**NEW ISSUE - FULL BOOK-ENTRY**
**BANK QUALIFIED**

**INSURED RATING: S&P: "AA"**
**UNDERLYING RATING: Moody's: "A2"**
**See "RATINGS" herein.**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes 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.*

# $4,500,000
# EL TEJON UNIFIED SCHOOL DISTRICT
## (Kern and Ventura Counties, California)
# General Obligation Bonds
# Election of 2018, Series B
## (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 2018, Series B (the "Bonds"), are being issued by the El Tejon 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 5, 2018, (the "2018 Authorization") which authorized the issuance of $16,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the second series of bonds to be issued under the 2018 Authorization. See "THE BONDS – Authority for Issuance" and "- Purpose of Issue" herein.

***Security.*** The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by Kern and Ventura Counties (each, a "County" and, together, the "Counties"). Each 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 February 1, 2020. Payments of principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

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

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

MUNICIPAL ASSURANCE CORP.
AN ASSURED GUARANTY COMPANY

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**MATURITY SCHEDULE**
(See inside cover)

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***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. Dannis Woliver Kelley, Long Beach, California, is serving as counsel to the Underwriter. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about May 30, 2019.*

O'CONNOR & COMPANY SECURITIES
PUBLIC FINANCE

The date of this Official Statement is May 15, 2019.

# MATURITY SCHEDULE

## EL TEJON UNIFIED SCHOOL DISTRICT
**(Kern and Ventura Counties, California)**
**General Obligation Bonds**
**Election of 2018, Series B**
**(Bank Qualified)**

**Base CUSIP†: 284058**

| Maturity Date (August 1) | Principal Amount | Interest Rate | Yield | Price | CUSIP† |
|---|---|---|---|---|---|
| 2020 | $155,000 | 2.000% | 1.450% | 100.634% | CP7 |
| 2021 | 185,000 | 2.000 | 1.500 | 101.062 | CQ5 |
| 2024 | 15,000 | 1.750 | 1.580 | 100.839 | CR3 |
| 2025 | 25,000 | 1.750 | 1.630 | 100.700 | CS1 |
| 2026 | 30,000 | 1.750 | 1.670 | 100.537 | CT9 |
| 2027 | 40,000 | 1.750 | 1.750 | 100.000 | CU6 |
| 2028 | 45,000 | 1.750 | 1.830 | 99.326 | CV4 |
| 2029 | 55,000 | 1.750 | 1.920 | 98.435 | CW2 |
| 2030 | 65,000 | 4.000 | 2.020 | 114.840 C | CX0 |
| 2031 | 75,000 | 4.000 | 2.190 | 113.469 C | CY8 |
| 2032 | 85,000 | 4.000 | 2.310 | 112.513 C | CZ5 |
| 2033 | 95,000 | 4.000 | 2.360 | 112.118 C | DA9 |
| 2034 | 110,000 | 4.000 | 2.410 | 111.724 C | DB7 |
| 2035 | 125,000 | 4.000 | 2.450 | 111.410 C | DC5 |
| 2036 | 140,000 | 4.000 | 2.490 | 111.097 C | DD3 |
| 2037 | 155,000 | 4.000 | 2.530 | 110.785 C | DE1 |
| 2038 | 170,000 | 4.000 | 2.570 | 110.474 C | DF8 |
| 2039 | 190,000 | 4.000 | 2.600 | 110.241 C | DG6 |

**$975,000 - 5.000% Term Bond maturing August 1, 2043; Yield 2.630%; Price: 117.317 C; CUSIP†: DH4**

**$1,765,000 - 3.000% Term Bond maturing August 1, 2048; Yield 3.180%; Price: 96.592; CUSIP†: DJ0**

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C: Priced to par call on the first optional redemption date of August 1, 2027.

*† 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.*

# EL TEJON UNIFIED SCHOOL DISTRICT



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## DISTRICT ADMINISTRATION

Sara Haflich, *Superintendent*
Wendy Jones, *Assistant Superintendent of Business Services*

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## PROFESSIONAL SERVICES

### FINANCIAL ADVISOR

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

### BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
*San Francisco, California*

### BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

Bank of New York Mellon Trust Company, N.A.
*Dallas, Texas*

## 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.

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

***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 Counties, 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.

## TABLE OF CONTENTS

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**$4,500,000**
**EL TEJON UNIFIED SCHOOL DISTRICT**
**(Kern and Ventura Counties, California)**
**General Obligation Bonds**
**Election of 2018, Series B**
**(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 District provides educational services to the residents of the unincorporated community of Lebec and the surrounding unincorporated communities of Frazier Park, Lake of the Woods, Lockwood Valley, Pinon Pines, Cuddy Valley and Pine Mountain Club, in the County of Kern and the County of Ventura (each a "**County**" and, together, the "**Counties**"). The District currently operates one elementary school, one middle school, and one high school, serving approximately 741 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 Kern 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 5, 2018 (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 February 1, 2020. See "THE BONDS – Description of the Bonds" herein.

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

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

***Security and Sources of Payment for the Bonds***. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property located in the District and collected by the Counties. The Counties are each 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 2018 Authorization. See "SECURITY FOR THE BONDS." 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. Dannis Woliver Kelley, Long Beach, California, is serving as counsel to the Underwriter. Payment of the fees of Bond Counsel, Disclosure Counsel, and counsel to the Underwriter is contingent upon issuance of the Bonds.

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

***Tax Matters; 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 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.

***Changes Since Preliminary Official Statement.*** In addition to pricing-related information, this Official Statement contains additional changes from the Preliminary Official Statement dated May 9, 2019, consisting of the addition of disclosure on the release of the May Revision to the 2019-20 Proposed Budget. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS - 2019-20 Proposed State Budget - May Revision" in APPENDIX A.

***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 4337 Lebec Road, Lebec, California 93243, Telephone (661) 248-6247. 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 $16,000,000 (the "**2018 Authorization**"). The Bonds represent the second series of bonds to be issued pursuant to the 2018 Authorization. Following the issuance of the Bonds, there will be $6,000,000 of unissued principal amount of general obligation bonds remaining under the 2018 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 5, 2018, the abbreviated text of which appeared on the ballot as follows:

> *"To improve the quality of education; make health and safety improvements; modernize outdated classrooms, restrooms and school facilities; and improve student access to modern technology; shall El Tejon Unified School District issue $16,000,000 of bonds at legal rates, averaging $900,000 annually as long as bonds are outstanding at a rate of approximately 5.7 cents per $100 assessed value, with annual audits, an independent citizens' oversight committee, NO money for salaries, and funding that cannot be taken by the State?"*

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 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 2018 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 February 1, 2020 (each, an **"Interest Payment Date"**). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (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 January 15, 2020, 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, 2027 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2028 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, 2027, 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.

***Mandatory Sinking Fund Redemption***. The Bonds maturing on August 1, 2043 and August 1, 2048 (together, 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, respectively, without premium.

**Term Bonds Maturing August 1, 2043**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|
| 2040 | $210,000 |
| 2041 | 230,000 |
| 2042 | 255,000 |
| 2043 (maturity) | 280,000 |

**Term Bonds Maturing August 1, 2048**

| Redemption Date (August 1) | Sinking Fund Redemption |
|---|---|
| 2044 | $305,000 |
| 2045 | 325,000 |
| 2046 | 350,000 |
| 2047 | 380,000 |
| 2048 (maturity) | 405,000 |

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; none of the District, the Counties 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 Counties 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.

**El Tejon Unified School District**
**General Obligation Bonds**
**Election of 2018, Series B**
**Debt Service Schedule**

| Bond Year Ending (August 1) | Principal | Interest | Total Annual Debt Service |
|---|---|---|---|
| 2020 | $155,000.00 | $187,783.54 | $342,783.54 |
| 2021 | 185,000.00 | 157,475.00 | 342,475.00 |
| 2022 | -- | 153,775.00 | 153,775.00 |
| 2023 | -- | 153,775.00 | 153,775.00 |
| 2024 | 15,000.00 | 153,775.00 | 168,775.00 |
| 2025 | 25,000.00 | 153,512.50 | 178,512.50 |
| 2026 | 30,000.00 | 153,075.00 | 183,075.00 |
| 2027 | 40,000.00 | 152,550.00 | 192,550.00 |
| 2028 | 45,000.00 | 151,850.00 | 196,850.00 |
| 2029 | 55,000.00 | 151,062.50 | 206,062.50 |
| 2030 | 65,000.00 | 150,100.00 | 215,100.00 |
| 2031 | 75,000.00 | 147,500.00 | 222,500.00 |
| 2032 | 85,000.00 | 144,500.00 | 229,500.00 |
| 2033 | 95,000.00 | 141,100.00 | 236,100.00 |
| 2034 | 110,000.00 | 137,300.00 | 247,300.00 |
| 2035 | 125,000.00 | 132,900.00 | 257,900.00 |
| 2036 | 140,000.00 | 127,900.00 | 267,900.00 |
| 2037 | 155,000.00 | 122,300.00 | 277,300.00 |
| 2038 | 170,000.00 | 116,100.00 | 286,100.00 |
| 2039 | 190,000.00 | 109,300.00 | 299,300.00 |
| 2040 | 210,000.00 | 101,700.00 | 311,700.00 |
| 2041 | 230,000.00 | 91,200.00 | 321,200.00 |
| 2042 | 255,000.00 | 79,700.00 | 334,700.00 |
| 2043 | 280,000.00 | 66,950.00 | 346,950.00 |
| 2044 | 305,000.00 | 52,950.00 | 357,950.00 |
| 2045 | 325,000.00 | 43,800.00 | 368,800.00 |
| 2046 | 350,000.00 | 34,050.00 | 384,050.00 |
| 2047 | 380,000.00 | 23,550.00 | 403,550.00 |
| 2048 | 405,000.00 | 12,150.00 | 417,150.00 |
| **TOTAL** | **$4,500,000.00** | **$3,403,683.54** | **$7,903,683.54** |

***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 | 2016 Refunding Bonds | 2018 Series A Bonds | The Bonds | Aggregate Debt Service |
|---|---|---|---|---|
| 2019 | $437,900.00 | $510,854.65 | -- | $948,754.65 |
| 2020 | 441,000.00 | 211,325.00 | $342,783.54 | 995,108.54 |
| 2021 | 438,900.00 | 211,325.00 | 342,475.00 | 992,700.00 |
| 2022 | 441,700.00 | 211,325.00 | 153,775.00 | 806,800.00 |
| 2023 | 439,300.00 | 231,325.00 | 153,775.00 | 824,400.00 |
| 2024 | 436,800.00 | 230,925.00 | 168,775.00 | 836,500.00 |
| 2025 | 439,200.00 | 240,525.00 | 178,512.50 | 858,237.50 |
| 2026 | 441,400.00 | 249,925.00 | 183,075.00 | 874,400.00 |
| 2027 | 438,400.00 | 254,075.00 | 192,550.00 | 885,025.00 |
| 2028 | 440,300.00 | 268,062.50 | 196,850.00 | 905,212.50 |
| 2029 | 437,000.00 | 276,637.50 | 206,062.50 | 919,700.00 |
| 2030 | 438,600.00 | 284,800.00 | 215,100.00 | 938,500.00 |
| 2031 | -- | 297,600.00 | 222,500.00 | 520,100.00 |
| 2032 | -- | 309,750.00 | 229,500.00 | 539,250.00 |
| 2033 | -- | 321,450.00 | 236,100.00 | 557,550.00 |
| 2034 | -- | 332,700.00 | 247,300.00 | 580,000.00 |
| 2035 | -- | 343,325.00 | 257,900.00 | 601,225.00 |
| 2036 | -- | 353,287.50 | 267,900.00 | 621,187.50 |
| 2037 | -- | 367,762.50 | 277,300.00 | 645,062.50 |
| 2038 | -- | 381,350.00 | 286,100.00 | 667,450.00 |
| 2039 | -- | 399,262.50 | 299,300.00 | 698,562.50 |
| 2040 | -- | 411,331.26 | 311,700.00 | 723,031.26 |
| 2041 | -- | 427,725.00 | 321,200.00 | 748,925.00 |
| 2042 | -- | 442,925.00 | 334,700.00 | 777,625.00 |
| 2043 | -- | 462,250.00 | 346,950.00 | 809,200.00 |
| 2044 | -- | 475,500.00 | 357,950.00 | 833,450.00 |
| 2045 | -- | 497,250.00 | 368,800.00 | 866,050.00 |
| 2046 | -- | 512,000.00 | 384,050.00 | 896,050.00 |
| 2047 | -- | 530,000.00 | 403,550.00 | 933,550.00 |
| 2048 | -- | 546,000.00 | 417,150.00 | 963,150.00 |
| TOTAL | **$5,270,500.00** | **$10,592,573.41** | **$7,903,683.54** | **$23,766,756.95** |

## 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 | $4,500,000.00 |
| Net Original Issue Premium | 249,505.90 |
| **Total Sources** | $4,749,505.90 |
| | |
| **Uses of Funds** | |
| Building Fund | $4,500,000.00 |
| Debt Service Fund | 27,896.97 |
| Costs of Issuance (1) | 221,608.93 |
| **Total Uses** | $4,749,505.90 |

*(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Paying Agent, premium for the municipal bond insurance policy 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 Counties. The Counties are empowered and 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 Counties 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 Counties 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 Counties 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 Counties 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 Kern County to the credit of the fund created and established in the Bond Resolution and known as the "El Tejon Unified School District, Election of 2018, Series B 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 "El Tejon Unified School District, Election of 2018, Series B 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 Kern County. All taxes levied by the Counties 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 Kern 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. Kern 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, Kern 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 Counties, for the payment of principal and interest on the Bonds. Although the Counties are obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the Counties.

## 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 Counties.

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

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

## Taxation of State-Assessed Utility Property

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

## Historic Assessed Valuations

The assessed valuation of property in the District is established by the assessor of each 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 following table sets forth recent history of the assessed value in the District. The Ventura County portion of the District was annexed to the District in fiscal year 2005-06.

