAN	05/30/2018	49,977,533.31	2.875	05/30/2023	50,000,000.00	1,826	50,000,000.00	2.846	2.886	1,610
931142EK5	17604	TREAS	MTN	Wal-Mart Stores	11/13/2018	9,953,773.90	3.400	06/26/2023	10,000,000.00	1,686	10,000,000.00	3.464	3.512	1,637
46632FPH2	17590	TREAS	MTN	JP MORGAN	08/14/2018	30,000,000.00	3.450	07/14/2023	30,000,000.00	1,795	30,000,000.00	3.403	3.450	1,655
3133EJUS6	17584	TREAS	FAC	FEDERAL FARM CREDIT	07/17/2018	19,997,636.89	2.875	07/17/2023	20,000,000.00	1,826	20,000,000.00	2.838	2.878	1,658
3133EJUS6	17589	TREAS	FAC	FEDERAL FARM CREDIT	07/25/2018	29,931,249.93	2.875	07/17/2023	30,000,000.00	1,818	30,000,000.00	2.904	2.945	1,658
3133EJUS6	17593	TREAS	FAC	FEDERAL FARM CREDIT	09/19/2018	9,984,582.20	2.875	07/17/2023	10,000,000.00	1,762	10,000,000.00	2.988	3.029	1,658
3133EJUS6	17607	TREAS	FAC	FEDERAL FARM CREDIT	12/20/2018	2,958,032.24	2.875	07/17/2023	2,910,000.00	1,670	2,910,000.00	2.736	2.774	1,658
90331HNV1	17586	TREAS	MTN	US BANK NA	07/25/2018	9,989,254.39	3.400	07/24/2023	10,000,000.00	1,825	10,000,000.00	3.381	3.428	1,665
90331HNV1	17587	TREAS	MTN	US BANK NA	07/25/2018	1,497,394.96	3.400	07/24/2023	1,500,000.00	1,825	1,500,000.00	3.397	3.444	1,665
90331HNV1	17588	TREAS	MTN	US BANK NA	07/25/2018	1,248,291.49	3.400	07/24/2023	1,250,000.00	1,825	1,250,000.00	3.388	3.435	1,665
3133EJK57	17606	TREAS	FAC	FEDERAL FARM CREDIT	12/20/2018	17,302,178.09	3.080	07/24/2023	17,000,000.00	1,677	17,000,000.00	2.737	2.775	1,665
3130AFBD8	17608	TREAS	FAC	FEDERAL HOME LOAN	12/20/2018	12,746,839.03	3.125	07/25/2023	12,500,000.00	1,678	12,500,000.00	2.736	2.774	1,666
3133EJ4G1	17610	TREAS	FAC	FEDERAL FARM CREDIT	12/28/2018	64,952,506.51	2.770	07/28/2023	65,000,000.00	1,673	65,000,000.00	2.749	2.787	1,669
94988J5R4	17591	TREAS	MTN	WELLS FARGO	08/14/2018	9,984,940.61	3.550	08/14/2023	10,000,000.00	1,826	10,000,000.00	3.537	3.586	1,686

CUSIP	Investment #	Fund	Sec. Type	Issuer	Purchase Date	Book Value	Current Rate	Maturity Date	Maturity Amount	Total Days	Par Value	YTM 360	YTM 365	Days to Maturity
94988J5R4	17602	TREAS	MTN	WELLS FARGO	11/13/2018	9,970,168.12	3.550	08/14/2023	10,000,000.00	1,735	10,000,000.00	3.778	3.830	1,686
					Subtotal and Average	**3,186,585,668.80**			**3,188,790,250.00**		**3,188,629,000.00**	**2.032**	**2.060**	**861**
					Net Maturities and Average	**3,186,585,668.80**			**3,188,790,250.00**		**3,188,629,000.00**	**2.032**	**2.060**	**861**

FTN FINANCIAL
MAIN STREET ADVISORS
A Subsidiary of First Tennessee Bank National Association

Quarterly Economic and Market Update

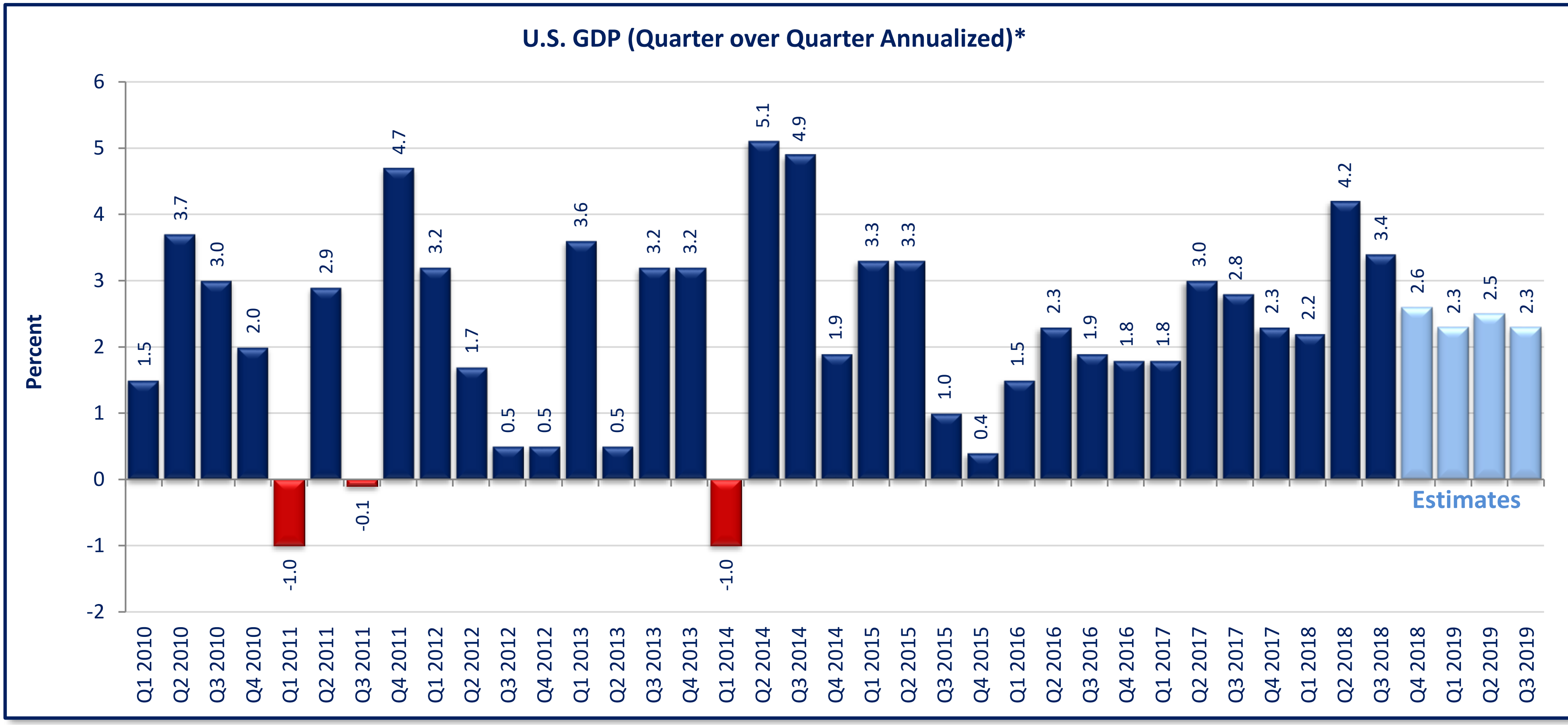
December 2018

Economic and Market Update
12/31/18

Item	12/31/18	9/30/18	Change
U.S. Payrolls Monthly Change	312,000	119,000	193,000
Unemployment Rate	3.9%	3.7%	0.2%
Labor Force Participation	63.1%	62.7%	0.4%
Effective Fed Funds Rate	2.40%	2.18%	0.22%
3 Month T-Bill	2.36%	2.20%	0.16%
2 Year T-Note	2.49%	2.82%	-0.33%
3 Year T-Note	2.46%	2.88%	-0.43%
5 Year T-Note	2.51%	2.95%	-0.44%
10 Year T-Note	2.69%	3.06%	-0.38%
U.S. Fed Debt Avg Yield*	2.42%	2.37%	0.05%
30 Year Mortgage Rate	4.51%	4.57%	-0.06%
1-5 Yr Agency Spread	0.05%	0.06%	-0.01%
1-5 Yr A-AAA Corporate Spread	0.75%	0.45%	0.30%
Dow Jones	23,327	26,458	-11.8%
S&P 500	2,507	2,914	-14.0%
Consumer Price Index YOY*	2.1%	2.3%	-0.2%
U.S. Avg Regular Unleaded	$2.26	$2.88	-$0.62
Retail Sales YOY*	4.2%	4.0%	0.2%
Case-Shiller Home Prices YOY*	5.0%	5.6%	-0.5%
Gold (per ounce)	$1,282.49	$1,190.88	$91.61
Dollar Index	96.17	95.13	1.04
Consumer Confidence	1.28	135.30	-134.02

*Estimates for the current quarter/month, some data are lagged

Sources: FTN Main Street and Bloomberg

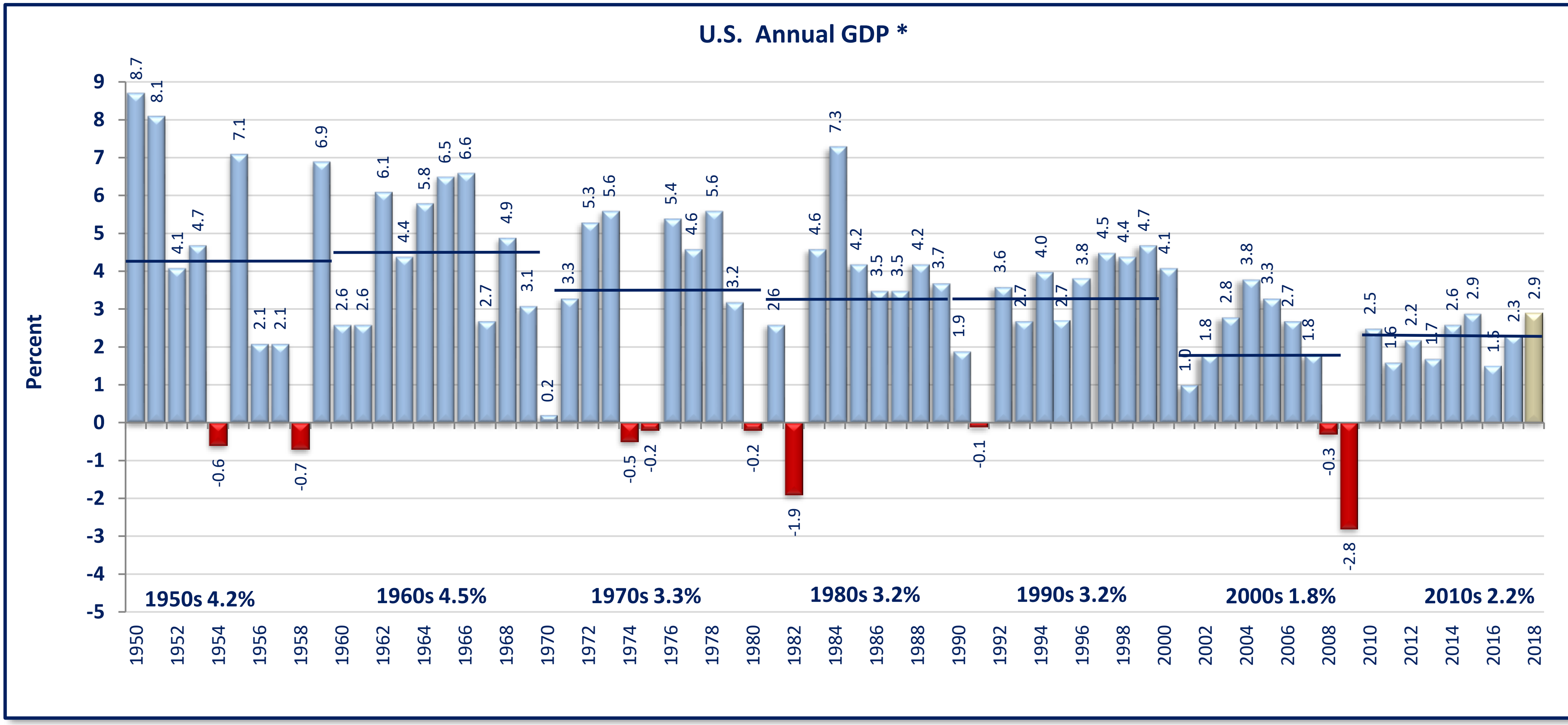


* Real Rate (Inflation Adjusted)