**EL TEJON UNIFIED SCHOOL DISTRICT**
**Assessed Valuation**
**Fiscal Years 2011-12 through 2018-19**

**Kern County Portion**

| Fiscal Year | Local Secured | Utility | Unsecured | Total | % Change |
|---|---|---|---|---|---|
| 2011-12 | $791,406,518 | $0 | $6,183,473 | $797,589,991 | -- |
| 2012-13 | 779,876,153 | 0 | 5,695,297 | 785,571,450 | (1.5%) |
| 2013-14 | 759,363,614 | 0 | 4,813,810 | 764,177,424 | (2.7) |
| 2014-15 | 743,298,157 | 0 | 4,714,724 | 748,012,881 | (2.1) |
| 2015-16 | 752,471,951 | 0 | 4,808,726 | 757,280,677 | 1.2 |
| 2016-17 | 784,018,384 | 0 | 5,232,624 | 789,251,008 | 4.2 |
| 2017-18 | 830,646,713 | 0 | 5,430,630 | 836,077,343 | 5.9 |
| 2018-19 | 874,442,076 | 0 | 5,778,219 | 880,220,295 | 5.3 |

**Ventura County Portion**

| Fiscal Year | Local Secured | Utility | Unsecured | Total | % Change |
|---|---|---|---|---|---|
| 2011-12 | $67,514,029 | $0 | $261,773 | $67,775,802 | -- |
| 2012-13 | 69,228,576 | 0 | 242,996 | 69,471,572 | 2.5% |
| 2013-14 | 68,742,970 | 0 | 264,793 | 69,007,763 | (0.7) |
| 2014-15 | 67,713,271 | 0 | 258,397 | 67,971,668 | (1.5) |
| 2015-16 | 67,606,415 | 0 | 459,781 | 68,066,196 | 0.1 |
| 2016-17 | 71,338,912 | 0 | 244,896 | 73,583,808 | 8.1 |
| 2017-18 | 73,270,496 | 0 | 204,445 | 73,474,941 | (0.1) |
| 2018-19 | 75,597,646 | 0 | 270,874 | 75,868,520 | 3.3 |

**Total District**

| Fiscal Year | Local Secured | Utility | Unsecured | Total | % Change |
|---|---|---|---|---|---|
| 2011-12 | $858,920,547 | $0 | $6,445,246 | $865,365,793 | -- |
| 2012-13 | 849,104,729 | 0 | 5,938,293 | 855,043,022 | (1.2%) |
| 2013-14 | 828,106,584 | 0 | 5,078,603 | 833,185,187 | (2.6) |
| 2014-15 | 811,011,428 | 0 | 4,973,121 | 815,984,549 | (2.1) |
| 2015-16 | 820,078,366 | 0 | 5,268,507 | 825,346,873 | 1.1 |
| 2016-17 | 855,357,296 | 0 | 5,477,520 | 860,834,816 | 4.3 |
| 2017-18 | 903,917,209 | 0 | 5,635,075 | 909,552,284 | 5.7 |
| 2018-19 | 950,039,722 | 0 | 6,049,093 | 956,088,815 | 5.1 |

*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.

**EL TEJON 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/Rural | $ 43,384,655 | 4.57% | 349 | 3.64% |
| Commercial/Office | 50,549,091 | 5.32 | 140 | 1.46 |
| Vacant Commercial | 4,633,607 | 0.49 | 99 | 1.03 |
| Industrial/Mining | 5,801,667 | 0.61 | 34 | 0.35 |
| Vacant Industrial | 2,098,152 | 0.22 | 43 | 0.45 |
| Recreational | 1,141,624 | 0.12 | 8 | 0.08 |
| Government/Social/Institutional | 10,780,820 | 1.13 | 251 | 2.62 |
| Miscellaneous | 887,095 | 0.09 | 90 | 0.94 |
| Subtotal Non-Residential | $119,276,711 | 12.55% | 1,014 | 10.58% |
| | | | | |
| Residential: | | | | |
| Single Family Residence | $723,450,561 | 76.15% | 4,102 | 42.80% |
| Mobile Home | 34,685,169 | 3.65 | 375 | 3.91 |
| Mobile Home Park | 2,435,553 | 0.26 | 5 | 0.05 |
| 2+ Residential Units/Apartments | 18,955,128 | 2.00 | 82 | 0.86 |
| Miscellaneous Residential | 59,065 | 0.01 | 5 | 0.05 |
| Vacant Residential | 51,177,535 | 5.39 | 4,001 | 41.75 |
| Subtotal Residential | $830,763,011 | 87.45% | 8,570 | 89.42% |
| | | | | |
| Total | $950,039,722 | 100.00% | 9,584 | 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.

**EL TEJON 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** | 4,102 | $723,450,561 | $176,365 | $160,062 |

| 2018-19 Assessed Valuation | No. of Parcels [(1)] | % of Total | Cumulative % of Total | Total Valuation | % of Total | Cumulative % of Total |
|---|---|---|---|---|---|---|
| $0 - $24,999 | 56 | 1.365% | 1.365% | $ 900,161 | 0.124% | 0.124% |
| $25,000 - $49,999 | 206 | 5.022 | 6.387 | 8,107,632 | 1.121 | 1.245 |
| $50,000 - $74,999 | 262 | 6.387 | 12.774 | 16,387,234 | 2.265 | 3.510 |
| $75,000 - $99,999 | 415 | 10.117 | 22.891 | 36,695,854 | 5.072 | 8.583 |
| $100,000 - $124,999 | 447 | 10.897 | 33.788 | 50,636,949 | 6.999 | 15.582 |
| $125,000 - $149,999 | 492 | 11.994 | 45.783 | 67,691,665 | 9.357 | 24.939 |
| $150,000 - $174,999 | 440 | 10.726 | 56.509 | 71,508,897 | 9.884 | 34.823 |
| $175,000 - $199,999 | 374 | 9.118 | 65.627 | 69,921,936 | 9.665 | 44.488 |
| $200,000 - $224,999 | 315 | 7.679 | 73.306 | 66,642,839 | 9.212 | 53.700 |
| $225,000 - $249,999 | 286 | 6.972 | 80.278 | 67,611,470 | 9.346 | 63.046 |
| $250,000 - $274,999 | 222 | 5.412 | 85.690 | 58,076,957 | 8.028 | 71.073 |
| $275,000 - $299,999 | 156 | 3.803 | 89.493 | 44,746,650 | 6.185 | 77.259 |
| $300,000 - $324,999 | 108 | 2.633 | 92.126 | 33,813,697 | 4.674 | 81.933 |
| $325,000 - $349,999 | 95 | 2.316 | 94.442 | 31,991,951 | 4.422 | 86.355 |
| $350,000 - $374,999 | 57 | 1.390 | 95.831 | 20,594,530 | 2.847 | 89.201 |
| $375,000 - $399,999 | 48 | 1.170 | 97.001 | 18,627,152 | 2.575 | 91.776 |
| $400,000 - $424,999 | 32 | 0.780 | 97.782 | 13,144,569 | 1.817 | 93.593 |
| $425,000 - $449,999 | 23 | 0.561 | 98.342 | 10,041,956 | 1.388 | 94.981 |
| $450,000 - $474,999 | 11 | 0.268 | 98.610 | 5,056,693 | 0.699 | 95.680 |
| $475,000 - $499,999 | 15 | 0.366 | 98.976 | 7,276,168 | 1.006 | 96.686 |
| $500,000 and greater | 42 | 1.024 | 100.000 | 23,975,601 | 3.314 | 100.000 |
| Total | 4,102 | 100.000% | | $723,450,561 | 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 a 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 a 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 a 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 each 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 each of the Counties 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. Therefore, participating entities receive 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, Kern County's Teeter Plan currently covers the one percent general fund apportionment levy, and also other *ad valorem* taxes, such as those levied to repay the Bonds. In addition, the District's total secured tax levy does not include special assessments, supplemental taxes or other charges which have been assessed on property within the District or other tax rate areas of Kern County.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes levied in the Counties will not be dependent upon actual collections of the *ad valorem* property taxes by each County. However, under the statute creating the Teeter Plan, a Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire county and, in addition, a Board of Supervisors can 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%. In the event that the Teeter Plan were terminated, 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.

Notwithstanding operation of the Teeter Plan, the following table identifies recent secured tax charges and delinquencies in the District with respect to the one percent general fund apportionment and general obligation bond debt service levy, respectively.

**EL TEJON UNIFIED SCHOOL DISTRICT**
**Secured Tax Charges and Delinquencies (1)**

| Fiscal Year | Secured Tax Charge (2) | Amt. Del. June 30 | % Del. June 30 |
|---|---|---|---|
| 2006-07 | 3,314,664.05 | 85,909.76 | 2.59% |
| 2007-08 | 3,655,692.47 | 137,160.20 | 3.75 |
| 2008-09 | 3,770,483.26 | 115,272.48 | 3.06 |
| 2009-10 | 3,496,103.70 | 85,323.94 | 2.44 |
| 2010-11 | 3,491,056.96 | 64,507.01 | 1.85 |
| 2011-12 | 3,428,220.26 | 49,511.32 | 1.44 |
| 2012-13 | 3,393,937.67 | 42,979.86 | 1.27 |
| 2013-14 | 3,194,242.50 | 40,085.66 | 1.25 |
| 2014-15 | 3,138,923.22 | 39,564.00 | 1.26 |
| 2015-16 | 3,133,545.65 | 38,288.34 | 1.22 |
| 2016-17 | 3,310,765.15 | 44,164.03 | 1.33 |
| 2017-18 | 3,763,485.32 | 42,735.80 | 1.14 |

| Fiscal Year | Secured Tax Charge (3) | Amt. Del. June 30 | % Del. June 30 |
|---|---|---|---|
| 2006-07 | $473,894.81 | $25,607.97 | 5.40% |
| 2007-08 | 417,356.86 | 27,473.82 | 6.58 |
| 2008-09 | 399,107.15 | 31,019.97 | 7.77 |
| 2009-10 | 460,707.35 | 27,272.57 | 5.92 |
| 2010-11 | 487,151.62 | 26,411.70 | 5.42 |
| 2011-12 | 498,914.11 | 26,168.77 | 5.25 |
| 2012-13 | 420,724.01 | 24,379.54 | 5.79 |
| 2013-14 | 492,381.99 | 16,106.15 | 3.27 |
| 2014-15 | 460,064.13 | 14,721.90 | 3.20 |
| 2015-16 | 457,528.62 | 13,825.93 | 3.02 |
| 2016-17 | 347,230.93 | 7,495.89 | 2.16 |
| 2017-18 | 418,135.08 | 9,850.60 | 2.36 |

(1) Kern County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the county retaining all penalties and interest.
(2) 1% General Fund apportionment.
(3) District's general obligation bond debt service levy Includes both Kern and Ventura County.
*Source: California Municipal Statistics, Inc.*

**Tax Rates**

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in representative tax rate areas (Tax Rate Areas 84-17 and 60-01) in the District during fiscal years 2014-15 through 2018-19. For fiscal year 2018-19, Tax Rate Area 84-17 represents 42.38% of the total 2018-19 assessed valuation of the District and Tax Rate Area 60-01 represents 7.28% of the total 2018-19 assessed valuation of the District.

**EL TEJON UNIFIED SCHOOL DISTRICT [(1)]**
**Typical Tax Rates**
**Per $100 of Assessed Valuation**
**Fiscal Years 2014-15 through 2018-19**

Kern County TRA 84-17 (2018-19 Assessed Valuation: $405,158,476)

| | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 |
|---|---|---|---|---|---|
| General | 1.000000% | 1.000000% | 1.000000% | 1.000000% | 1.000000% |
| Kern Community College District SRID | .010450 | .013571 | .013180 | .014412 | .012338 |
| Kern Community College District SFID | -- | -- | -- | .021837 | .021330 |
| El Tejon Joint Unified School District | .054248 | .052203 | .031962 | .034534 | .084769 |
| Total | 1.064698% | 1.065774% | 1.045142% | 1.070783% | 1.118437 |

Ventura County TRA 60-1 (2018-19 Assessed Valuation: $69,545,822)

| | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 |
|---|---|---|---|---|---|
| General | 1.000000% | 1.000000% | 1.000000% | 1.000000% | 1.000000% |
| Ventura Community College District | .017600 | .013000 | .015500 | .015100 | .015200 |
| El Tejon Joint Unified School District | -- | -- | -- | .034534 | .084769 |
| Total | 1.017600% | 1.013000% | 1.015500% | 1.049634% | 1.099969% |

(1) The Ventura County portion of the District was mistakenly not levied for debt service on the District's bonds until 2017. Debt service for the Bonds will be paid by levies on the Kern County and Ventura County portions of the District.
*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.

**EL TEJON 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. | LWFP LLC | Mining | $14,252,198 | 1.50% |
| 2. | Tejon Ranch Co. | Agricultural | 10,781,718 | 1.13 |
| 3. | MRSS Hospitality Inc. | Hotel/Motel | 4,178,026 | 0.44 |
| 4. | Wainright Trust | Commercial Properties | 3,592,091 | 0.38 |
| 5. | Soledad Enrichment Action Inc. | Residential Properties | 2,925,334 | 0.31 |
| 6. | Manhal & Rouaa Khalil | Residential and Commercial | 2,853,062 | 0.30 |
| 7. | Tawfig & Jacklin Khalil | Commercial | 2,624,681 | 0.28 |
| 8. | Koko & Lilian Carboyan | Hotel/Motel | 2,509,492 | 0.26 |
| 9. | HA Penny Inn LLC | Commercial | 2,346,000 | 0.25 |
| 10. | Hallmark Family Trust | Public Storage | 2,054,595 | 0.22 |
| 11. | Santana and Norma Molina | Residential and Industrial | 1,879,157 | 0.20 |
| 12. | Sigmund & Elizabeth Lichter Revocable Trust | Residential Properties | 1,801,827 | 0.19 |
| 13. | Lee S. Linden Family Trust | Commercial | 1,725,107 | 0.18 |
| 14. | Sandra L. Traum | Service Station | 1,634,864 | 0.17 |
| 15. | Gary G. and Sandra P. Avery | Mobile Home Park | 1,630,496 | 0.17 |
| 16. | Sameer Fadel Khalil | Residential Properties | 1,619,267 | 0.17 |
| 17. | Isaac B. & Lena M. Martin | Residential Properties | 1,573,759 | 0.17 |
| 18. | W.P. Davies Oil Co. | Service Station | 1,535,317 | 0.16 |
| 19. | Wainright French LLC | Undeveloped | 1,421,302 | 0.15 |
| 20. | J R Investment Properties | Agricultural | 1,420,415 | 0.15 |
| | | | $64,358,708 | 6.77% |

(1) 2018-19 local secured assessed valuation: $950,039,722.
*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 May 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.

**EL TEJON UNIFIED SCHOOL DISTRICT**
**Statement of Direct and Overlapping Bonded Debt**
**(Debt Issued as of May 1, 2019)**

**2018-19 Assessed Valuation:** $956,088,815

| **DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:** | **% Applicable** | **Debt 5/1/19** |
|---|---|---|
| Kern Community College District Safety, Repair and Improvement District | 0.995% | $ 1,199,085 |
| Kern Community College District School Facilities Improvement District | 0.989 | 935,643 |
| Ventura County Community College District | 0.056 | 154,055 |
| **El Tejon Unified School District** | **100.000** | **10,145,000**(1) |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | $12,433,783 |
| | | |
| **OVERLAPPING GENERAL FUND DEBT:** | | |
| Kern County Certificates of Participation | 0.961% | $ 883,939 |
| Kern County Pension Obligation Bonds | 0.961 | 1,987,275 |
| Kern County Board of Education Certificates of Participation | 0.961 | 357,396 |
| Ventura County General Fund Obligations | 0.056 | 181,877 |
| Ventura County Superintendent of Schools Certificates of Participation | 0.056 | 5,163 |
| Kern Community College District Certificates of Participation | 0.894 | 269,228 |
| Kern Community College District Benefit Obligation Bonds | 0.894 | 695,621 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | $4,380,499 |
| | | |
| **COMBINED TOTAL DEBT** | | $16,814,282(2) |

Ratios to 2018-19 Assessed Valuation:
**Direct Debt ($10,145,000)............................................................1.06%**
Total Direct and Overlapping Tax and Assessment Debt................1.30%
Combined Total Debt.....................................................................1.21%

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

### Bond Insurance Policy

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

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

### Municipal Assurance Corp.

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

MAC is wholly owned by Municipal Assurance Holdings Inc., which, in turn, is owned 61% by Assured Guaranty Municipal Corp. and 39% by Assured Guaranty Corp.