Estimate: Bloomberg's Survey of Economists

Source: Bureau of Economic Analysis

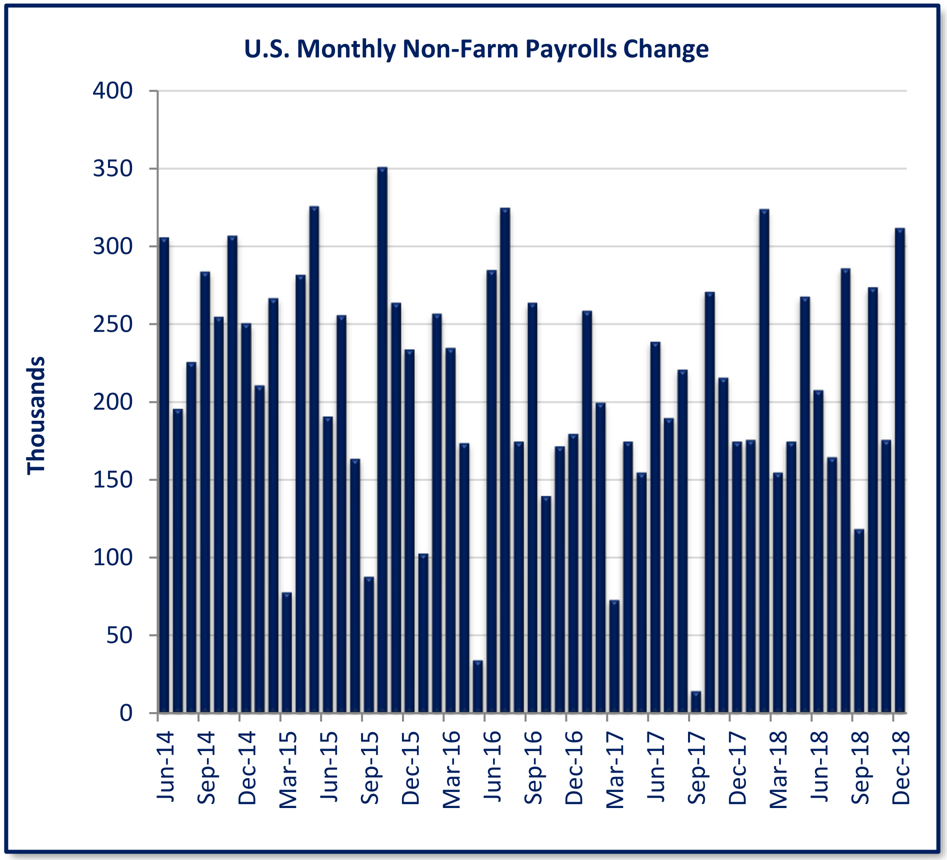
As of: 12/31/18

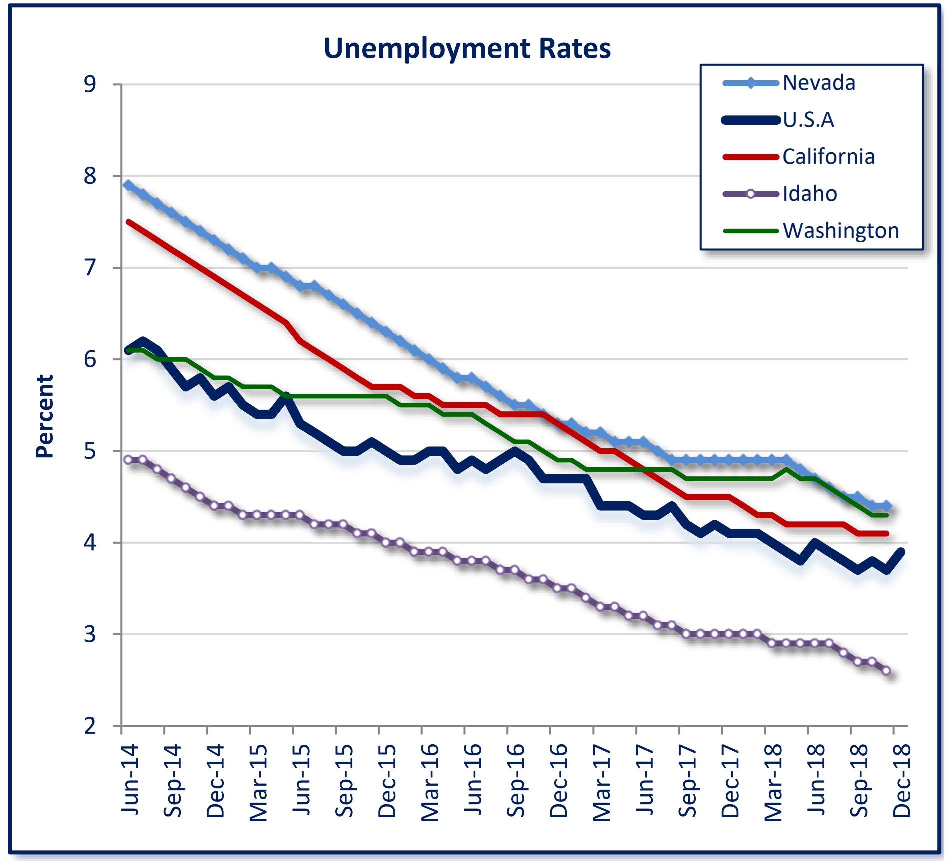


* Real Rate (Inflation Adjusted)

Estimate: Bloomberg's Survey of Economists
As of: 12/31/18

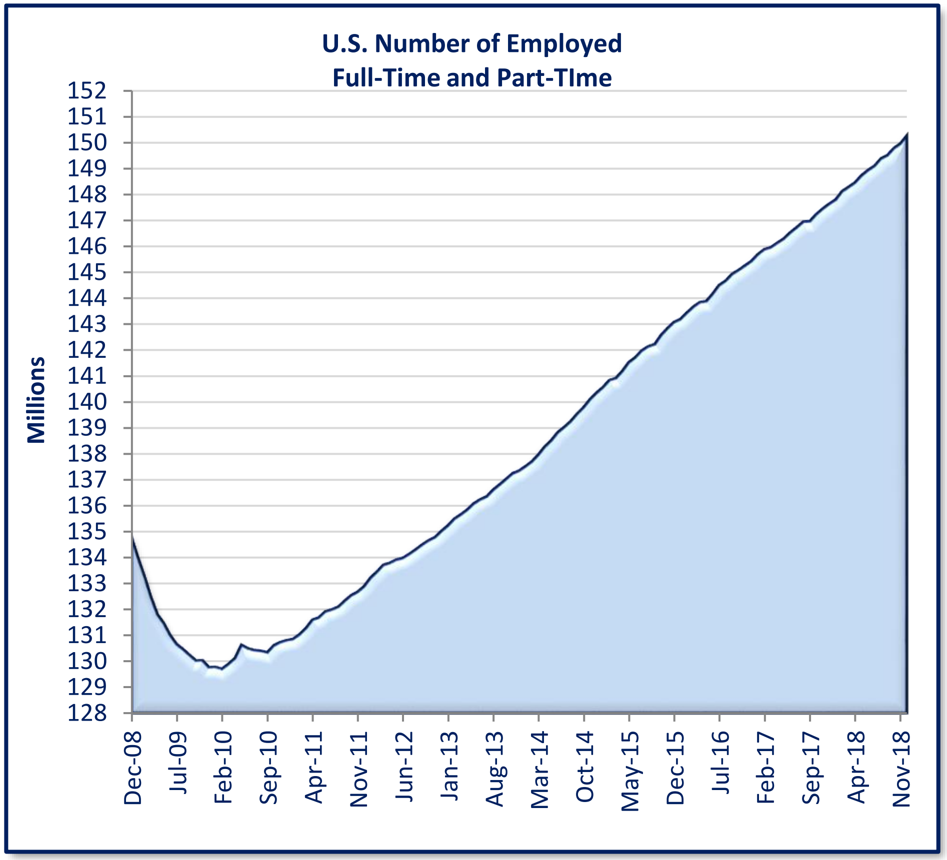
Source: Bureau of Economic Analysis

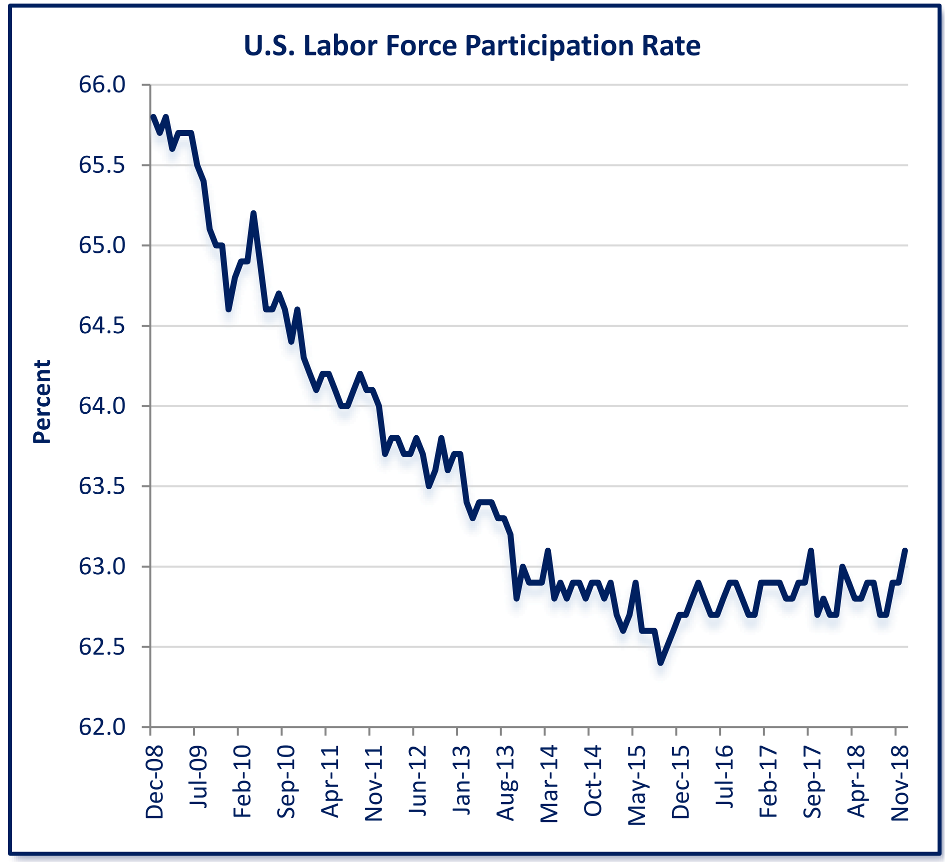




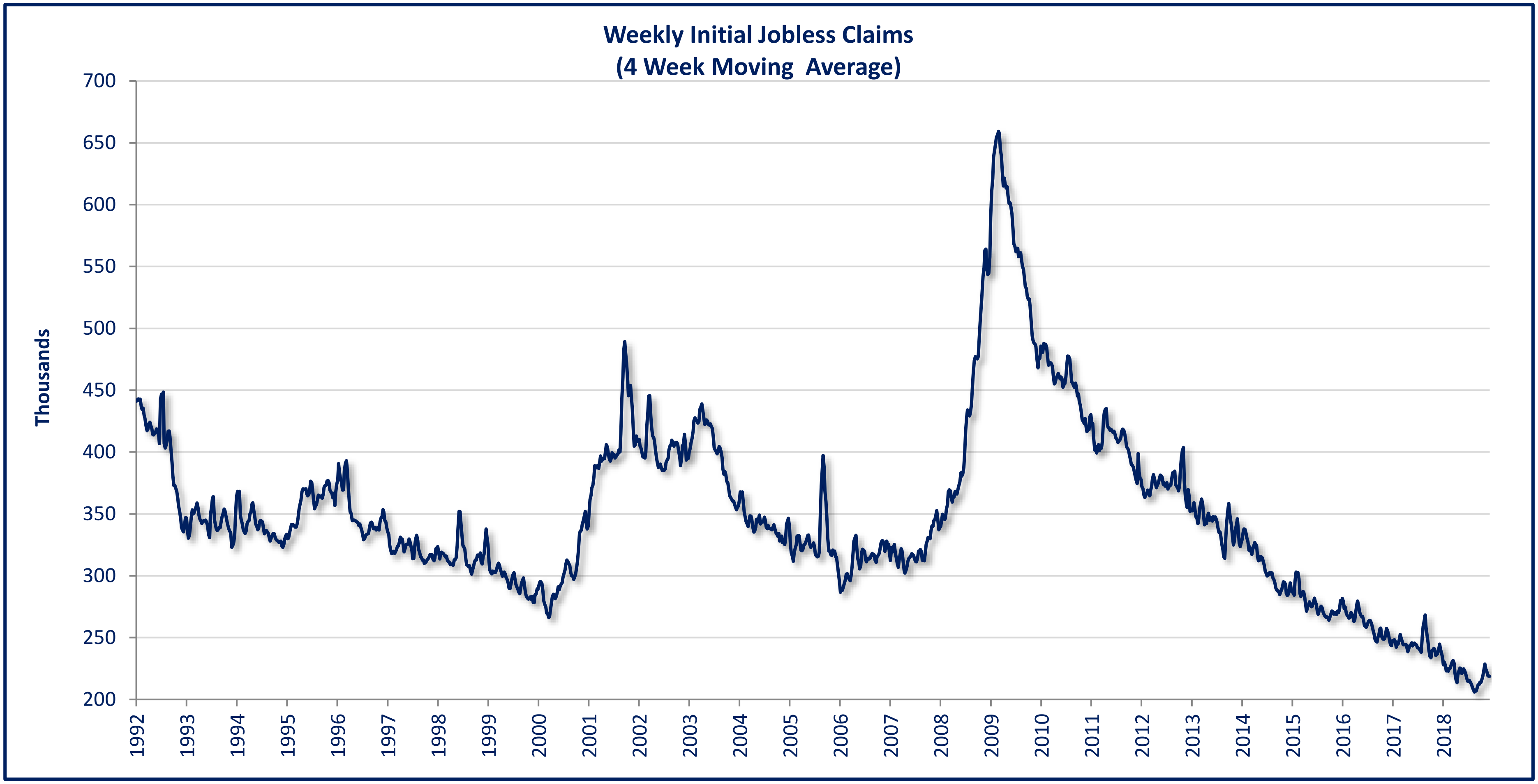
12 Month Average Job Change	219,833

Source: Bureau of Labor Statistics



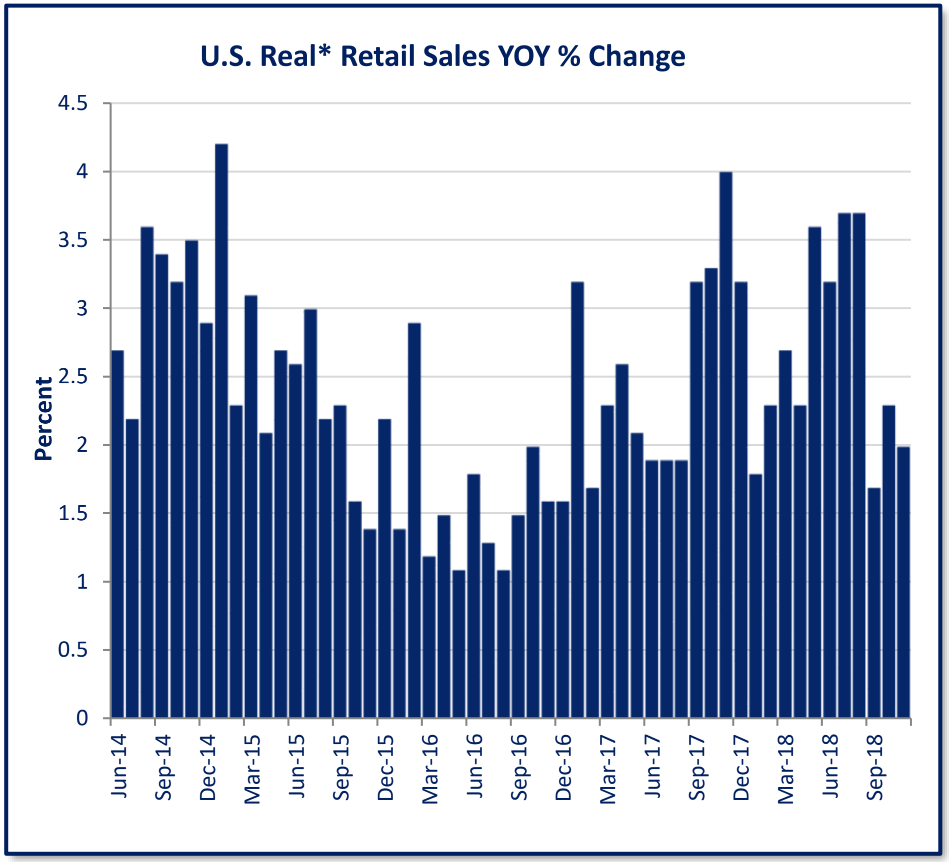


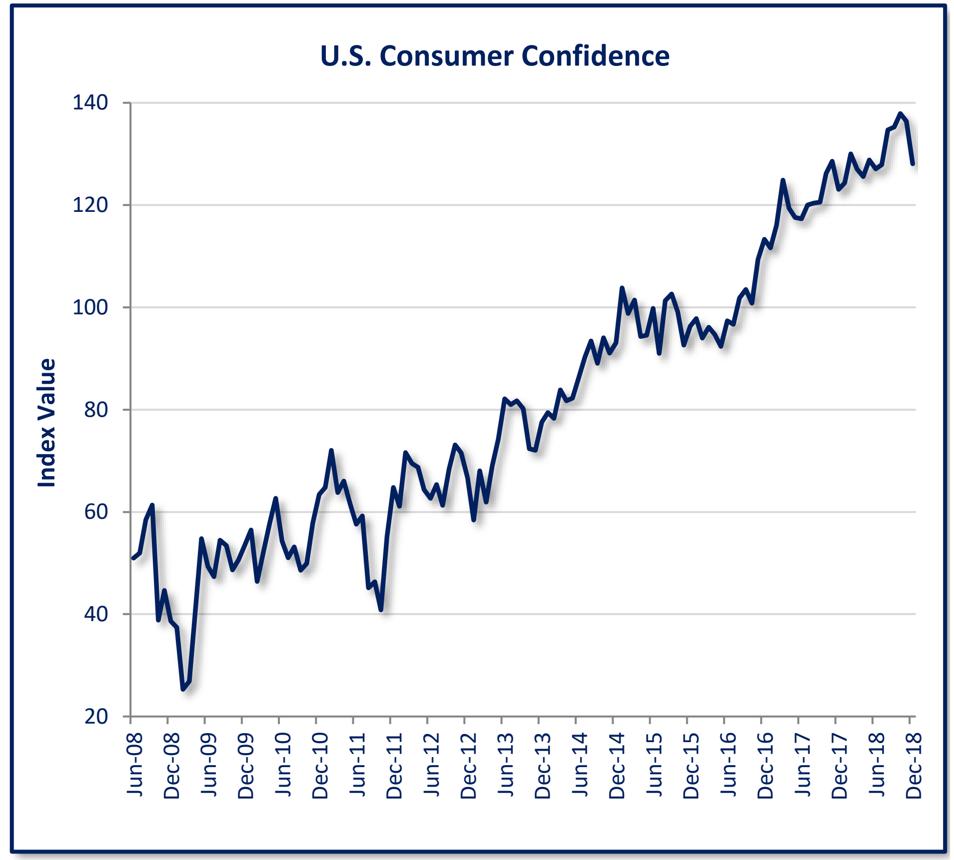
Source: Bureau of Labor Statistics



Weekly Initial Jobless Claims is the actual number of people who have filed for Unemployment benefits for the first time. The following five eligibility criteria must be met in order to file for unemployment benefits: 1. Meet the requirements of time worked during a 1 year period (full time or not). 2. Become unemployed through no fault of your own (cannot be fired). 3. Must be able to work; no physical or mental holdbacks. 4. Must be available for work. 5. Must be actively seeking work.