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

*Current Financial Strength Ratings*

On July 12, 2018, KBRA announced it had affirmed MAC's financial strength rating of "AA+" (stable outlook). MAC can give no assurance as to any further ratings action that KBRA may take.

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

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

*Capitalization of MAC*

As of March 31, 2019, MAC's policyholders' surplus and contingency reserve were approximately $526 million and its unearned premium reserve was approximately $183 million, in each case, determined in accordance with statutory accounting principles.

*Incorporation of Certain Documents by Reference*

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

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

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

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

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

*Miscellaneous Matters*

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

## TAX MATTERS

### Tax Exemption

***Federal Tax Status.*** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The 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, Isom Advisors, a Division of Urban Futures, Inc., as financial advisor to the District, and Dannis Woliver Kelley, as counsel to the Underwriter, 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"**).

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of other outstanding general obligation bonds. See "DEBT SERVICE SCHEDULES – Combined General Obligation Bonds" and APPENDIX A under the heading "FINANCIAL INFORMATION – Existing Debt Obligations – General Obligation Bonds." In the previous five years, the District failed to timely file its Annual Report for fiscal year 2013-14.

In order to assist it in complying with its disclosure undertakings for its outstanding obligations and the Bonds, the District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as its dissemination agent with respect to its each of its disclosure undertakings, including the undertaking to be entered into with respect to the Bonds.

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

## RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") is expected to assign its rating of "AA" to the Bonds, based on the understanding that the Bond Insurer will deliver its Policy with respect to the Bonds at the time of delivery of the Bonds. See "BOND INSURANCE."

In addition, Moody's Investors Services ("**Moody's**") has assigned an underlying rating of "A2" to the Bonds. The District has provided certain additional information and materials to S&P and Moody's (some of which does not appear in this Official Statement to the extent deemed not material for investment purposes). Such ratings reflect only the view of S&P and Moody's and an explanation of the significance of such ratings and outlook may be obtained only from S&P and Moody's. There is no assurance that any credit ratings given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P and Moody's 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 O'Connor & Company Securities, Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $4,527,896.97 which is equal to the initial principal amount of the Bonds of $4,500,000.00, plus net original issue premium of $249,505.90 less an Underwriter's discount of $51,750.00, and less $169,858.93 for additional costs of issuance.

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.

## 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 Dallas, Texas.

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.

**EL TEJON UNIFIED SCHOOL DISTRICT**

By: /s/ *Sara Haflich*
Superintendent

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# 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 Counties in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the Official Statement.*

### General Information

The District includes approximately 222 square miles in the Tehachapi Mountains between Bakersfield and Los Angeles in southern Kern County (the "**County**") and northern Ventura County. The District was formed by the union of the Lebec and Pershing school districts in 1951. The District provides K-12 educational services to the residents of the unincorporated communities of Frazier Park, Lake of the Woods, Lockwood Valley, Pinon Pines, Cuddy Valley and Pine Mountain Club. The District operates one elementary school, one middle school and one high school. The 2018-19 enrollment within the District is approximately 741 students.

See also APPENDIX C hereto for demographic and other statistical information regarding the 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 |
|---|---|---|
| John Fleming | President | December 2020 |
| Lark Shillig | Clerk | December 2020 |
| Lisa Duncan | Trustee | December 2020 |
| Kathleen Eggman | Trustee | December 2022 |
| Misty Johnson | 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. Sara Haflich is the Superintendent of the District and Wendy Jones is the Assistant Superintendent of Business Services.

## Recent Enrollment Trends

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

**ANNUAL ENROLLMENT**
**Fiscal Years 2009-10 through 2018-19**
**El Tejon Unified School District**

| Fiscal Year | Student Enrollment | % Change |
|---|---|---|
| 2009-10 | 1,245 | --% |
| 2010-11 | 1,136 | (8.8) |
| 2011-12 | 1,020 | (10.2) |
| 2012-13 | 919 | (9.9) |
| 2013-14 | 776 | (15.6) |
| 2014-15 | 744 | (4.1) |
| 2015-16 | 741 | (0.1) |
| 2016-17 | 741 | -- |
| 2017-18 | 741 | -- |
| 2018-19(1) | 741 | -- |

(1) Projected.
*Source: California Department of Education for 2009-10 through 2017-18; El Tejon Unified School District for 2018-19.*

## Employee Relations

The District has 35.0 certificated full-time equivalent ("**FTE**") employees, 27.6 classified FTE employees, and 6.5 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**
**El Tejon Unified School District**

| Employee Group | Representation | Contract Expiration Date |
|---|---|---|
| Certificated | El Tejon Teachers Association | June 30, 2021 |
| Classified | California School Employees Association | June 30, 2019 |

*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 in 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 Scott Erwin CPA Inc., Bakersfield, California and are attached to the Official Statement as APPENDIX B. Audited financial statements for the District for prior fiscal years are on file with the District and available for public inspection at the Office of the Director of Fiscal Services, El Tejon Unified School District, 4337 Lebec Road, Lebec, CA 93243 (661) 248-6247. 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)**
**El Tejon Unified School District**

| | Audited 2013-14 | Audited 2014-15 | Audited 2015-16 | Audited 2016-17 | Audited 2017-18 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| LCFF | $5,886,101 | $6,169,133 | $6,540,539 | $6,996,309 | $6,944,114 |
| Federal revenues | 503,472 | 632,471 | 563,291 | 619,525 | 604,647 |
| Other state revenues | 730,515 | 484,279 | 815,270 | 714,877 | 1,164,064 |
| Other local revenues | 817,240 | 754,642 | 678,387 | 809,778 | 777,248 |
| Total Revenues | 7,937,328 | 8,040,525 | 8,597,307 | 9,140,489 | 9,490,073 |
| **Expenditures** | | | | | |
| Instruction | 3,932,683 | 3,715,822 | 4,106,402 | 4,363,835 | 4,592,352 |
| Instruction-related services | 588,272 | 552,390 | 570,250 | 678,157 | 699,663 |
| Pupil services | 804,408 | 871,500 | 819,582 | 912,321 | 1,039,898 |
| Ancillary services | 338,943 | 313,279 | 349,774 | 341,999 | 305,747 |
| Community services | 345,142 | 334,963 | 361,832 | 350,152 | 328,908 |
| General administration | 771,004 | 653,772 | 710,356 | 747,698 | 793,843 |
| Plant services | 773,197 | 790,147 | 784,293 | 860,571 | 892,637 |
| Other outgo | 584,460 | 868,508 | 774,146 | 403,619 | 425,529 |
| Capital Outlay | -- | -- | 59,891 | 101,065 | 65,165 |
| Debt Service: | | | | | |
| Principal | 134,048 | 139,661 | 146,445 | 153,559 | 160,973 |
| Interest | 32,790 | 27,177 | 20,393 | 13,279 | 5,865 |
| Total Expenditures | 8,304,947 | 8,267,219 | 8,703,364 | 8,926,255 | 9,310,580 |
| Excess of Revenues Over/(Under) Expend. | (367,619) | (226,694) | (106,057) | 214,234 | 179,493 |
| **Other Financing Sources (Uses)** | | | | | |
| Operating transfers in | -- | -- | 10 | -- | 9,900 |
| Operating transfers out | (97,000) | -- | -- | (50,000) | (9,900) |
| Total Other Fin. Source (Uses) | (97,000) | -- | 10 | (50,000) | -- |
| **Net change in fund balance** | (464,619) | (226,694) | (106,047) | 164,234 | 179,493 |
| **Fund Balance, July 1** | 1,739,514 | 1,274,895 | 1,048,201 | 942,154 | 1,106,388 |
| **Fund Balance, June 30** | $1,274,895 | $1,048,201 | $942,154 | $1,106,388 | $1,285,881 |

*Source: El Tejon Unified School District.*

## District Budget and Interim Financial Reporting

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

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

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

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

A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and 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 El Tejon Unified School District, 4337 Lebec Road, Lebec, CA 93243, Telephone: (661) 248-6247. 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 2018-19 (second interim projections).

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

| **Revenues** | **Adopted Budget 2018-19** | **Second Interim 2018-19** |
|---|---|---|
| Total LCFF Sources | $7,445,175 | $7,663,568 |
| Federal Revenues | 648,665 | 691,967 |
| Other state revenues | 700,859 | 683,755 |
| Other local revenues | 634,551 | 645,051 |
| Total Revenues | 9,429,250 | 9,684,341 |
| | | |
| Expenditures | | |
| Certificated Salaries | 3,373,390 | 3,312,369 |
| Classified Salaries | 1,457,395 | 1,591,795 |
| Employee Benefits | 2,185,178 | 2,153,787 |
| Books and Supplies | 455,029 | 500,924 |
| Contract Services & Operating Exp. | 993,754 | 1,302,383 |
| Capital Outlay | -- | 15,000 |
| Other Outgo (excluding indirect costs) | 691,700 | 692,974 |
| Other Outgo – Transfers of Indirect Costs | -- | -- |
| Total Expenditures | 9,156,446 | 9,569,232 |
| | | |
| Excess of Revenues Over/(Under) Expenditures | 272,805 | 115,110 |
| | | |
| Other Financing Sources (Uses) | | |
| Operating transfers in | -- | -- |
| Operating transfers out | -- | -- |
| Other sources | -- | -- |
| Contributions | -- | -- |
| Total Other Financing Sources (Uses) | -- | -- |
| | | |
| Net change in fund balance | 272,805 | 115,110 |
| | | |
| Fund Balance, July 1 | 1,117,947 | 1,117,947 |
| Fund Balance, June 30 | $1,390,752 | $1,233,057 |

*Source: El Tejon 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 4% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve which meets the State's minimum requirements.

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

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

**Attendance - Revenue Limit and LCFF Funding**

***Funding Trends under LCFF.*** As described herein, prior to fiscal year 2013-14, school districts in California received State funding based on a formula which considered a revenue limit per unit of 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).

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

| Fiscal Year | ADA | LCFF Funding Per ADA |
|---|---|---|
| 2013-14 | 729 | $8,077 |
| 2014-15 | 695 | 8,877 |
| 2015-16 | 700 | 9,350 |
| 2016-17 | 718 | 9,789 |
| 2017-18 | 702 | 10,651 |
| 2018-19 (1) | 702 | 10,917 |

(1) Second Interim Projections.
*Source: California Department of Education; El Tejon 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 66% for purposes of calculating supplemental and concentration grant funding under LCFF.

**Revenue Sources**

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

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

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

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

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.

**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**
**El Tejon Unified School District**
**Fiscal Years 2015-16 through 2018-19 (Projected)**

| Fiscal Year | Amount |
| --- | --- |
| 2015-16 | $310,602 |
| 2016-17 | 380,390 |
| 2017-18 | 441,037 |
| 2018-19 (1) | 478,370 |

(1) Second Interim Projections.
*Source: El Tejon 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**
**El Tejon Unified School District**
**Fiscal Years 2015-16 through 2018-19 (Projected)**

| Fiscal Year | Amount |
|---|---|
| 2015-16 | $131,375 |
| 2016-17 | 171,829 |
| 2017-18 | 199,075 |
| 2018-19 (1) | 247,813 |

(1) Second Interim Projections.
*Source: El Tejon 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 $27.2 billion as of June 30, 2018 (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 H 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.*

**Other Post-Employment Retirement Benefits**

***Plan Administration***. The Self-Insured Schools of California ("**SISC III**") administers the District's Retiree Benefits Plan (the "**Plan**"), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions ("**OPEB**") for all permanent, full-time, certificated and classified employees of the District. Management of the Plan is vested in the District's SISC III Health and Welfare Benefits Program board of directors. As of June 30, 2018 the SISC III Health and Welfare Benefits Program board had 25 members, who are elected from and by representatives of SISC III member districts.

***Benefits Provided.*** The District provides healthcare and vision benefits for retirees and their dependents, consistent with the plan commitments and current District benefits. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The Board has the authority to establish and amend the benefit terms to the Plan.

Certificated and Certificated Management employees are eligible to retire and receive District-paid benefits after attaining age 55, and having at least 15 years of service with the District. District-paid benefits end at age 65.

Classified, Classified Management, and Confidential employees are eligible to retire with District-paid benefits after either (i) attaining age 50 and completing at least fifteen years of service with the District, or (ii) attaining age 55 and completing at least ten years of service with the District. Employees must work at least four hours per day, five days per week to be eligible for benefits. Union members hired on or after February 1, 1991 and working at least four hours per day, five days per week receive a pro-rated District contribution both before and after retirements. District-paid benefits end at the earlier age of ten years of benefits or age 65. Membership of the Plan consists of 27 retirees and beneficiaries currently receiving benefits and 57 active plan members.

***Contribution Information.*** The contribution requirements of the plan are established by the District's Board of Trustees. The required contribution is based on the projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2018 the District contributed $276,462 to the plan for the current premiums. The District had no contributions to an OPEB Trust.

***Investments.*** The District does not have any plan assets administered through a Trust. Therefore, no investment policy and credit risk disclosure are provided.

***Net OPEB Liability of the District***. The components of the net OPEB liability of the District at June 30, 2018, were as follows:

| | |
|---|---|
| Total OPEB liability | $9,782,128 |
| Plan Fiduciary Net Position | -- |
| District's Net OPEB liability | $9,782,128 |
| Plan Fiduciary net position as a percentage of the Total OPEB liability | 0.00% |
| Covered Payroll | $4,880,702.00 |
| District's net OPEB liability as a percentage of covered payroll | 200.42% |

***Actuarial Methods and Assumptions.*** The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Discount rate | 3.13% |
| Inflation Rate | 3.00 |
| Healthcare trend rates | 5.00 |
| Mortality Rates | RP-2014 Mortality tables |

***Discount Rate.*** The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined rates. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate was based on “S&P Municipal Bond 20-Year High Grade Rate Index.”

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate.*** The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|---|---|---|---|
| | 2.13% | 3.13% | 4.13% |
| Net OPEB liability (Asset) | $11,429,896 | $9,782,128 | $8,460,419 |

For more information regarding the District’s OPEB and assumptions used in the actuarial valuations, see Note I in the District’s 2018-19 Audited Financial Statements attached as APPENDIX B to the Official Statement.