Source: Department of Labor and Bloomberg

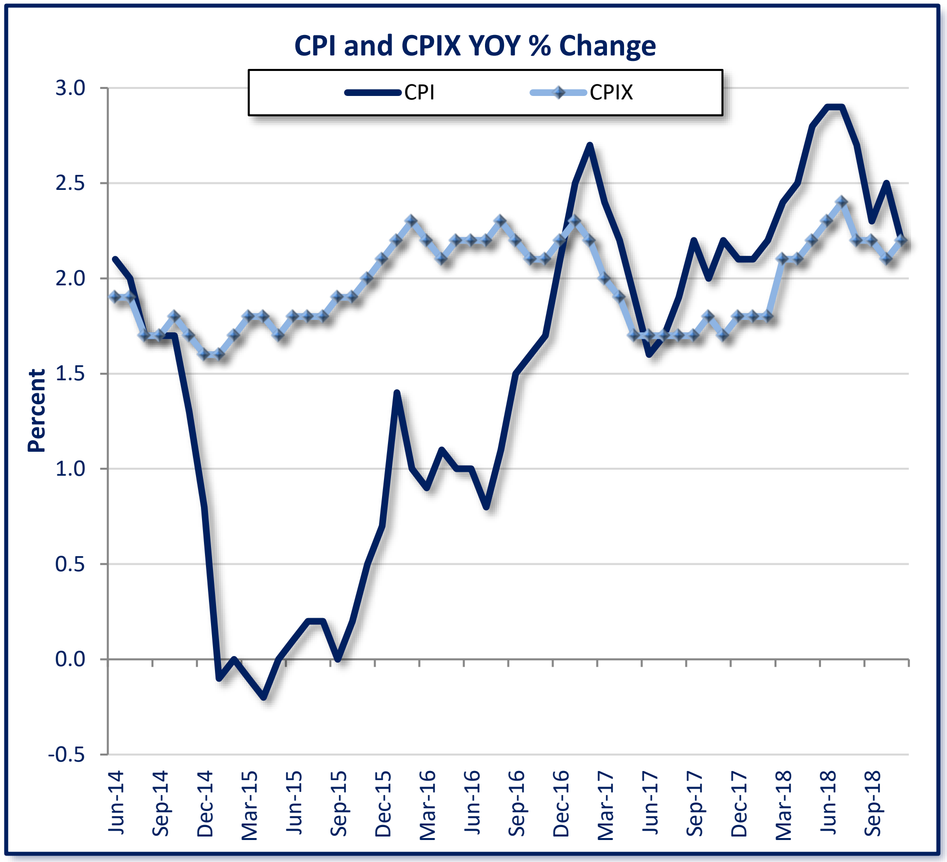




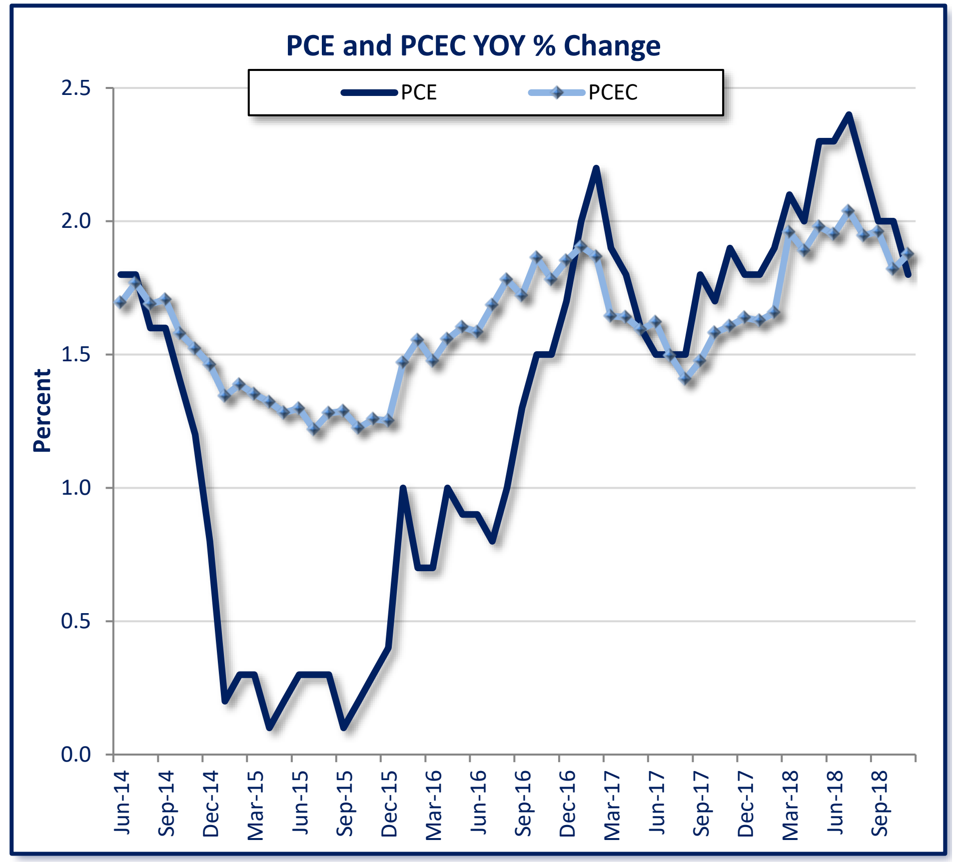
*Real: Inflation Adjusted

Source: U.S. Census Bureau

Source: Conference Board

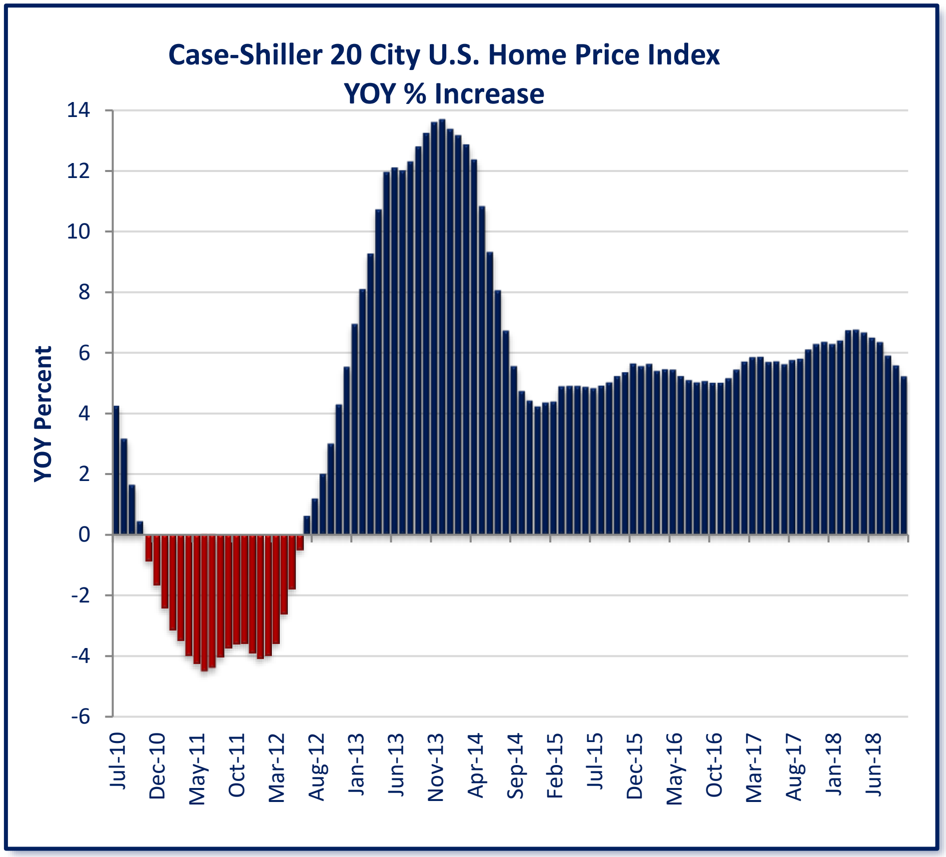


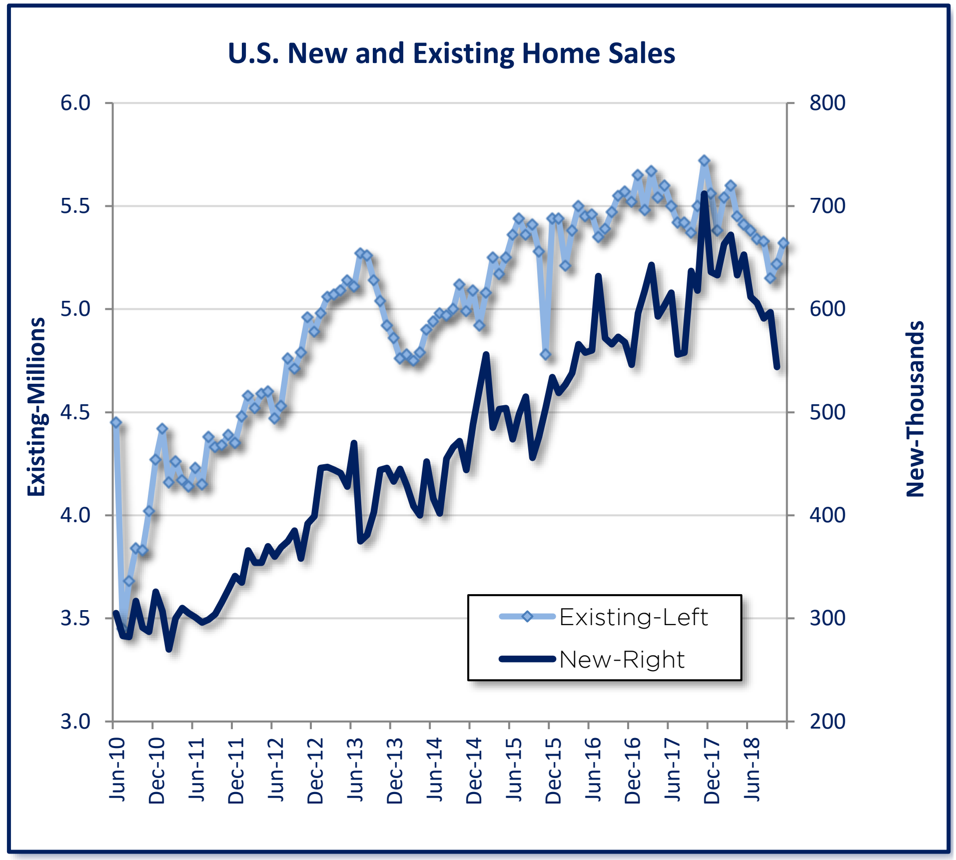
CPIX: Consumer Price Index, excluding food and energy



PCEC: Personal Consumption Expenditure Core

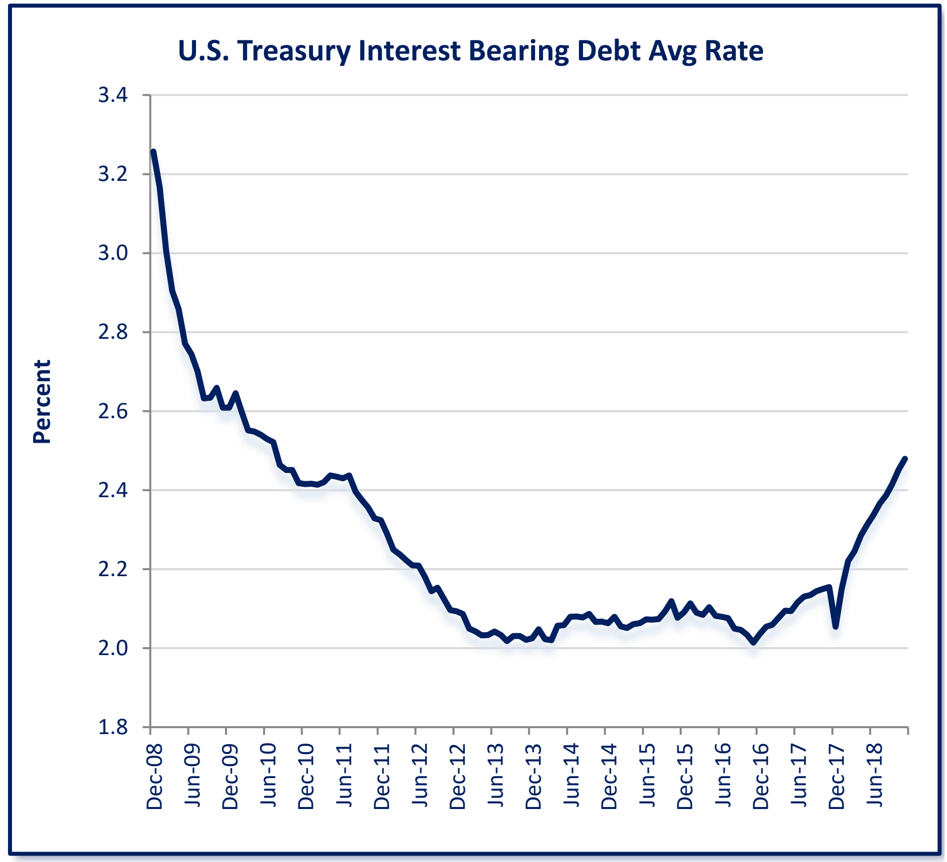
Source: Bureau of Labor Statistics and Bureau of Economic Analysis



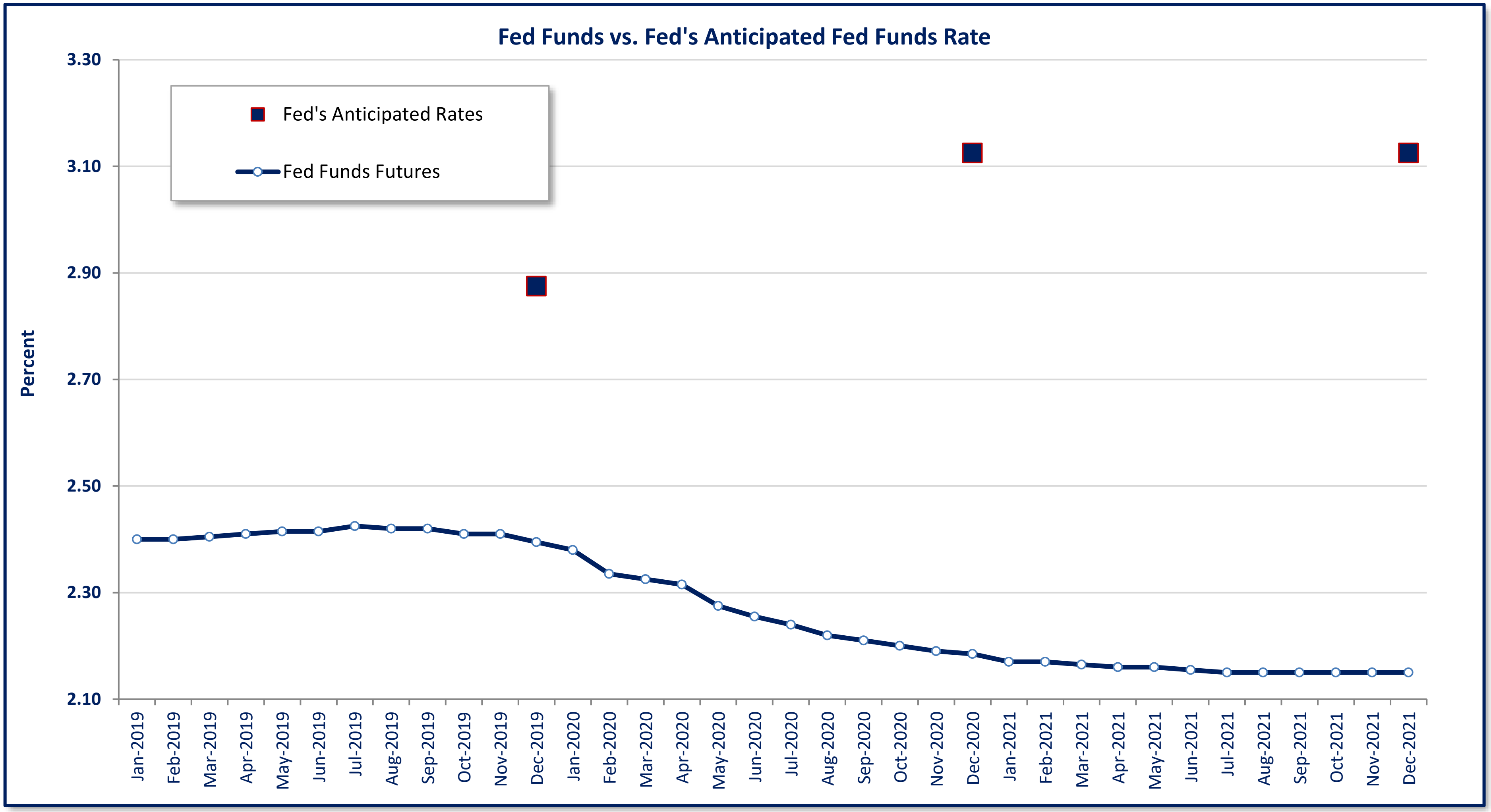


Source: Case-Shiller

Sources: New (U.S. Census Bureau),Existing (National Assoc. of Realtors)
Seasonally Adjusted Annual Rate

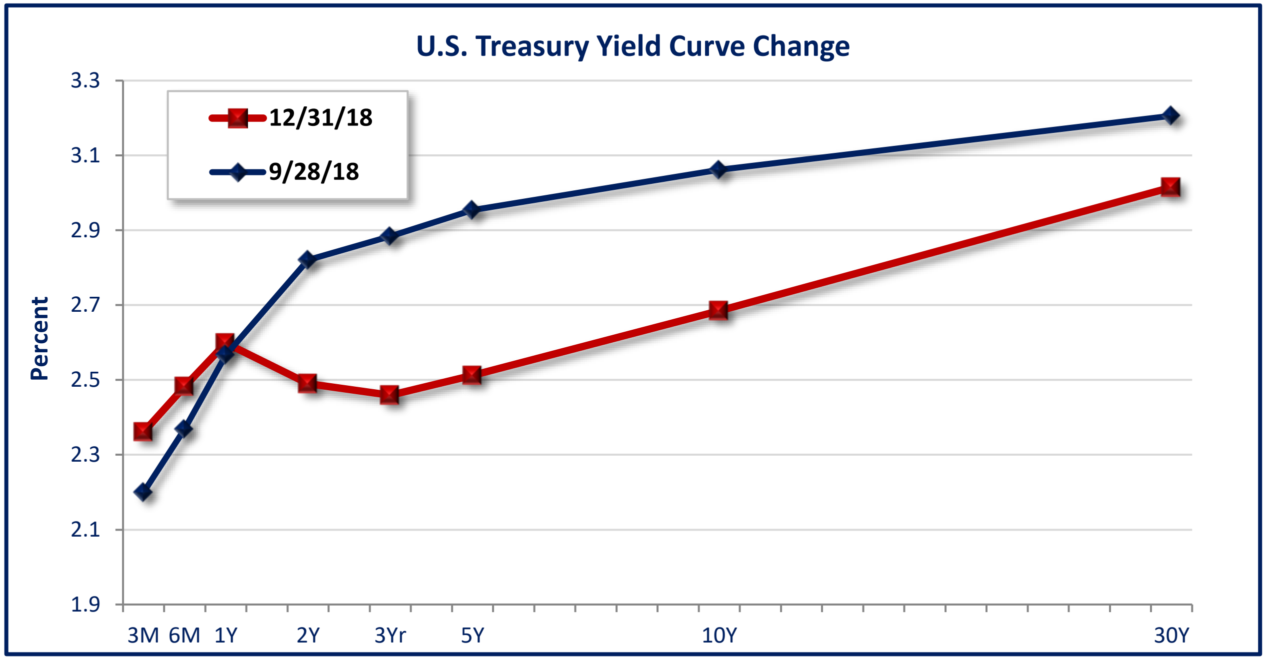


Source: U.S. Treasury

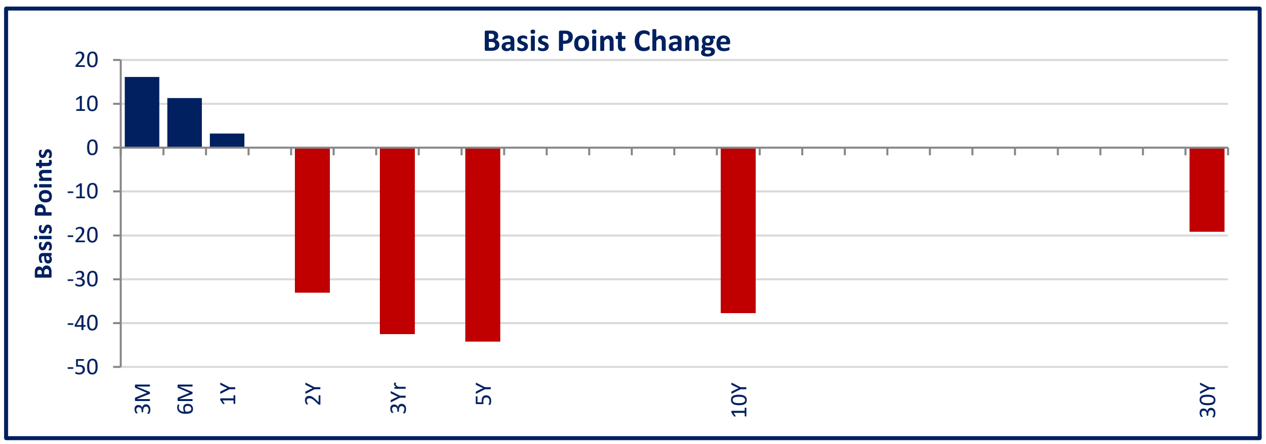


Fed Funds Anticipated Rate from the December 19, 2018 FOMC Meeting

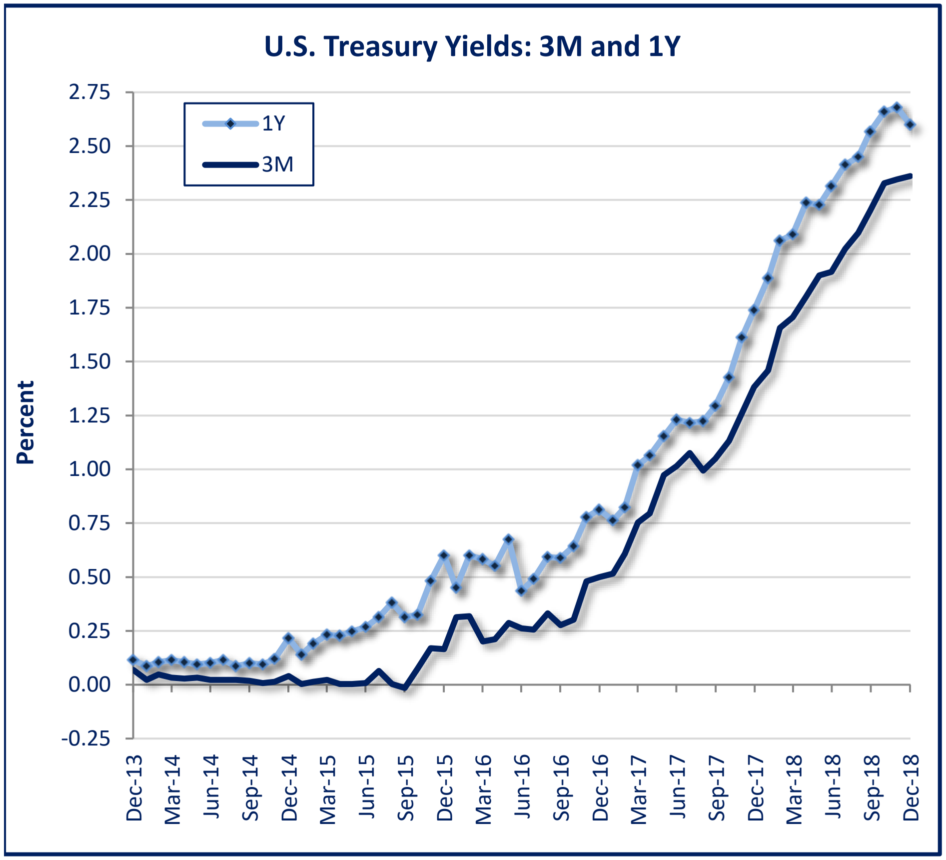
Source: Bloomberg

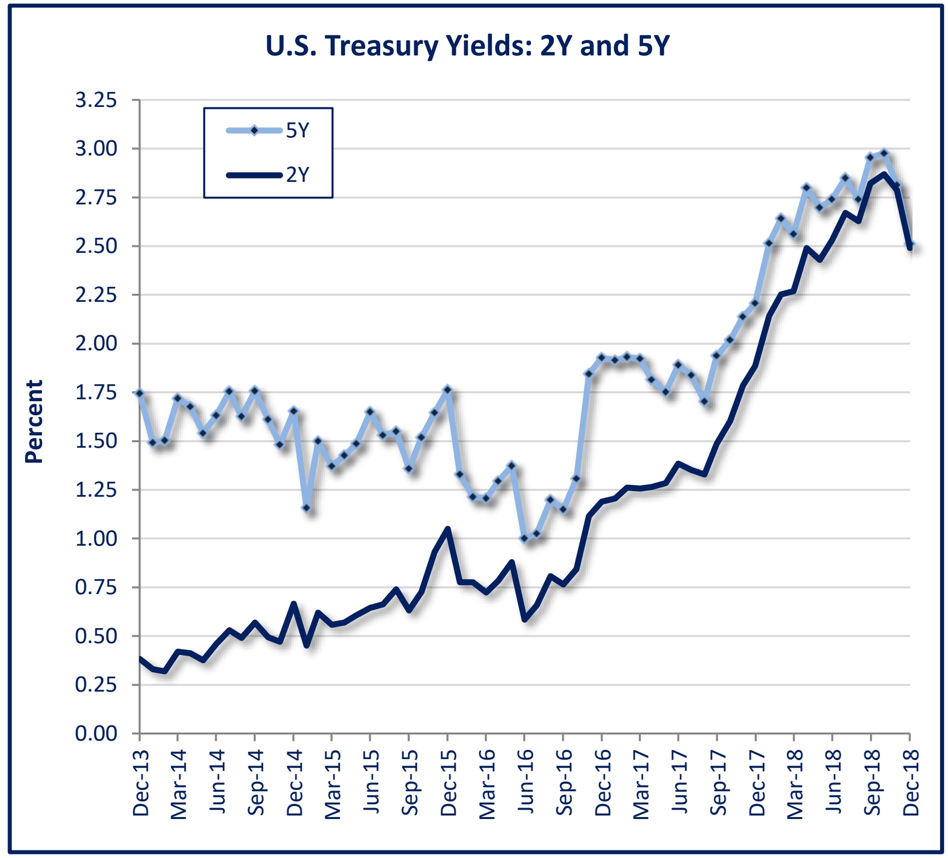


Maturity	9/28/18	12/31/18	Change
3M	2.20	2.36	0.16
6M	2.37	2.48	0.11
1Y	2.57	2.60	0.03
2Y	2.82	2.49	-0.33
3Y	2.88	2.46	-0.43
5Y	2.95	2.51	-0.44
10Y	3.06	2.69	-0.38
30Y	3.21	3.02	-0.19