**Insurance – Joint Powers Agreement**

The District participates in a joint venture under a joint powers agreement (“**JPA**”) with the Self-Insured Schools of California (**“SISC**”). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

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

SISC also administers the SISC Defined Benefit Pension Plan, a cost-sharing multi-employer defined benefit pension plan that provides benefits for the part-time employees of 63 participating school districts and county offices of education (participating employers). California Government Code 6507 created SISC, with the authority to establish and amend the benefit provisions of the plan.

The District participates in a joint venture under a joint powers agreement with Kern Schools Legal Service. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Kern Schools Legal Services provides legal services for its members.

**Existing Debt Obligations**

The District has general obligation refunding bonds, secured by ad valorem taxes levied and collected within the District, on a parity basis with the Bonds, as described below.

***The 2005 GO Bond Authorization.*** The District received authorization at an election held on November 8, 2005 (the “**2005 Authorization**”) to issue $7,120,000 million principal amount of general obligation bonds. On July 27, 2006 the District issued its $7,120,000 General Obligation Bonds, Election of 2005, Series 2006 (the “**Series 2006 Bonds**”).

***Refunding Bonds***. On August 2, 2016 the District issued its $5,315,000 2016 General Obligation Refunding Bonds (the "**2016 Refunding Bonds**") to refund all of the outstanding Series 2006 Bonds. The 2016 Refunding Bonds are currently outstanding in the aggregate principal amount of $4,985,000.

***The 2018 GO Bond Authorization.*** The District received authorization at an election held on June 5, 2018 (the "**2018 Authorization**") to issue $16,000,000 principal amount of general obligation bonds. On September 20, 2018 the District issued its $5,500,000 General Obligation Bonds, Election of 2018, Series A (the "**Series A Bonds**"), which are currently outstanding in the aggregate principal amount of $5,500,000. The Bonds described herein are the second series of bonds to be issued under the 2018 Authorization.

See "DEBT SERVICE SCHEDULES" 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 Kern 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 LCFF 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.

***May Revision***. On May 9, 2019, the Governor released the May Revision to the 2019-20 Proposed Budget (the "**May Revision**"). The May Revision projects short-term revenues of $3.2 billion above the 2019-20 Proposed Budget, most of which are constitutionally committed funds, so the budget surplus remains relatively the same as the surplus projected in the 2019-20 Proposed Budget. The May Revision forecasts slower growth in the economy, noting that even a moderate economic decline could result in revenue declines of nearly $70 billion and a budget deficit of $40 billion over three years. The May Revision allocates $15 billion to building budgetary resiliency and paying down unfunded liabilities, which is $1.4 billion higher than the amount originally proposed in the 2019-20 Proposed Budget. This includes $4.5 billion to eliminate debts and reverse deferrals, $5.7 billion to build reserves, and $4.8 billion to pay down unfunded retirement liabilities.

With respect to funding for education, $75.6 billion of funding is provided for K-14 education under Proposition 98, representing an increase of $389.3 million from the 2019-20 Proposed Budget, due in part to a slightly slower decline in ADA than originally projected. The May Revision includes total funding of $101.8 billion for all K-12 education programs. In addition, the May Revision adds $150 million in one-time non-Proposition 98 funds in order to reduce the

STRS employer contribution rate to 16.7% in 2019-20. Finally, the May Revision proposes an increase of $142.1 million in 2019-20 for school districts, special education local plan areas and county offices of education as a result of lower offsetting property tax revenues, and approximately $2.7 million in one-time wildfire-related cost adjustments for property tax backfill for basic aid school districts impacted by recent wildfires, and student nutrition programs resulting from wildfire-related losses

***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, including the May Revision, 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.

# APPENDIX B

# EL TEJON UNIFIED SCHOOL DISTRICT
# AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2017-18

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# EL TEJON UNIFIED SCHOOL DISTRICT
COUNTY OF KERN
LEBEC, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

# Introductory Section

El Tejon Unified School District
Audit Report
For The Year Ended June 30, 2018

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# Financial Section

Scott Erwin CPA
ACCOUNTING • AUDIT • ADVISORY

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Office: 661-327-4511 • Fax: 661-327-4509 • info@scotterwincpa.com
www.ScottErwinCPA.com

## Independent Auditor's Report

To the Board of Trustees
El Tejon Unified School District
Lebec, 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 El Tejon 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**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 El Tejon 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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 El Tejon Unified School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion labeled "unaudited" on which we express no opinion, 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 combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are 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 December 1, 2018 on our consideration of El Tejon 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Tejon Unified School District's internal control over financial reporting and compliance.

Respectfully submitted,

Scott Erwin CPA

SCOTT ERWIN CPA INC
Bakersfield, CA
December 1, 2018

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

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999.

**Financial Highlights:**

- The District is able to meet current expenses and maintain an adequate reserve.
- Overall revenues for all governmental funds were $10,701,478, which was $1,795,251 less than expenditures totaling $12,496,729.
- The General Fund's fund balance increased $3,157,633, primarily due to the proceeds from a Qualified Zone Academy Bond issuance during the year.

**Overview of the Financial Statements:**

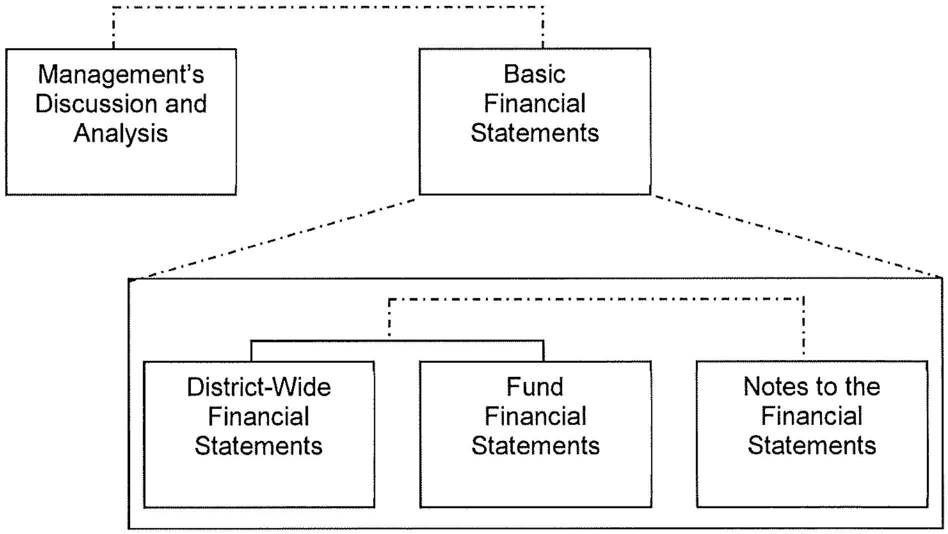
This annual report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements.

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

- The first two statements are District-Wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-Wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term, as well as what remains for future spending.

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

**Figure A-1. Organization of El Tejon Unified School District's Annual Financial Report**




**District-Wide Statements**

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

The two District-Wide statements report the District's net position. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

To assess the overall health of the District you need to consider additional non-financial factors such as the condition of school buildings and other facilities.

The District-Wide Financial Statement includes the Governmental activities, which include the basic services such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**Fund Financial Statements**

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes.

**Financial Analysis of the District as a Whole:**

**Net Position.** The District's combined net position was deficit of ($2,122,630) and ($327,379) June 30, 2018 and June 30, 2017, respectively. Table 1 below identifies the total assets, total liabilities and the total net position as of June 30, 2018 and 2017.

**Table 1**
**El Tejon Unified School District**
**Statement of Net Position**

| | 6/30/2018 | 6/30/2017 |
|---|---|---|
| **Assets** | | |
| Current and Other Assets | $ 9,841,537 | $ 6,602,880 |
| Capital Assets | 13,899,879 | 14,415,358 |
| **Total Assets** | $ 23,741,416 | $ 21,018,238 |
| **Deferred Outflows of Resources** | $ 669,601 | $ 994,699 |
| **Liabilities** | | |
| Long-Term Liabilities | $ 25,403,364 | $ 21,377,057 |
| Other Liabilities | 877,283 | 796,259 |
| **Total Liabilities** | $ 26,280,647 | $ 22,173,316 |
| **Deferred Inflows of Resources** | $ 253,000 | $ 167,000 |
| **Net Position** | | |
| Net Investment In Capital Assets | $ 5,748,498 | $ 8,939,385 |
| Restricted | 1,152,745 | 246,242 |
| Unrestricted | (9,023,873) | (9,513,006) |
| **Total Net Position** | $ (2,122,630) | $ (327,379) |

**Changes in Net Position.** Table 2 identifies the net position beginning balance and identifies the revenues and expenses for 2017-18 and the 2016-17 end of year net position. Property taxes and State Formula Aid account for most of the District's revenue. The next largest revenue source is from State and Federal Aid for specific programs, and the remainder from miscellaneous sources.

**Table 2**
**El Tejon Unified School District**
**Change in Net Position**

| | 6/30/2018 | 6/30/2017 |
|---|---|---|
| **Net Position Beginning Balance** | $ (327,379) | $ 6,097,814 |
| **Revenue** | | |
| General Revenues | $ 8,847,876 | $ 8,814,092 |
| Operating Grants & Contributions | 1,586,313 | 1,260,709 |
| Charges for Services | 267,289 | 321,674 |
| **Total Revenue** | $ 10,701,478 | $ 10,396,475 |
| **Expenses** | | |
| Instruction | $ 6,587,651 | $ 11,127,931 |
| Instruction-Related Services | 989,411 | 806,361 |
| Pupil Services | 1,566,519 | 1,416,929 |
| Ancilliary Services | 322,384 | 373,503 |
| Community Services | 328,908 | 390,545 |
| Enterprise | 72,094 | - |
| General Administration | 1,110,410 | 2,611,680 |
| Plant Services | 984,958 | 912,526 |
| Other Outgo | 425,529 | 488,414 |
| Interest on Long-Term Obligations | 108,865 | 184,753 |
| **Total Expenses** | $ 12,496,729 | $ 18,312,642 |
| **Change in Net Position** | $ (1,795,251) | $ (7,916,167) |
| **Prior Period Adjustment** | $ - | $ 1,490,974 |
| **End of Year Net Position** | $ (2,122,630) | $ (327,379) |

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

**Table 3**
**El Tejon Unified School District**
**Statement of Activities**

| | Total Cost of Services | Net Cost of Services | Difference |
|---|---|---|---|
| **Government Activities** | | | |
| Instruction | $ 6,587,651 | $ (5,695,484) | $ 892,167 |
| Instruction-Related Services | 989,411 | (868,938) | 120,473 |
| Pupil Services | 1,566,519 | (1,133,433) | 433,086 |
| Ancilliary Services | 322,384 | (269,837) | 52,547 |
| Community Services | 328,908 | (272,357) | 56,551 |
| Enterprise | 72,094 | (72,094) | - |
| General Administration | 1,110,410 | (973,918) | 136,492 |
| Plant Services | 984,958 | (822,672) | 162,286 |
| Other Outgo | 425,529 | (425,529) | - |
| **Total Expenses** | $ 12,496,729 | $ (10,643,127) | $ 1,853,602 |

**Financial Analysis of the District's Funds:**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $8,964,254.

**General Fund Budgetary Highlights**

Over the course of the year, the District's General Fund budget was revised several times. These budget amendments include the following categories:

* Budgets are revised when revisions are made to the enacted or proposed state budget.
* Budgets are revised when negotiations are completed.
* Final amounts for state and federal grants become available and budgets are revised mid-year.
* New grants become available.
* Final budget revisions are made to cover all areas of expenditures.

**Capital Assets and Long-Term Debt:**

**Capital Assets**

In 2004, an appraiser was contracted to identify and assign a value to all capital assets. A new accounting system was set up to account for the identified items. The district established a $5,000 threshold for identifying capital assets. Capital assets are categorized by land, improvement of sites, buildings, and equipment. Table 4 presents these categories. The total capital assets for governmental activities are $13,899,879 and $14,415,358 for the years ended June 30, 2018 and 2017, respectively.

**Table 4**
**El Tejon Unified School District**
**Capital Assets**

| | 6/30/2018 | 6/30/2017 |
|---|---|---|
| Land | $ 518,419 | $ 518,419 |
| Land Improvements, Net | 82,928 | 92,332 |
| Buildings, Net | 12,978,392 | 13,413,869 |
| Equipment, Net | 258,458 | 390,738 |
| Work in Progress | 61,682 | - |
| **Total Assets** | $ 13,899,879 | $ 14,415,358 |

**Long-Term Debt**

At June 30, 2018 and 2017, the District had $25,043,364 and $21,377,057, respectively, in total outstanding long-term debt, as shown in Table 5.

**Table 5**
**El Tejon Unified School District**
**Outstanding Long-Term Debt**

| | 6/30/2018 | 6/30/2017 |
|---|---|---|
| General Obligation Bonds | $ 8,151,381 | $ 5,315,000 |
| Net Pension Liability | 7,448,000 | 6,391,000 |
| Net OPEB Obiligation | 9,782,128 | 9,483,951 |
| Capital Lease | - | 160,973 |
| Compensated Absences | 21,855 | 26,133 |
| **Total Assets** | $ 25,403,364 | $ 21,377,057 |

**Factors Bearing on the District's Future:**

Implementation of the new Local Control Funding Formula (LCFF) and the health of the state's economy are important factors affecting the district's future. LCFF is expected to reach full implementation in 2018-2019. Though ADA has been declining in recent years, it stabilized in 2017-18 and the District will continue efforts to stabilize or increase attendance to insure the district receives all possible funding. Expenditures in special education will continue to encroach on general funds.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact El Tejon Unified School District, P.O. Box 876, Lebec California 93243.

# Basic Financial Statements

# EL TEJON UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

| | Governmental Activities |
|---|---|
| **ASSETS:** | |
| Cash in County Treasury | $ 6,125,957 |
| Cash on Hand and in Banks | 88,537 |
| Cash in Revolving Fund | 1,726 |
| Cash with a Fiscal Agent/Trustee | 3,103,053 |
| Investments | 67,305 |
| Accounts Receivable | 430,648 |
| Stores Inventories | 24,311 |
| Capital Assets: | |
| Land | 518,419 |
| Land Improvements, Net | 82,928 |
| Buildings, Net | 12,978,392 |
| Equipment, Net | 258,458 |
| Work in Progress | 61,682 |
| Total Assets | 23,741,416 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | |
| Deferred Expenses | 669,601 |
| Total Deferred Outflows of Resources | 669,601 |
| **LIABILITIES:** | |
| Accounts Payable | 680,367 |
| Unearned Revenue | 196,916 |
| Noncurrent Liabilities: | |
| Net Pension Liability | 7,448,000 |
| Other Postemployment Benefit Obligation | 9,782,128 |
| Due within one year | 560,739 |
| Due in more than one year | 7,612,497 |
| Total Liabilities | 26,280,647 |
| **DEFERRED INFLOWS OF RESOURCES:** | |
| Deferred Revenues | 253,000 |
| Total Deferred Inflows of Resources | 253,000 |
| **NET POSITION:** | |
| Net Investment in Capital Assets | 5,748,498 |
| Restricted For: | |
| Debt Service | 433,758 |
| Capital Projects | 122,985 |
| Other Purposes | 596,002 |
| Unrestricted | (9,023,873) |
| Total Net Position | $ (2,122,630) |

The accompanying notes are an integral part of this statement.

## EL TEJON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| **PRIMARY GOVERNMENT:** | | | | |
| Governmental Activities: | | | | |
| Instruction | $ 6,587,651 | $ 124,353 | $ 767,814 | $ (5,695,484) |
| Instruction-Related Services | 989,411 | 16,792 | 103,681 | (868,938) |
| Pupil Services | 1,566,519 | 69,293 | 363,793 | (1,133,433) |
| Ancillary Services | 322,384 | 7,324 | 45,223 | (269,837) |
| Community Services | 328,908 | 7,882 | 48,669 | (272,357) |
| Enterprise | 72,094 | -- | -- | (72,094) |
| General Administration | 1,110,410 | 19,024 | 117,468 | (973,918) |
| Plant Services | 984,958 | 22,621 | 139,665 | (822,672) |
| Other Outgo | 425,529 | -- | -- | (425,529) |
| Interest on Long-Term Obligations | 108,865 | -- | -- | (108,865) |
| Total Governmental Activities | 12,496,729 | 267,289 | 1,586,313 | (10,643,127) |
| Total Primary Government | $ 12,496,729 | $ 267,289 | $ 1,586,313 | (10,643,127) |
| General Revenues: | | | | |
| LCFF Sources | | | | 6,944,114 |
| State Revenues | | | | 910,981 |
| Local Revenues | | | | 992,781 |
| Total General Revenues | | | | 8,847,876 |
| Change in Net Position | | | | (1,795,251) |
| Net Position - Beginning | | | | (327,379) |
| Net Position - Ending | | | | $ (2,122,630) |

The accompanying notes are an integral part of this statement.

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**EL TEJON UNIFIED SCHOOL DISTRICT**
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

| | General Fund | Capital Facilities Fund |
|---|---|---|
| **ASSETS:** | | |
| Cash in County Treasury | $ 1,446,072 | $ 1,545,048 |
| Cash on Hand and in Banks | 88,537 | -- |
| Cash in Revolving Fund | 430 | -- |
| Cash with a Fiscal Agent/Trustee | -- | -- |
| Investments | 67,305 | -- |
| Accounts Receivable | 377,501 | 6,556 |
| Due from Other Funds | 178,955 | -- |
| Stores Inventories | -- | -- |
| Total Assets | 2,158,800 | 1,551,604 |
| **LIABILITIES AND FUND BALANCE:** | | |
| Liabilities: | | |
| Accounts Payable | $ 676,003 | $ 817 |
| Due to Other Funds | -- | -- |
| Unearned Revenue | 196,916 | -- |
| Total Liabilities | 872,919 | 817 |
| Fund Balance: | | |
| Nonspendable Fund Balances: | | |
| Revolving Cash | 430 | -- |
| Stores Inventories | -- | -- |
| Restricted Fund Balances | 596,002 | -- |
| Assigned Fund Balances | 243,906 | 1,550,787 |
| Unassigned: | | |
| Other Unassigned | 445,543 | -- |
| Total Fund Balance | 1,285,881 | 1,550,787 |
| Total Liabilities and Fund Balances | $ 2,158,800 | $ 1,551,604 |

The accompanying notes are an integral part of this statement.

| County School Facilities Fund | Capital Outlay Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| $ 2,458,879 | $ -- | $ 675,958 | $ 6,125,957 |
| -- | -- | -- | 88,537 |
| -- | -- | 1,296 | 1,726 |
| -- | 3,103,053 | -- | 3,103,053 |
| -- | -- | -- | 67,305 |
| 10,331 | -- | 36,260 | 430,648 |
| -- | -- | -- | 178,955 |
| -- | -- | 24,311 | 24,311 |
| 2,469,210 | 3,103,053 | 737,825 | 10,020,492 |
| | | | |
| $ -- | $ -- | $ 3,547 | $ 680,367 |
| -- | -- | 178,955 | 178,955 |
| -- | -- | -- | 196,916 |
| -- | -- | 182,502 | 1,056,238 |
| | | | |
| -- | -- | 1,296 | 1,726 |
| -- | -- | 24,311 | 24,311 |
| -- | 3,103,053 | 529,716 | 4,228,771 |
| 2,469,210 | -- | -- | 4,263,903 |
| -- | -- | -- | 445,543 |
| 2,469,210 | 3,103,053 | 555,323 | 8,964,254 |
| $ 2,469,210 | $ 3,103,053 | $ 737,825 | $ 10,020,492 |

## EL TEJON UNIFIED SCHOOL DISTRICT

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

| | | |
|---|---|---|
| Total fund balances - governmental funds balance sheet | $ | 8,964,254 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not reported in the funds. | | 13,899,879 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | | (8,151,381) |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | | (21,855) |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | | (7,448,000) |
| Deferred Resource Inflows related to the pension plans are not reported in the funds. | | (253,000) |
| Deferred Resource Outflows related to the pension plans are not reported in the funds. | | 393,139 |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds. | | (9,782,128) |
| Deferred Resource Outflows related to the OPEB plans are not reported in the funds. | | 276,462 |
| Net position of governmental activities - Statement of Net Position | $ | (2,122,630) |

The accompanying notes are an integral part of this statement.

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# EL TEJON UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | General Fund | Capital Facilities Fund |
|---|---|---|
| Revenues: | | |
| LCFF Sources: | | |
| State Apportionment or State Aid | $ 2,938,155 | $ -- |
| Education Protection Account Funds | 239,853 | -- |
| Local Sources | 3,766,106 | -- |
| Federal Revenue | 604,647 | -- |
| Other State Revenue | 1,164,064 | -- |
| Other Local Revenue | 777,248 | 71,736 |
| Total Revenues | 9,490,073 | 71,736 |
| Expenditures: | | |
| Current: | | |
| Instruction | 4,592,352 | -- |
| Instruction - Related Services | 699,663 | -- |
| Pupil Services | 1,039,898 | -- |
| Ancillary Services | 305,747 | -- |
| Community Services | 328,908 | -- |
| General Administration | 793,843 | 800 |
| Plant Services | 892,637 | 25,405 |
| Other Outgo | 425,529 | -- |
| Capital Outlay | 65,165 | -- |
| Debt Service: | | |
| Principal | 160,973 | -- |
| Interest | 5,865 | -- |
| Total Expenditures | 9,310,580 | 26,205 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 179,493 | 45,531 |
| Other Financing Sources (Uses): | | |
| Transfers In | 9,900 | -- |
| Transfers Out | (9,900) | -- |
| Proceeds From Sale of Bonds | -- | -- |
| Total Other Financing Sources (Uses) | -- | -- |
| Net Change in Fund Balance | 179,493 | 45,531 |
| Fund Balance, July 1 | 1,106,388 | 1,505,256 |
| Fund Balance, June 30 | $ 1,285,881 | $ 1,550,787 |

The accompanying notes are an integral part of this statement.

| County School Facilities Fund | Capital Outlay Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| $ -- | $ -- | $ -- | $ 2,938,155 |
| -- | -- | -- | 239,853 |
| -- | -- | -- | 3,766,106 |
| -- | -- | 184,679 | 789,326 |
| -- | -- | 22,904 | 1,186,968 |
| 36,025 | -- | 438,389 | 1,323,398 |
| 36,025 | -- | 645,972 | 10,243,806 |
| | | | |
| -- | -- | -- | 4,592,352 |
| -- | -- | -- | 699,663 |
| -- | -- | 313,453 | 1,353,351 |
| -- | -- | -- | 305,747 |
| -- | -- | -- | 328,908 |
| -- | -- | -- | 794,643 |
| -- | -- | 10,997 | 929,039 |
| -- | -- | -- | 425,529 |
| -- | -- | 94,991 | 160,156 |
| | | | |
| -- | -- | 330,000 | 490,973 |
| -- | -- | 103,000 | 108,865 |
| -- | -- | 852,441 | 10,189,226 |
| | | | |
| 36,025 | -- | (206,469) | 54,580 |
| | | | |
| -- | -- | -- | 9,900 |
| -- | -- | -- | (9,900) |
| -- | 3,103,053 | -- | 3,103,053 |
| -- | 3,103,053 | -- | 3,103,053 |
| | | | |
| 36,025 | 3,103,053 | (206,469) | 3,157,633 |
| | | | |
| 2,433,185 | -- | 761,792 | 5,806,621 |
| $ 2,469,210 | $ 3,103,053 | $ 555,323 | $ 8,964,254 |

# EL TEJON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|---|---|
| Net change in fund balances - total governmental funds | $ 3,157,633 |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | |
| Capital outlays are not reported as expenses in the SOA. | 76,161 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (591,640) |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 490,973 |
| Bond issuance costs and similar items are amortized in the SOA but not in the funds. | (63,328) |
| Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds. | (4,278) |
| Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA. | (3,103,053) |
| Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL. | 521,000 |
| The District's share of the unrecognized deferred inflows and outflows for pension plans was amortized. | (687,560) |
| Pension expense relating to GASB 68 is recorded in the SOA but not in the funds. | (1,569,444) |
| OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL. | 276,462 |
| OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds. | (298,177) |
| Change in net position of governmental activities - Statement of Activities | $ (1,795,251) |

The accompanying notes are an integral part of this statement.

## EL TEJON UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

| | | Agency Funds |
|---|---|---|
| **ASSETS:** | | |
| Cash in County Treasury | $ | 34,263 |
| Cash on Hand and in Banks | | 68,170 |
| Total Assets | | 102,433 |
| **LIABILITIES:** | | |
| Due to Student Groups/Other Agencies | $ | 102,433 |
| Total Liabilities | | 102,433 |
| **NET POSITION:** | | |
| Total Net Position | $ | -- |

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

Capital Facilities Fund. This fund is used primarily to account separartely for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code sections 176620-17626).

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

The District reports the following non-major governmental funds:

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to perated the food service program (Education Code sections 38090-38093).

Deferred Maintenance Fund. This fund is used to account separately for state approtionments and the District's contributions for deferred maintenance purposes (Education Code sections 17582-17587).

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for a District (Education Code sections 15125-15262).

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

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Encumbrances

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

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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

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

Information regarding the amount of dollars invested in derivatives with Kern County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. These inventories are immaterial and have been omitted from these statements.

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

c. Capital Assets

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

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

| Asset Class | Estimated Useful Lives |
|---|---|
| Infrastructure | 30 |
| Buildings | 50 |
| Building Improvements | 20 |
| Vehicles | 2-15 |
| Office Equipment | 3-15 |
| Computer Equipment | 3-15 |

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

| | General Fund | Capital Facilities Fund | County School Facilities Funds | Other Governmental Funds | Total |
|---|---|---|---|---|---|
| LCFF Sources | $ -- | $ -- | $ -- | $ -- | $ -- |
| Federal Government | 242,092 | -- | -- | 33,104 | 275,196 |
| Other State Revenue | 63,989 | -- | -- | 2,168 | 66,156 |
| Other Local Revenue | 71,420 | 6,556 | 10,331 | 988 | 89,296 |
| Totals | $ 377,501 | $ 6,556 | $ 10,331 | $ 36,260 | $ 430,648 |

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

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

f. 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.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Kern bills and collects the taxes for the District.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

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

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

When an expenditure is incurred for a purpose 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.

5. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

As of June 30, 2018 deferred outflows and deferred inflows of resources consisted of the following:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| CalSTRS | $ 194,064 | $ 226,000 |
| CalPRS | 199,075 | 27,000 |
| Other Post Employment Benefits | 276,462 | -- |
| Totals | $ 669,601 | $ 253,000 |

6. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

7. Pensions

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

| | |
|---|---|
| Valuation Date (VD) | June 30, 2016 |
| Measurement Date (MD) | June 30, 2017 |
| Measurement Period (MP) | July 1, 2017 to June 30, 2018 |

8. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

9. Fair Value Measurements

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

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

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

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

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

10. Change in Accounting Policies

The District has adopted accounting policies compliant with a new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. This newly implemented pronouncement is as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

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 replaces the requirements of Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," as amended, and Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans" for OPEB.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 75.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is the beneficiary of the agreement.

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

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during the 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:

1. Blending a compenent unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;

2. Reporting amounts previously reported as goodwill and "negative" goodwill;

3. Classifying real estate held by insurance entities;

4. Measuring certain money market investments and participating interest-earning investments |contracts at amortized cost;

5. Timing of the measurement of pension or OPEB liabilitites and expenditures recognized in financial statements prepared using the current financial resources measurement focus;

6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements;

7. Presenting payroll-related measures in required supplementary information for the purpose of of |reporting by OPEB plans and employers that provide OPEB;

8. Classifying employer-paid member contributions for OPEB;

9. Simplifying certain aspects of the alternative meaurement method for OPEB;

10. Accounting and financial reporting for OPEB provided through certain multiple employer defined benefit OPEB plans.

GASB Statement No. 86 - Certain Debt Issuance Costs

The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidence 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 on the notes to financial statements for debt that is defeased in substance.

11. 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.

B. Excess of Expenditures Over Appropriations

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

| Appropriations Category | Excess Expenditures |
|---|---|
| General Fund: | |
| Other Outgo | $ (13,838) |
| Cafeteria Fund: | |
| Books and Supplies | (2,503) |

General fund: The District incurred unanticipated expenditures for inflationary increases.

Cafeteria fund: The District incurred unanticipated expenditures for inflationary increases.

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the common investment pool ($6,125,957 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $6,125,957. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks ($88,537 as of June 30, 2018) and in the revolving fund ($1,726) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2018 are shown below.

| Investment or Investment Type | Fair Value |
|---|---|
| SISC Investment Pool | $ 67,305 |
| Total Investments | $ 67,305 |

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

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

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 518,419 | $ -- | $ -- | $ 518,419 |
| Work in progress | -- | 61,682 | -- | 61,682 |
| Total capital assets not being depreciated | 518,419 | 61,682 | -- | 580,101 |
| Capital assets being depreciated: | | | | |
| Buildings | 21,779,631 | -- | -- | 21,779,631 |
| Improvements | 2,041,035 | -- | -- | 2,041,035 |
| Equipment | 3,822,114 | 14,479 | -- | 3,836,593 |
| Total capital assets being depreciated | 27,642,780 | 14,479 | -- | 27,657,259 |
| Less accumulated depreciation for: | | | | |
| Buildings | (8,365,762) | -- | (435,477) | (8,801,239) |
| Improvements | (1,948,703) | -- | (9,404) | (1,958,107) |
| Equipment | (3,431,377) | -- | (146,759) | (3,578,136) |
| Total accumulated depreciation | (13,745,842) | -- | (591,640) | (14,337,482) |
| Total capital assets being depreciated, net | 13,896,938 | 14,479 | (591,640) | 13,319,777 |
| Governmental activities capital assets, net | $ 14,415,357 | $ 76,161 | $ (591,640) | $ 13,899,879 |

Depreciaiton was charged to functions as follows:

| | |
|---|---|
| Instruction | $ 521,205 |
| School Site Administration | 771 |
| Transportation | 65,728 |
| Food Service | 3,936 |
| | $ 591,640 |

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

| Due To Fund | Due From Fund | Amount | Purpose |
|---|---|---|---|
| General Fund | Cafeteria Fund | $ 83,964 | Supplement other funds sources |
| General Fund | Building Fund | 94,991 | Supplement other funds sources |
| | Total | $ 178,955 | |

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

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

| Transfers From | Transfers To | Amount | Reason |
|---|---|---|---|
| General Fund | General Fund | $ 9,900 | Supplement other funds sources |
| | Total | $ 9,900 | |

All amounts due are scheduled to be repaid within one year.