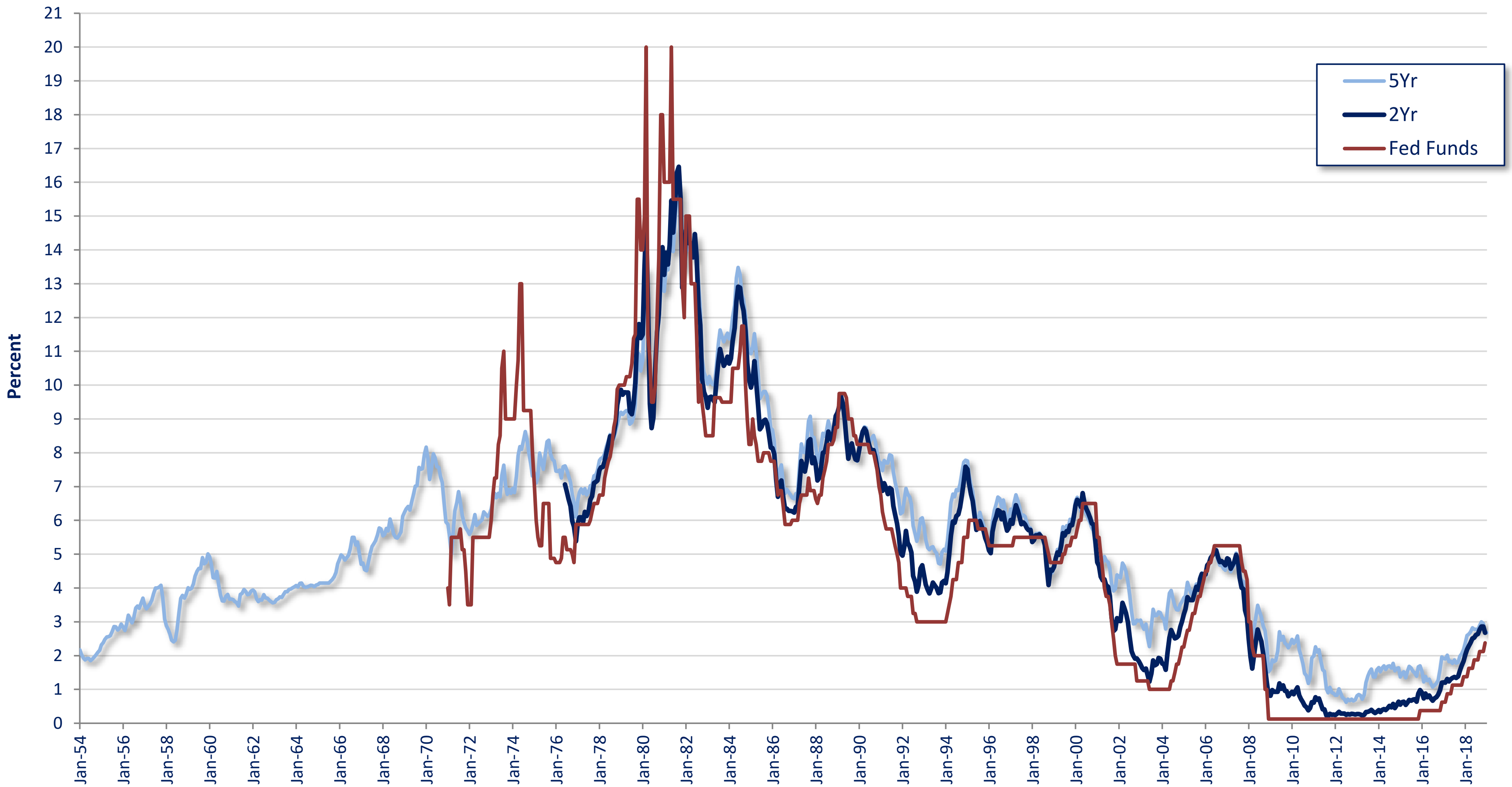
Source: Bloomberg
Figures may not total due to rounding