F. Long-Term Obligations

1. Long-Term Obligation Activity

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| General obligation bonds | $ 5,315,000 | $ -- | $ (330,000) | $ 4,985,000 | $ 330,000 |
| QZAB | -- | 3,166,381 | -- | 3,166,381 | 208,884 |
| Capital leases | 160,973 | -- | (160,973) | -- | -- |
| Compensated absences * | 26,133 | -- | (4,278) | 21,855 | -- |
| Total governmental activities | $ 5,502,106 | $ 3,166,381 | $ (495,251) | $ 8,173,236 | $ 538,884 |

* Other long-term liabilities
The funds typically used to liquidate other long-term liabilities in the past are as follows:

| Liability | Activity Type | Funds |
|---|---|---|
| Compensated absences | Governmental | General, Cafeteria |

2. Debt Service Requirements

Debt service payments on General Obligation Bonds, with an original outstanding balance of $4,985,000:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 340,000 | $ 99,700 | $ 439,700 |
| 2020 | 345,000 | 92,900 | 437,900 |
| 2021 | 355,000 | 86,000 | 441,000 |
| 2022 | 360,000 | 78,900 | 438,900 |
| 2023 | 370,000 | 71,700 | 441,700 |
| 2024 | 375,000 | 64,300 | 439,300 |
| 2025 | 380,000 | 56,800 | 436,800 |
| 2026 | 390,000 | 49,200 | 439,200 |
| 2027 | 400,000 | 41,400 | 441,400 |
| 2028 | 405,000 | 33,400 | 438,400 |
| 2029 | 415,000 | 25,300 | 440,300 |
| 2030 | 420,000 | 17,000 | 437,000 |
| 2031 | 430,000 | 8,600 | 438,600 |
| Totals | $ 4,985,000 | $ 725,200 | $ 5,710,200 |

Debt service payments on Qualified Zoning *A* Bonds, with an original outstanding balance of $43,166,381:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 208,884 | $ 4,750 | $ 213,634 |
| 2020 | 209,198 | 4,436 | 213,634 |
| 2021 | 209,512 | 4,122 | 213,634 |
| 2022 | 209,826 | 3,808 | 213,634 |
| 2023 | 210,141 | 3,493 | 213,634 |
| 2024 | 210,456 | 3,178 | 213,634 |
| 2025 | 210,771 | 2,863 | 213,634 |
| 2026 | 211,088 | 2,546 | 213,634 |
| 2027 | 211,404 | 2,230 | 213,634 |
| 2028 | 211,721 | 1,913 | 213,634 |
| 2029 | 212,039 | 1,595 | 213,634 |
| 2030 | 212,357 | 1,277 | 213,634 |
| 2031 | 212,676 | 958 | 213,634 |
| 2032 | 212,995 | 639 | 213,634 |
| 2033 | 213,314 | 320 | 213,634 |
| Totals | $ 3,166,381 | $ 38,129 | $ 3,204,510 |

G. Joint Ventures (Joint Powers Agreements)

The District participates in a joint venture under a joint powers agreement (JPA) with the Self-Insured Schools of California (SISC). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

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

SISC also administers the SISC Defined Benefit Pension Plan (SDBP), which is a cost-sharing multi-employer defined benefit pension plan that provides benefits for the part-time employees of 63 participating school districts and county offices of education (participating employers). California Government Code 6507 created SISC, with the authority to establish and amend the benefit provisions of the plan.

The District participates in a joint venture under a joint powers agreement with Kern Schools Legal Service. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. Kern Schools Legal Services provides legal services for its members.

H. Pension Plans

1. General Information About the Pension Plans

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

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

| Pension Plan | Proportionate Share of Net Pension Liability | Proportionate Share of Deferred Outflow of Resources | Proportionate Share of Deferred Inflow of Resources | Proportionate Share of Pension Expense |
|---|---|---|---|---|
| CalSTRS | $ 5,133,000 | $ 194,064 | $ 226,000 | $ 521,000 |
| CalPERS | 2,315,000 | 199,075 | 27,000 | 420,785 |
| Total | $ 7,448,000 | $ 393,139 | $ 253,000 | $ 941,785 |

a. Plan Descriptions

Benefit provisions under CalSTRS and CalPERS are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

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

| | CalSTRS | |
|---|---|---|
| Hire Date | Before Jan. 1, 2013 | On or After Jan. 1, 2013 |
| Benefit Formula | 2% at 60 | 2% at 62 |
| Benefit Vesting Schedule | 5 Years | 5 Years |
| Benefit Payments | Monthly for Life | Monthly for Life |
| Retirement Age | 60 | 62 |
| Monthly benefits, as a % of eligible compensation | 2.1 - 2.4% | 2.0 - 2.4%* |
| Required Employee Contribution Rates (at June 30, 2018) | 10.250% | 9.205% |
| Required Employer Contribution Rates (at June 30, 2018) | 14.430% | 14.430% |
| Required State Contribution Rates (at June 30, 2018) | 9.328% | 9.328% |

*Amounts are limited to 120% of Social Security Wage Base.

| | CalPERS | |
|---|---|---|
| Hire Date | Before Jan. 1, 2013 | On or After Jan. 1, 2013 |
| Benefit Formula | 2% at 55 | 2% at 62 |
| Benefit Vesting Schedule | 5 Years | 5 Years |
| Benefit Payments | Monthly for Life | Monthly For Life |
| Retirement Age | 55 | 62 |
| Monthly Benefits as a % of Eligible Compensation | 1.1- 2.5% | 1.0- 2.5% |
| Required Employee Contribution Rates (at June 30, 2018) | 7.000% | 6.500% |
| Required Employer Contribution Rates (at June 30, 2018) | 15.531% | 15.531% |

*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions

CalSTRS

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 usuing 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 contributions rates for each plan for the year ended June 30, 2018 are presented above.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contributions 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 actuatial valuation process. The actuarilly determined rate is the estmiated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accred liability. This District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as a percentage of annual payroll. The contributions rates for each plan for the year ended June 30, 2018, are presented above.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date) the State contributed 8.395% of salaries creditable to CalSTRS. 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. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the contributions rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for three past two fiscal years are as follows:

| Year Ended June 30, | Contribution Rate | Contribution Amount |
|---|---|---|
| 2016 | 7.126% | $ 196,787 |
| 2017 | 5.400% | $ 109,738 |
| 2018 | 8.395% | $ 246,973 |

d. Contributions Recognized

For the year ended June 30, 2018, the contributions recognized for each Plan were as follows:

| | CalSTRS | CalPERS | Total |
|---|---|---|---|
| Contributions - Employer | $ 194,064 | $ 199,075 | $ 393,139 |
| Contributions - State On Behalf Payments | 246,973 | -- | 246,973 |
| Total Contributions | $ 441,037 | $ 199,075 | $ 640,112 |

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

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

| | Proportionate Share of Net Pension Liability |
|---|---|
| CalSTRS | $ 5,133,000 |
| CalPERS | 2,315,000 |
| Total Net Pension Liability | $ 7,448,000 |

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30,2018 were as follows:

| | CalSTRS | CalPERS |
|---|---|---|
| Proportion June 30, 2017 | 0.0057% | 0.0092% |
| Proportion June 30, 2018 | 0.0056% | 0.0097% |
| Change - Increase (Decrease) | -0.0001% | 0.0005% |

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

| | CalSTRS | CalPERS | Total |
|---|---|---|---|
| Total Pension Expense | $ 1,905,056 | $ 753,643 | $ 2,658,699 |

b. Deferred Outflows and Inflows of Resources

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 | $ 393,139 | $ -- |
| Differences between actual and expected experience | -- | -- |
| Changes in assumptions | -- | -- |
| Change in employer's proportion and differences between | -- | (253,000) |
| the employer's contributions and the employer's | -- | -- |
| proportionate share of contributions | -- | -- |
| Net difference between projected and actual earnings on plan investments | -- | -- |
| Total | $ 393,139 | $ (253,000) |

Pension contributions made subsquent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

| Year Ended June 30, | Deferred Outflows | Deferred Inflows | Net Effect on Expenses |
|---|---|---|---|
| 2018 | $ 393,139 | $ (63,250) | $ 329,889 |
| 2019 | -- | (63,250) | (63,250) |
| 2020 | -- | (63,250) | (63,250) |
| 2021 | -- | (63,250) | (63,250) |
| 2022 | -- | -- | -- |
| Thereafter | -- | -- | -- |
| Total | $ 393,139 | $ (253,000) | $ 140,139 |

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

| | CalSTRS | | CalPERS | |
|---|---|---|---|---|
| Valuation Date | June 30, 2016 | | June 30, 2016 | |
| Measurement Date | June 30, 2017 | | June 30, 2017 | |
| Actuarial Cost Method | Entry Age - Normal Cost Method for both CalSTRS & CalPERS | | | |
| Actuarial Assumptions: | | | | |
| Discount Rate | 7.10% | | 7.15% | |
| Inflation | 2.75.0% | | 3.00% | |
| Payroll Growth | 3.50% | | 3.00% | |
| Projected Salary Increase | 0.05%-6.4% | (1) | 3.10%-9.00% | (1) |
| Investment Rate of Return | 7.10% | (2) | 7.15% | (2) |
| Mortality | .0173%-22.86% | (3) | 0.466%-32.536% | (3) |

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Industry standard published by the Society of Actuaries

d. Discount Rate

The discount rate used to measure the total pension liability was 7.100% for CalSTRS and 7.150% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalSTRS discount rate was decreased in 2017 from 7.60% to 7.10% for measurement date June 30, 2017 (fiscal year June 2018) to adjust for changes resulting from a new actuarial study. The CalPERS discount rate was dcreased from 7.65% to 7.15% for measurement date June 30, 2017 (fiscal year June 2018) to adjust for changes resulting in a new actuarial study.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The tables below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalSTRS

| Asset Class | Assumed Allocation June 30, 2017 | Long Term Expected Return* |
|---|---|---|
| Global Equity | 47.00% | 6.30% |
| Fixed Income | 12.00% | 0.30% |
| Real Estate | 13.00% | 5.20% |
| Private Equity | 13.00% | 9.30% |
| Absolute Return | 9.00% | 2.90% |
| Inflation Sensitive | 4.00% | 3.80% |
| Cash/Liquidity | 2.00% | -1.00% |

*20 year geometric average used for long term expected real rate of return

CalPERS

| Asset Class | Assumed Allocation June 30, 2017 | Real Return Years 1-10(1) | Real Return Years 11+(2) |
|---|---|---|---|
| Global Equity | 47.00% | 4.90% | 5.38% |
| Global Debt Securities | 19.00% | 0.80% | 2.27% |
| Inflation Assets | 60.00% | 0.60% | 1.39% |
| Private Equity | 12.00% | 6.60% | 6.63% |
| Real Estate | 11.00% | 2.80% | 5.21% |
| Infrastructure | 3.00% | 3.90% | 5.36% |
| Liquidity | 2.00% | -0.40% | -0.90% |

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

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

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | CalSTRS | CalPERS |
|---|---|---|
| 1% Decrease | 6.10% | 6.15% |
| Net Pension Liability | $ 7,539,221 | $ 3,405,324 |
| Current Discount Rate | 7.10% | 7.15% |
| Net Pension Liability | $ 5,133,000 | $ 2,315,000 |
| 1% Increase | 8.10% | 8.15% |
| Net Pension Liability | $ 3,181,243 | $ 1,410,703 |

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

Detailed information about each pension plan's total pension liability, fiduciary net position, and net pension liability is available in the separately issued CalSTRS and CalPERS financial reports.

I. Postemployment Benefits Other Than Pension Benefits

1. Plan Description

a. Plan Administration

Management of the District's Postemployment Benefit Plan is vested in the District's Board of Trustees (the Board). The Structure is described elsewhere in this report.

The Self-Insured Schools of Californa (SISC III) administers the District's Retiree Benefits Plan (the Plan) - a- single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent, full-time, certificated, and classified employees of the District.

Management of the Trust is vested in the SISC III Health and Welfare Benefits Program board of directors as of June 30, 2018 the board had 25 members, who are elected from and by representatives of SISC III member districts.

b. Benefits Provided

The District provides healthcare benefits for retirees and their dependents, consistent with the plan committments and current District benefits. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The Board has the authority to establish and amend the benefit terms to the Plan.

Certificated and Certificated Management employees are eligible to reture and receive District-paid benefits after attaining age 55, and having at least 15 years of service witht he District. District-paid benefits end at age 65.

Classified, Classified Management, and Confidential employees are eligible to retire with District-paid benefits after either (i) attainging age 50 and completing at least fifteen years of service with the District, or (ii) attaining age 55 and completing at least ten years of service with the District. Employees must work at least four hours per day, five days per week to eligible for benefits. Union members hired on or after February 1, 1991 and working at least four hours per day, five days per week receive a pro-rated District contribution both before and after retirements. District-paid benefits end at the earlier age of ten years of benefits or age 65.

c. Plan Membership

As of Year Ended June 30, 2017 the Plan membership consisted of the following:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 27 |
| Inactive employees entitled to but not yet receiving benefit payments | -- |
| Active employees | 57 |
| Total number of participants | 84 |

2. Contributions

The contribution requirements of the plan are established by the District's Board of Trustees, The required contribution is based on the projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2018 the District contributed $276,462 to the plan for the current premiums. The District had no contributions to an OPEB Trust.

3. Investments

The District does not have any plan assets administred through a Trust. Therefore no investment policy and credit risk disclosure is provided.