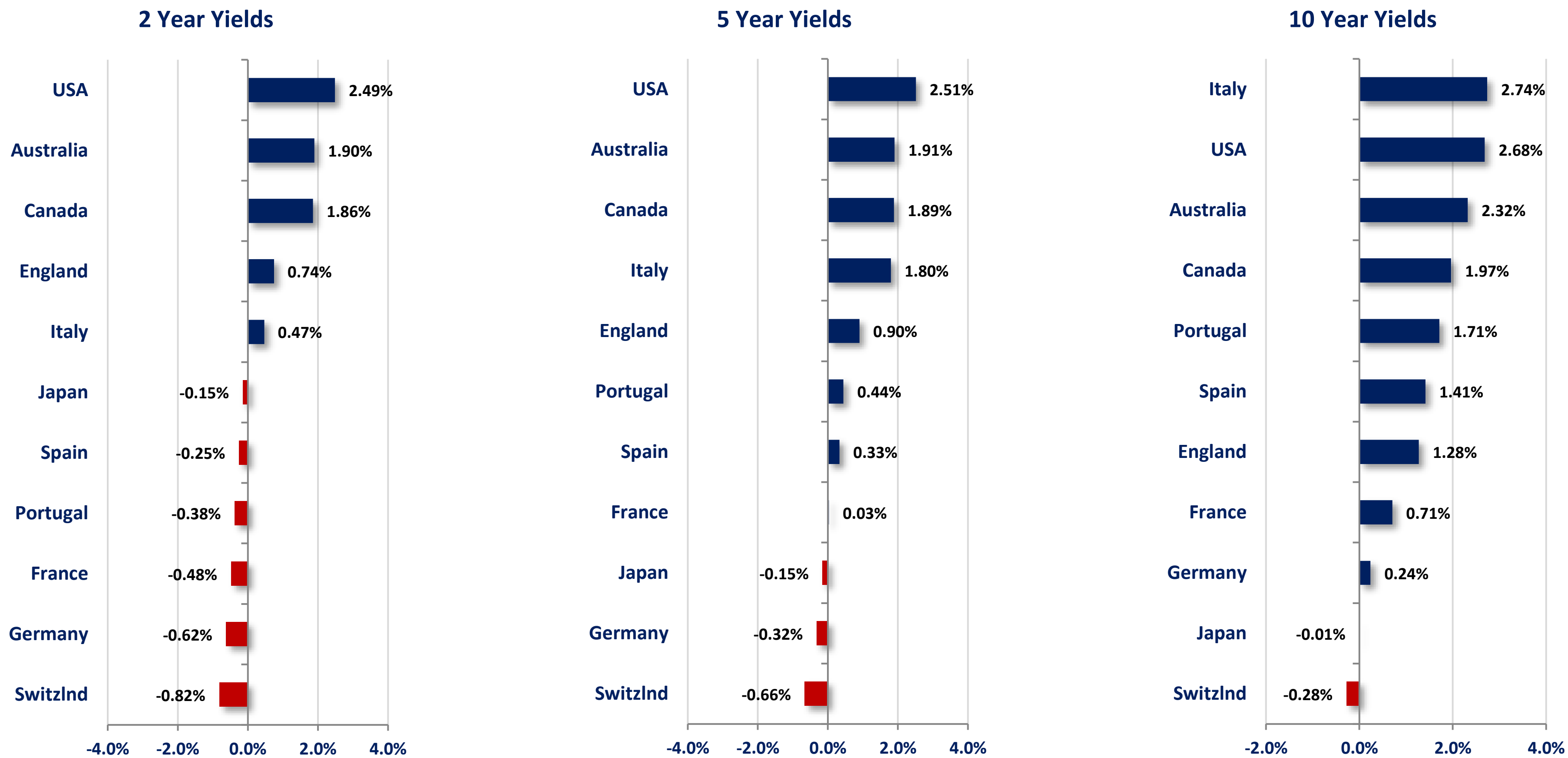
Source: Bloomberg

U.S. Treasury Yields 2Yr and 5Yr - Fed Funds Target Rate



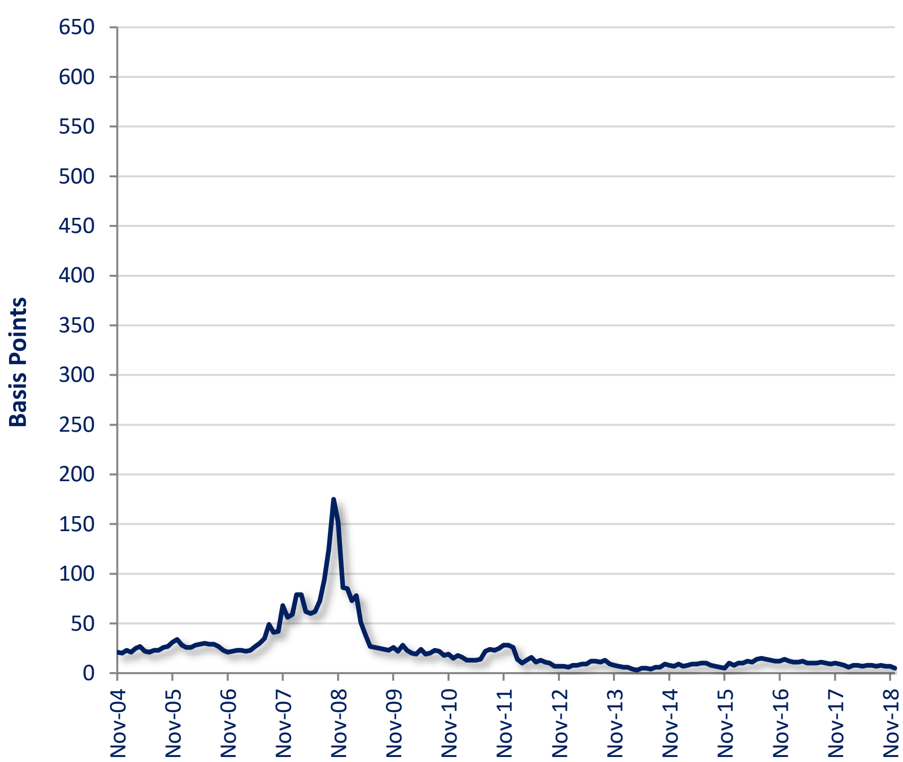
Source: Bloomberg

Global Treasury Rates



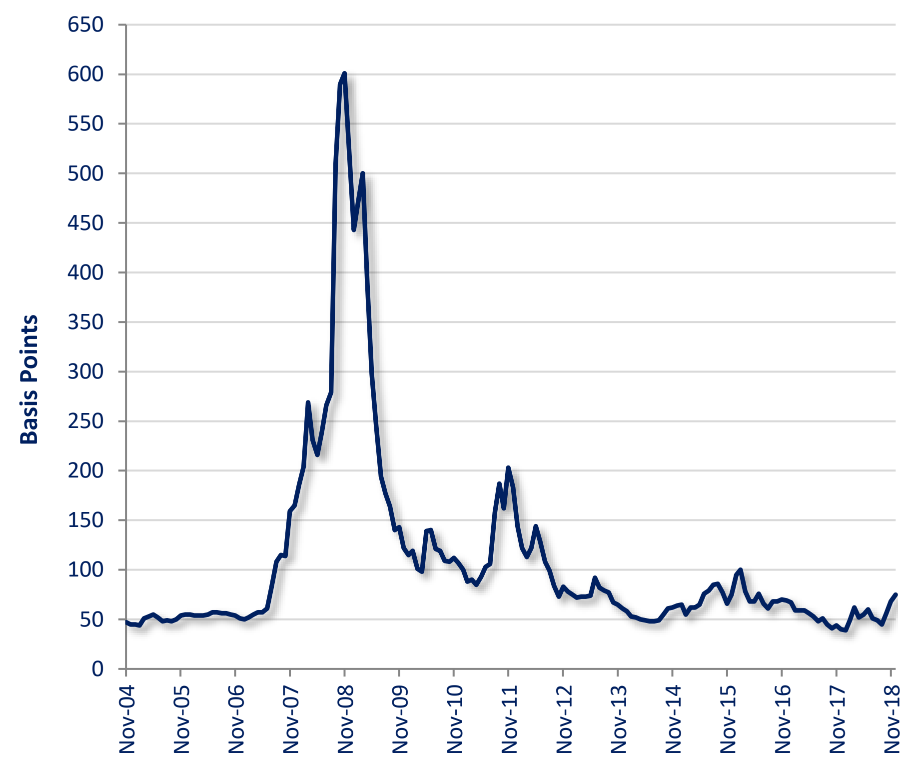
Source: Bloomberg

Spread: 1-5Yr Agency* vs Treasury



Current Spread is 5

Spread: 1-5Yr A-AAA Corporate vs Treasury

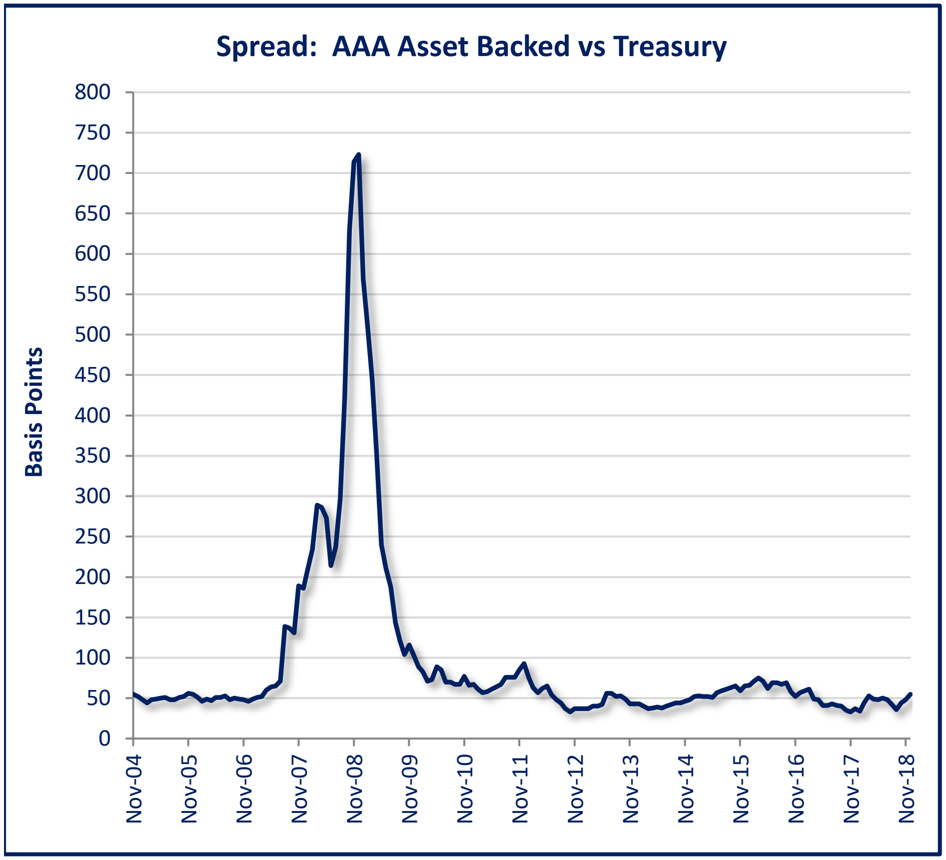


Current Spread is 75

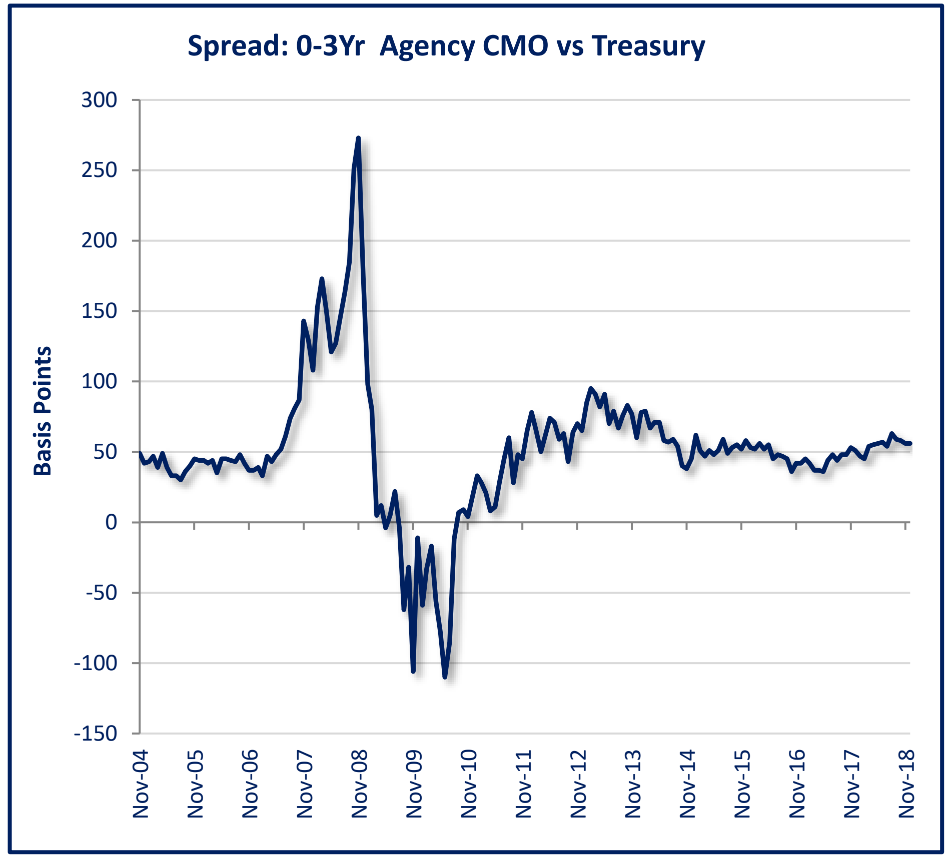
*ICE BofAML Index (option adjusted spread vs. Treasury)
Agency (GVP0)

*ICE BofAML Index (option adjusted spread vs. Treasury)
Corporate A-AAA Excluding Yankee (CVAC)

Source: ICE BofAML Indices



Current Spread is 55



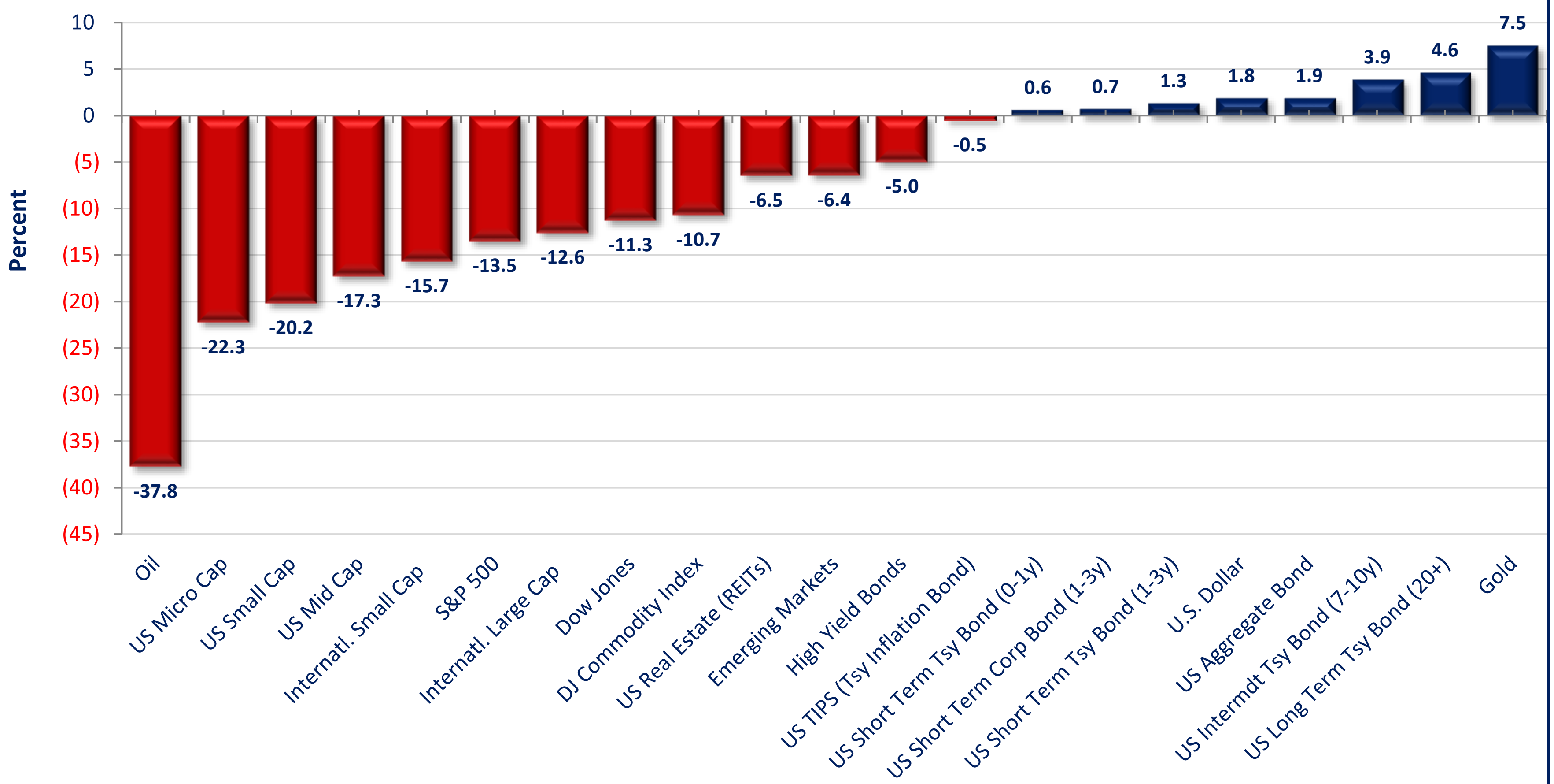
Current Spread is 56

*ICE BofAML Index (option adjusted spread vs. Treasury)
AAA Rated ABS (R0A1)