4. Net OPEB Liability of the District

The components of the net OPEB liability of the District at June 30, 2018, were as follows:

| | | |
|---|---|---|
| Total OPEB Liability | $ | 9,782,128 |
| Plan Fiduciary Net Position | | - |
| District's Net OPEB Liability | $ | 9,782,128 |
| Plan Fiduciary Net Position as a percentage of the toal OPEB Liability | | -- |
| Covered-employee Payroll | $ | 4,880,702 |
| District's Net OPEB Liability as a percentage of covered payroll | | 200.42% |

5. Actuarial Assumptions and Other Inputs

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

| | |
|---|---|
| Measurement Date | July 1, 2017 |
| Discount Rate | 3.13% |
| Inflation Rate | 3.00% |
| Healthcare Trend Rates | 5.00% |
| Investment Rate of Return | -- |
| Mortality Rates | RP-2014 Mortality Tables |
| Retirees Share of Costs | -- |

6. Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at reates equal to the actuarially determined rates. Based on these assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

This Discount Rate used was based on "S&P Municipal Bond 20-Year High Grade Rate Index."

7. Sensitivity of the Total OPEB Liabiltiy to Changes in the Discount Rate

The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB LIability would be if it were calculated using a distcount rate that is one percentage point lower or one percentage point higher than the current rate:

| | 1% Decrease 2.13% | Discount Rate 3.13% | 1% Increase 4.13% |
|---|---|---|---|
| Total OPEB Liability | $ 11,429,896 | $ 9,782,128 | $ 8,460,419 |

8. 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 percentate point lower or one percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease 4.00% | Rate 5.00% | 1% Increase 6.00% |
|---|---|---|---|
| Total OPEB Liability | $ 8,403,337 | $ 9,782,128 | $ 11,511,193 |

9. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the District recognized OPEB expense of $276,462. At June 30, 2018 the District reported deferred outflows of resources related to the following sources:

| | Deferred Outflows of Resources |
|---|---|
| Contributions made subsequent to measurement date | $ 276,462 |

At June 30, 2018 the District did not report any deferred inflows of resources relating to OPEB.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2019.

J. Commitments and Contingencies

Litigation

The District has property tax appeals with an estimated tax liability including accrued interest of $34,263 as of June 30, 2017. The District has impounded $34,263 to cover this contingent liability at June 30, 2018.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

K. Susequent Events

As of October 19, 2018 Rodney Wallace, the Superintendent noted in the this report in the Other Supplementary Information section "Local Education Agency Organizational Structure," had left the employement of the District.

Sara Heflich was appointed Interim Superintendent October 18, 2018.

# Required Supplementary Information

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

# EL TEJON UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| Revenues: | | | | |
| LCFF Sources: | | | | |
| State Apportionment or State Aid | $ 7,185,350 | $ 3,072,473 | $ 2,938,155 | $ (134,318) |
| Education Protection Account Funds | -- | 239,853 | 239,853 | -- |
| Local Sources | -- | 4,068,545 | 3,766,106 | (302,439) |
| Federal Revenue | 646,947 | 676,509 | 604,647 | (71,862) |
| Other State Revenue | 762,147 | 861,699 | 1,164,064 | 302,365 |
| Other Local Revenue | 640,212 | 640,729 | 777,248 | 136,519 |
| Total Revenues | 9,234,656 | 9,559,808 | 9,490,073 | (69,735) |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated Salaries | 3,300,536 | 3,211,226 | 3,170,485 | 40,741 |
| Classified Salaries | 1,571,990 | 1,629,719 | 1,608,191 | 21,528 |
| Employee Benefits | 2,181,552 | 2,163,466 | 2,150,727 | 12,739 |
| Books And Supplies | 634,263 | 788,785 | 615,803 | 172,982 |
| Services And Other Operating Expenditures | 1,140,169 | 1,265,774 | 1,107,842 | 157,932 |
| Other Outgo | 578,529 | 411,691 | 425,529 | (13,838) |
| Direct Support/Indirect Costs | 2,402 | 6,960 | -- | 6,960 |
| Capital Outlay | 331,723 | 214,198 | 65,165 | 149,033 |
| Debt Service: | | | | |
| Principal | -- | 163,018 | 160,973 | 2,045 |
| Interest | -- | 5,820 | 5,865 | (45) |
| Total Expenditures | 9,741,165 | 9,860,656 | 9,310,580 | 550,076 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (506,509) | (300,848) | 179,493 | 480,341 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | -- | -- | 9,900 | 9,900 |
| Total Other Financing Sources (Uses) | -- | 9,900 | -- | (9,900) |
| Net Change in Fund Balance | (506,509) | (290,948) | 179,493 | 470,441 |
| Fund Balance, July 1 | 1,106,803 | 1,106,803 | 1,106,388 | (415) |
| Fund Balance, June 30 | $ 600,294 | $ 815,855 | $ 1,285,881 | $ 470,026 |

# EL TEJON UNIFIED SCHOOL DISTRICT

SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

| | Budgeted Amounts | | | Variance with Final Budget Positive |
| --- | --- | --- | --- | --- |
| | Original | Final | Actual | (Negative) |
| Revenues: | | | | |
| Total Revenues | $ -- | $ -- | $ -- | $ -- |
| Expenditures: | | | | |
| Total Expenditures | -- | -- | -- | -- |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | -- | -- | -- | -- |
| Other Financing Sources (Uses): | | | | |
| Other Sources | -- | -- | 3,103,053 | 3,103,053 |
| Total Other Financing Sources (Uses) | -- | -- | 3,103,053 | 3,103,053 |
| Net Change in Fund Balance | -- | -- | 3,103,053 | 3,103,053 |
| Fund Balance, July 1 | -- | -- | -- | -- |
| Fund Balance, June 30 | $ -- | $ -- | $ 3,103,053 | $ 3,103,053 |

# EL TEJON UNIFIED SCHOOL DISTRICT

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

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension liability (asset) | 0.006% | 0.006% | 0.005% | 0.006% |
| District's proportionate share of the net pension liability (asset) | $ 2,258,610 | $ 3,255,167 | $ 1,386,585 | $ 753,470 |
| State's proportionate share of the net pension liability (asset) associated with the District | 2,874,390 | 1,319,833 | 2,397,415 | 2,556,530 |
| Total | $ 5,133,000 | $ 4,575,000 | $ 3,784,000 | $ 3,310,000 |
| District's covered-employee payroll | $ 3,170,490 | $ 3,191,082 | $ 3,018,466 | $ 2,793,745 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 71.24% | 102.01% | 45.94% | 26.97% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.50% | 69.00% | 70.00% | 77.00% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

## EL TEJON UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS REETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

| | Fiscal Year 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually required contribution | $ 441,037 | $ 380,390 | $ 310,602 | $ 231,784 |
| Contributions in relation to the contractually required contribution | (441,037) | (380,390) | (310,602) | (231,784) |
| Contribution deficiency (excess) | $ -- | $ -- | $ -- | $ -- |
| District's covered-employee payroll | $ 3,170,490 | $ 3,191,082 | $ 3,018,466 | $ 2,793,745 |
| Contributions as a percentage of covered-employee payroll | 13.91% | 11.92% | 10.29% | 8.30% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, this schedule provides the information for those years for which information is available.

## EL TEJON UNIFIED SCHOOL DISTRICT

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

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 |
| District's proportion of the net pension liability (asset) | 0.010% | 0.009% | 0.010% | 0.009% |
| District's proportionate share of the net pension liability (asset) | $ 2,315,000 | $ 1,816,000 | $ 1,313,000 | $ 998,000 |
| District's covered-employee payroll | $ 1,710,212 | $ 1,665,724 | $ 1,575,902 | $ 1,434,153 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 135.36% | 109.02% | 83.32% | 69.59% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.87% | 73.90% | 79.40% | 83.38% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, this schedule provides the information only for those years for which information is available.

# EL TEJON UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution | $ 199,075 | $ 171,829 | $ 131,375 | $ 121,156 |
| Contributions in relation to the contractually required contribution | (199,075) | (171,829) | (131,375) | (121,156) |
| Contribution deficiency (excess) | $ -- | $ -- | $ -- | $ -- |
| District's covered-employee payroll | $ 1,710,212 | $ 1,665,724 | $ 1,575,902 | $ 1,434,153 |
| Contributions as a percentage of covered-employee payroll | 11.64% | 10.32% | 8.34% | 8.45% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complied, this schedule provides the information for those years for which information is available.

## EL TEJON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
RETIREE BENEFIT PLAN
LAST TEN FISCAL YEARS *

| | Fiscal Year 2018 | Fiscal Year 2017 | Fiscal Year 2016 |
|---|---|---|---|
| District's porportion of the collective net OPEB liability | 100.00% | 100.00% | 100.00% |
| District's proportionate share of the collective Net OPEB liability | $ 9,782,128 | $ 9,483,951 | $ 2,414,231 |
| Total | $ 9,782,128 | $ 9,483,951 | $ 2,414,231 |
| District's covered-employee payroll | $ 4,880,702 | $ 4,856,806 | $ 4,594,368 |
| pension liability (asset) as a percentage of its covered-employee payroll | 200.42% | 201.41% | 206.43% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**EL TEJON UNIFIED SCHOOL DISTRICT**
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
RETIREE BENEFIT PLAN
LAST TEN FISCAL YEARS *

| | Fiscal Year | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Actuarially deterimined contribution | $ 337,747 | $ 647,803 | $ 647,803 |
| Contributions recognized by OPEB in relation to statutorily or contractually required contribution | 276,462 | 263,241 | 265,711 |
| Contribution deficiency (excess) | $ 61,285 | $ 384,562 | $ 382,092 |
| District's covered-employee payroll | $ 4,880,702 | $ 4,856,806 | $ 4,594,368 |
| Contributions as a percentage of covered-employee payroll | 5.66% | 5.42% | 5.78% |
| Notes to the Schedule: | | | |
| Valuation Date | July 1, 2017 | July 1, 2015 | July 1, 2015 |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

# EL TEJON UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE BENEFIT PLAN
LAST TEN FISCAL YEARS *

| | Fiscal Year | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Total OPEB liability: | | | |
| Service cost | $ 213,606 | $ -- | $ -- |
| Interest | 400,549 | -- | -- |
| Changes of benefit terms | -- | -- | -- |
| Differences between expected | -- | -- | -- |
| and actual experience | -- | -- | -- |
| Changes of assumptions or other inputs | -- | 7,069,720 | -- |
| Benefit payments | (315,978) | -- | -- |
| Net change in total OPEB liability | 298,177 | 7,069,720 | -- |
| Total OPEB liability - beginning | 9,483,951 | 2,414,231 | -- |
| Total OPEB liability - ending(a) | $ 9,782,128 | $ 9,483,951 | $ 2,414,231 |
| Plan fiduciary net position: | $ -- | $ -- | $ -- |
| Contributions - employer | -- | -- | -- |
| Contributions - employee | -- | -- | -- |
| Net investment income | -- | -- | -- |
| Benefit payments, including refunds | -- | -- | -- |
| of employee contributions | -- | -- | -- |
| Administrative expense | -- | -- | -- |
| Other | -- | -- | -- |
| Net change in plan fiduciary net position | -- | -- | -- |
| Plan fiduciary net position - beginning | -- | -- | -- |
| Plan fiduciary net position - ending(b) | -- | -- | -- |
| District's Net OPEB Liability - ending (a)-(b) | $ 9,782,128 | $ 9,483,951 | $ 2,414,231 |
| Plan Fiduciary Net Posistion as a percentage of the total liability | -- | -- | -- |
| Covered-employee payroll | $ 4,880,702 | $ 4,856,806 | $ 4,594,368 |
| Total Net OPEB liability as a percentage of covered-employee payroll | 200.42% | 195.27% | 52.55% |

Notes to Schedule:

| | | | |
|---|---|---|---|
| Valuation Date | July 1, 2017 | July 1, 2015 | July 1, 2015 |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

# Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

# EL TEJON UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

| | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | |
|---|---|---|---|---|
| | Cafeteria Fund | Bond Interest & Redemption | Building Fund | Total Nonmajor Governmental Funds (See |
| **ASSETS:** | | | | |
| Cash in County Treasury | $ 25,163 | $ 433,758 | $ 217,037 | $ 675,958 |
| Cash in Revolving Fund | 1,296 | -- | -- | 1,296 |
| Accounts Receivable | 35,321 | -- | 939 | 36,260 |
| Stores Inventories | 24,311 | -- | -- | 24,311 |
| Total Assets | 86,091 | 433,758 | 217,976 | 737,825 |
| **LIABILITIES AND FUND BALANCE:** | | | | |
| Liabilities: | | | | |
| Accounts Payable | $ 3,547 | $ -- | $ -- | $ 3,547 |
| Due to Other Funds | 83,964 | -- | 94,991 | 178,955 |
| Total Liabilities | 87,511 | -- | 94,991 | 182,502 |
| Fund Balance: | | | | |
| Nonspendable Fund Balances: | | | | |
| Revolving Cash | 1,296 | -- | -- | 1,296 |
| Stores Inventories | 24,311 | -- | -- | 24,311 |
| Restricted Fund Balances | (27,027) | 433,758 | 122,985 | 529,716 |
| Total Fund Balance | (1,420) | 433,758 | 122,985 | 555,323 |
| Total Liabilities and Fund Balances | $ 86,091 | $ 433,758 | $ 217,976 | $ 737,825 |

**EL TEJON UNIFIED SCHOOL DISTRICT**
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

| | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | |
|---|---|---|---|---|
| | Cafeteria Fund | Bond Interest & Redemption | Building Fund | Total Nonmajor Governmental Funds (See |
| Revenues: | | | | |
| Federal Revenue | $ 184,679 | $ -- | $ -- | $ 184,679 |
| Other State Revenue | 22,904 | -- | -- | 22,904 |
| Other Local Revenue | 16,583 | 418,492 | 3,314 | 438,389 |
| Total Revenues | 224,166 | 418,492 | 3,314 | 645,972 |
| Expenditures: | | | | |
| Current: | | | | |
| Pupil Services | 313,453 | -- | -- | 313,453 |
| Plant Services | -- | -- | 10,997 | 10,997 |
| Capital Outlay | -- | -- | 94,991 | 94,991 |
| Debt Service: | | | | |
| Principal | -- | 330,000 | -- | 330,000 |
| Interest | -- | 103,000 | -- | 103,000 |
| Total Expenditures | 313,453 | 433,000 | 105,988 | 852,441 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (89,287) | (14,508) | (102,674) | (206,469) |
| Net Change in Fund Balance | (89,287) | (14,508) | (102,674) | (206,469) |
| Fund Balance, July 1 | 87,867 | 448,266 | 225,659 | 761,792 |
| Fund Balance, June 30 | $ (1,420) | $ 433,758 | $ 122,985 | $ 555,323 |

# EL TEJON UNIFIED SCHOOL DISTRICT
CAFETERIA FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Federal Revenue | $ 220,237 | $ 184,679 | $ (35,558) |
| Other State Revenue | 14,500 | 22,904 | 8,404 |
| Other Local Revenue | 40,169 | 16,583 | (23,586) |
| Total Revenues | 274,906 | 224,166 | (50,740) |
| Expenditures: | | | |
| Current: | | | |
| Classified Salaries | 105,079 | 102,019 | 3,060 |
| Employee Benefits | 43,174 | 43,067 | 107 |
| Books And Supplies | 150,977 | 153,480 | (2,503) |
| Services And Other Operating Expenditures | 15,331 | 14,887 | 444 |
| Total Expenditures | 314,561 | 313,453 | 1,108 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (39,655) | (89,287) | (49,632) |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | -- | -- | -- |
| Net Change in Fund Balance | (39,655) | (89,287) | (49,632) |
| Fund Balance, July 1 | 81,901 | 87,867 | 5,966 |
| Fund Balance, June 30 | $ 42,246 | $ (1,420) | $ (43,666) |