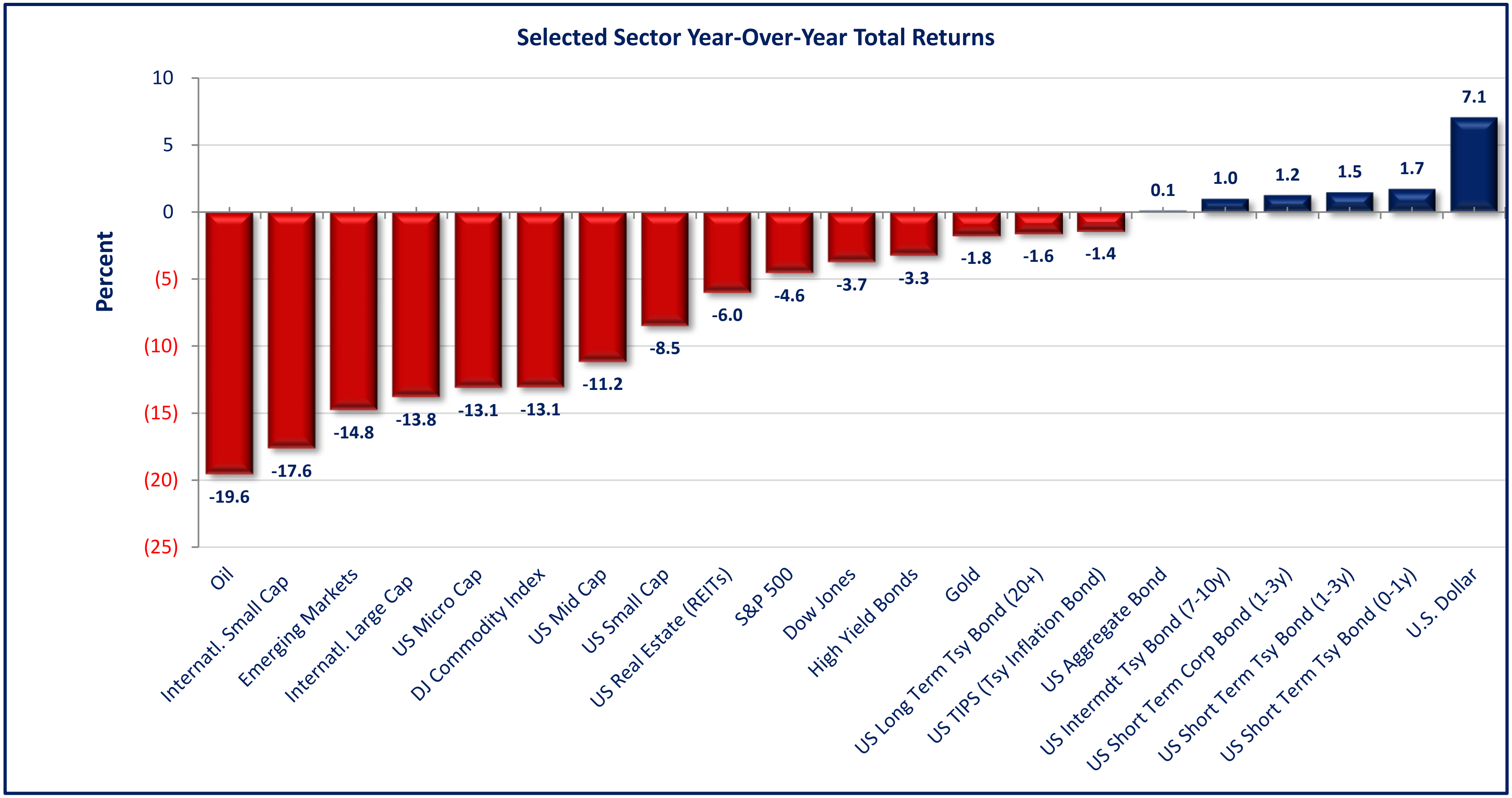
*ICE BofAML Index (option adjusted spread vs. Treasury)
CMO Agency 0-3Yr PAC (CM1P)

Source: ICE BofAML Indices

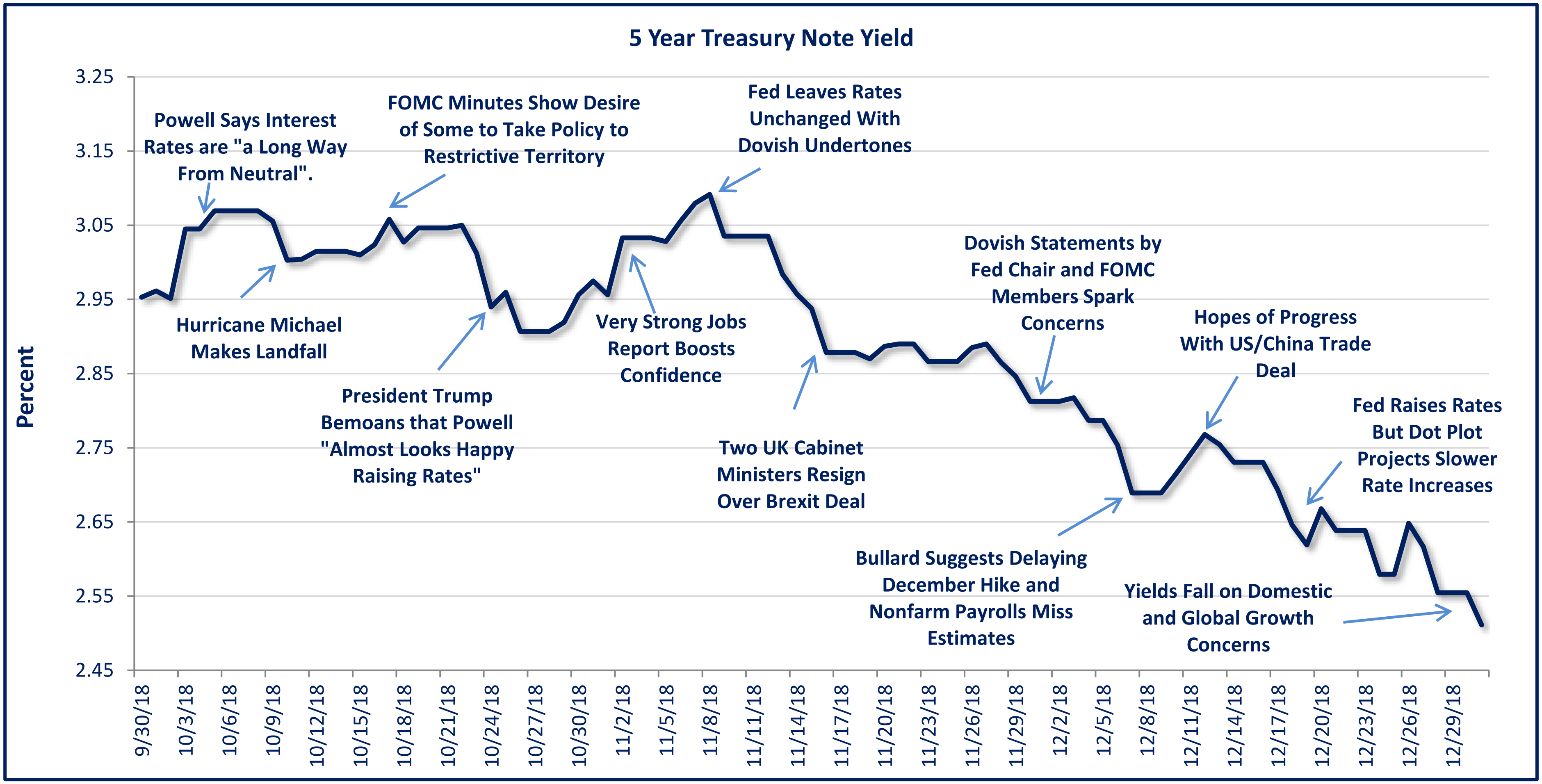
Selected Sector Quarterly Total Returns



Source: Bloomberg



Source: Bloomberg



Sources: Bloomberg, FTN Main Street

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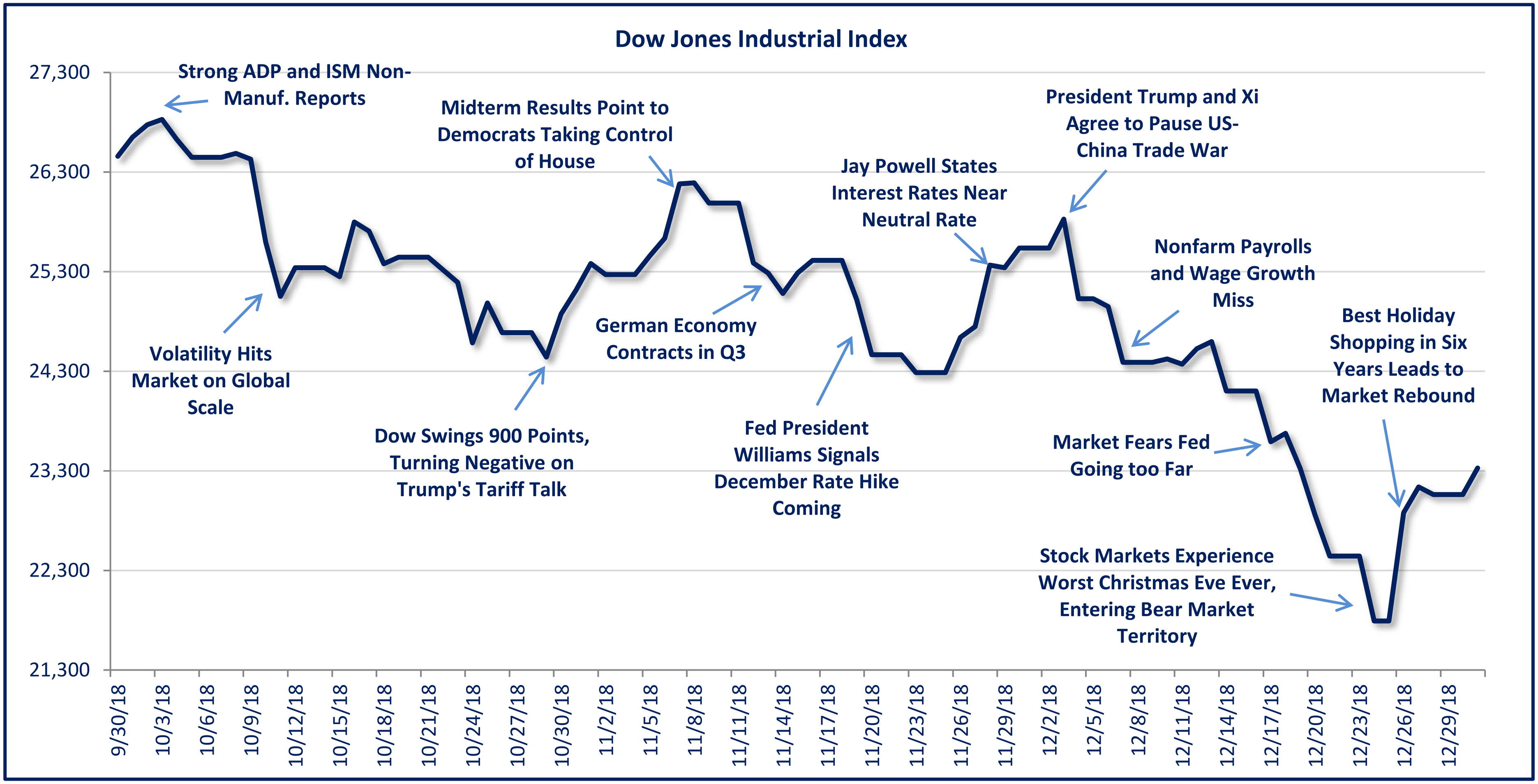

Sources: Bloomberg, FTN Main Street

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