## EL TEJON UNIFIED SCHOOL DISTRICT

BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Other Local Revenue | $ -- | $ 418,492 | $ 418,492 |
| Total Revenues | -- | 418,492 | 418,492 |
| Expenditures: | | | |
| Debt Service: | | | |
| Principal | -- | 330,000 | (330,000) |
| Interest | -- | 103,000 | (103,000) |
| Total Expenditures | -- | 433,000 | (433,000) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | -- | (14,508) | (14,508) |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | -- | -- | -- |
| Net Change in Fund Balance | -- | (14,508) | (14,508) |
| Fund Balance, July 1 | -- | 448,266 | 448,266 |
| Fund Balance, June 30 | $ -- | $ 433,758 | $ 433,758 |

## EL TEJON UNIFIED SCHOOL DISTRICT
BUILDING FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Other Local Revenue | $ 2,100 | $ 3,314 | $ 1,214 |
| Total Revenues | 2,100 | 3,314 | 1,214 |
| Expenditures: | | | |
| Current: | | | |
| Services And Other Operating Expenditures | 26,100 | 10,997 | 15,103 |
| Capital Outlay | 94,992 | 94,991 | 1 |
| Total Expenditures | 121,092 | 105,988 | 15,104 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (118,992) | (102,674) | 16,318 |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | -- | -- | -- |
| Net Change in Fund Balance | (118,992) | (102,674) | 16,318 |
| Fund Balance, July 1 | 225,659 | 225,659 | -- |
| Fund Balance, June 30 | $ 106,667 | $ 122,985 | $ 16,318 |

**EL TEJON UNIFIED SCHOOL DISTRICT**
CAPITAL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Other Local Revenue | $ 37,000 | $ 71,736 | $ 34,736 |
| Total Revenues | 37,000 | 71,736 | 34,736 |
| Expenditures: | | | |
| Current: | | | |
| Books And Supplies | 1,500 | 1,420 | 80 |
| Services And Other Operating Expenditures | 70,500 | 24,785 | 45,715 |
| Total Expenditures | 72,000 | 26,205 | 45,795 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (35,000) | 45,531 | 80,531 |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | -- | -- | -- |
| Net Change in Fund Balance | (35,000) | 45,531 | 80,531 |
| Fund Balance, July 1 | 1,505,256 | 1,505,256 | -- |
| Fund Balance, June 30 | $ 1,470,256 | $ 1,550,787 | $ 80,531 |

# EL TEJON UNIFIED SCHOOL DISTRICT
COUNTY SCHOOL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE -- UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

| | Budget | Actual | Variance Positive (Negative) |
|---|---|---|---|
| Revenues: | | | |
| Other Local Revenue | $ 21,000 | $ 36,025 | $ 15,025 |
| Total Revenues | 21,000 | 36,025 | 15,025 |
| Expenditures: | | | |
| Capital Outlay | 9,000 | -- | 9,000 |
| Total Expenditures | 9,000 | -- | 9,000 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 12,000 | 36,025 | 24,025 |
| Other Financing Sources (Uses): | | | |
| Total Other Financing Sources (Uses) | -- | -- | -- |
| Net Change in Fund Balance | 12,000 | 36,025 | 24,025 |
| Fund Balance, July 1 | 2,433,185 | 2,433,185 | -- |
| Fund Balance, June 30 | $ 2,445,185 | $ 2,469,210 | $ 24,025 |

## EL TEJON UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

| | Impound Fund | Fraizer Mt High ASB | El Tejon ASB | Total Agency Funds |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| Cash in County Treasury | $ 34,263 | $ -- | $ -- | $ 34,263 |
| Cash on Hand and in Banks | -- | 34,776 | 33,394 | 68,170 |
| Total Assets | 34,263 | 34,776 | 33,394 | 102,433 |
| **LIABILITIES:** | | | | |
| Due to Student Groups/Other Agencies | $ 34,263 | $ 34,776 | $ 33,394 | $ 102,433 |
| Total Liabilities | 34,263 | 34,776 | 33,394 | 102,433 |
| **NET POSITION:** | | | | |
| Total Net Position | $ -- | $ -- | $ -- | $ -- |

# Other Supplementary Information

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

## EL TEJON UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE - UNAUDITED
JUNE 30, 2018

The El Tejon Unified School District was established on July 1, 1990, as a successor to the El Tejon Union School District which was established on July 1, 1951. The District is comprised of an area of approximately 65 square miles located in the areas of Lebec, Frazier Park, and Metler in Kern County, California. There were no changes in the boundaries of the District during the current year. The District is currently operating one elementary school, one intermediate school, and one high school.

At June 30, 2018, the Board of Trustees was composed of the following members:

Governing Board

| Name | Office | Term and Term Expiration |
|---|---|---|
| Lisa Duncan | President | November 2020 |
| Sabrina Rouser | Clerk | November 2018 |
| John Fleming | Member | November 2020 |
| Misty Johnston | Member | November 2018 |
| Lark Shillig | Member | November 2020 |

Administration

Rodney Wallace
District Superintendent

Wendy Jones
Business Manager

# EL TEJON UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

| | Second Period Report | | Annual Report | |
|---|---|---|---|---|
| | Original | Revised | Original | Revised |
| TK/K-3: | | | | |
| Regular ADA | 196 | N/A | 193 | N/A |
| Extended Year Special Education | -- | -- | -- | -- |
| Nonpublic, Nonsectarian Schools | -- | -- | -- | -- |
| Extended Year - Nonpublic | -- | -- | -- | -- |
| TK/K-3 Totals | 196 | -- | 193 | -- |
| Grades 4-6: | | | | |
| Regular ADA | 148 | N/A | 137 | N/A |
| Extended Year Special Education | -- | -- | -- | -- |
| Nonpublic, Nonsectarian Schools | -- | -- | -- | -- |
| Extended Year - Nonpublic | -- | -- | -- | -- |
| Grades 4-6 Totals | 148 | -- | 137 | -- |
| Grades 7 and 8: | | | | |
| Regular ADA | 99 | N/A | 93 | N/A |
| Extended Year Special Education | -- | -- | -- | -- |
| Nonpublic, Nonsectarian Schools | -- | -- | -- | -- |
| Extended Year - Nonpublic | -- | -- | -- | -- |
| Grades 7 and 8 Totals | 99 | -- | 93 | -- |
| Grades 9-12: | | | | |
| Regular ADA | 259 | N/A | 228 | N/A |
| Extended Year Special Education | -- | -- | -- | -- |
| Nonpublic, Nonsectarian Schools | -- | -- | -- | -- |
| Extended Year - Nonpublic | -- | -- | -- | -- |
| Grades 9-12 Totals | 259 | -- | 228 | -- |
| ADA Totals | 702 | -- | 652 | -- |

N/A - There were no audit findings which resulted in necessary revisions to attendance.

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

**EL TEJON UNIFIED SCHOOL DISTRICT**
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

| Grade Level | Ed. Code 46207 Minutes Requirement | Ed. Code 46207 Adjusted & Reduced | 2017-18 Actual Minutes | Number of Days Traditional Calendar | Number of Days Multitrack Calendar | Status |
|---|---|---|---|---|---|---|
| Transitional Kindergarten | 36,000 | -- | 56,099 | 181 | -- | Complied |
| Kindergarten | 36,000 | -- | 56,099 | 181 | -- | Complied |
| Grade 1 | 50,400 | -- | 50,769 | 181 | -- | Complied |
| Grade 2 | 50,400 | -- | 50,084 | 181 | -- | Not Complied |
| Grade 3 | 50,400 | -- | 50,084 | 181 | -- | Not Complied |
| Grade 4 | 54,000 | -- | 53,245 | 181 | -- | Not Complied |
| Grade 5 | 54,000 | -- | 54,247 | 181 | -- | Complied |
| Grade 6 | 54,000 | -- | 54,247 | 181 | -- | Complied |
| Grade 7 | 54,000 | -- | 54,247 | 181 | -- | Complied |
| Grade 8 | 54,000 | -- | 54,247 | 181 | -- | Complied |
| Grade 9 | 64,800 | -- | 66,576 | 181 | -- | Complied |
| Grade 10 | 64,800 | -- | 66,576 | 181 | -- | Complied |
| Grade 11 | 64,800 | -- | 66,576 | 181 | -- | Complied |
| Grade 12 | 64,800 | -- | 66,576 | 181 | -- | Complied |

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District met or exceeded its target funding.

# EL TEJON UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2018

| General Fund | Budget 2019 (see note 1) | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| Revenues and other financial sources | $ 9,429,390 | $ 9,401,456 | $ 9,140,489 | $ 8,597,307 |
| Expenditures | 9,156,446 | 9,310,580 | 8,926,255 | 8,703,364 |
| Other uses and transfers out | -- | 9,900 | 50,000 | (10) |
| Total outgo | 9,156,446 | 9,320,480 | 8,976,255 | 8,703,354 |
| Change in fund balance (deficit) | 272,944 | 80,976 | 164,234 | (106,047) |
| Ending fund balance | $ 1,470,625 | $ 1,197,680 | $ 1,106,388 | $ 942,154 |
| Available reserves (see note 2) | $ (22,601) | $ 445,543 | $ 805,056 | $ 682,230 |
| Available reserves as a percentage of total outgo | -0.2% | 4.8% | 9.0% | 7.8% |
| Total long-term debt | $ 24,864,480 | $ 25,403,364 | $ 21,377,057 | $ 13,365,613 |
| Average daily attendance at P-2 | 702 | 702 | 718 | 701 |

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

The fund balance of the general fund has increased by $255,526 (27.121%) over the past two years. The fiscal year 2017-2018 budget projects an increase of $272,945 (22.789%). For a district of this size, the State recommends available reserves of at least $55,000 or 5 percent of total general fund expenditures, transfers out and other uses (total outgo),

The District has enjoyed operating surpluses for the past three years, but projects a deficit during the 2018-2019 fiscal year. Total long-term debt has increased by $12,037,751over the past two years.

Average daily attendance has increased by 1 over the past two years. No change in ADA is anticipated during the |fiscal year 2018-2019,

NOTES:
1 Budget 2019 is included for analytical purposes only and has not been subjected to audit.
2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

**EL TEJON UNIFIED SCHOOL DISTRICT**
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

| | General Fund | Cafeteria Fund |
|---|---|---|
| June 30, 2018, annual financial and budget report fund balances | $ 1,117,947 | $ 23,480 |
| Adjustments and reclassifications: | | |
| Increasing (decreasing) the fund balance: | | |
| Cash in County Treasury | 13,583 | -- |
| Cash in the Bank | -- | (24,900) |
| Cash awaiting Deposit | 86,951 | -- |
| Investments | 67,305 | -- |
| Accounts Receivable | 95 | -- |
| Adjusting Journal Entries | -- | -- |
| Adjustments to Close Inactive Fund | -- | -- |
| Rounding | -- | -- |
| Net adjustments and reclassifications | 167,934 | (24,900) |
| June 30, 2018, audited financial statement fund balances | $ 1,285,881 | $ (1,420) |

| | Non-Current Liabilities |
|---|---|
| June 30, 2018, annual financial and budget report total liabilities | $ 24,049,543 |
| Adjustments and reclassifications: | |
| Increase (decrease) in total liabilities: | |
| (Net Pension Liability | 1,057,000 |
| General Obligation Bonds | -- |
| Net OPEB Liability | 298,176 |
| Compensated Absences | (1,355) |
| Rounding | -- |
| Net adjustments and reclassifications | 1,353,821 |
| June 30, 2018, audited financial statement total liabilities | $ 25,403,364 |

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

| Deferred Maintenance Fund | NonCapital Outlay Fund | Post Emp Benefits Fund | Capital Outlay Projects Fund |
|---|---|---|---|
| $ 5 | $ 13,594 | $ 66,138 | $ 5 |
| -- | (13,537) | (46) | -- |
| -- | -- | -- | -- |
| -- | -- | -- | -- |
| -- | -- | (66,055) | -- |
| -- | (57) | (38) | -- |
| -- | -- | -- | -- |
| (5) | -- | -- | (5) |
| -- | -- | 1 | |
| (5) | (13,594) | (66,138) | (5) |
| $ -- | $ -- | $ -- | $ -- |

## EL TEJON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

No charter schools are chartered by El Tejon Unified School District.

| Charter Schools | Included In Audit? |
| --- | --- |
| None | N/A |

# EL TEJON UNIFIED SCHOOL DISTRICT

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

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| **CHILD NUTRITION CLUSTER:** | | | | |
| U. S. Department of Agriculture | | | | |
| Passed Through California Department of Education: | | | | |
| Child Nutrition: School Programs - Lunch | 10.555 | 13391 | $ -- | $ 184,679 |
| Total U. S. Department of Agriculture | | | -- | 184,679 |
| Total Child Nutrition Cluster | | | -- | 184,679 |
| **FOREST SERVICE SCHOOLS AND ROADS CLUSTER:** | | | | |
| U. S. Department of Agriculture | | | | |
| Passed Through : | | | | |
| Forest Reserve Funds | 10.665 | 10044 | -- | 20,872 |
| Total U. S. Department of Agriculture | | | -- | 20,872 |
| Total Forest Service Schools and Roads Cluster | | | -- | 20,872 |
| **MEDICAID CLUSTER:** | | | | |
| U. S. Department of Health and Human Services | | | | |
| Passed Through California Department of Health Services: | | | | |
| Medi-Cal Administrative Activities | 93.778 | 10060 | -- | 1,913 |
| Total U. S. Department of Health and Human Services | | | -- | 1,913 |
| Total Medicaid Cluster | | | -- | 1,913 |
| **SPECIAL EDUCATION (IDEA) CLUSTER:** | | | | |
| U. S. Department of Education | | | | |
| Passed Through California Department of Education: | | | | |
| Special Ed: IDEA Basic Local Assistance Entitlement | 84.027 | 13379 | -- | 113,487 |
| Special Ed: IDEA Preschool Local Entitlement | 84.027A | 13682 | -- | 1,390 |
| Special Ed: IDEA Mental Health Services, Part B, Sec 611 | 84.027A | 15321 | -- | 125,000 |
| Special Ed: IDEA Preschool Grants | 84.173 | 13430 | -- | 281 |
| Total Passed Through California Department of Education | | | -- | 240,158 |
| Total U. S. Department of Education | | | -- | 240,158 |
| Total Special Education (IDEA) Cluster | | | -- | 240,158 |
| **OTHER PROGRAMS:** | | | | |
| U. S. Department of Education | | | | |
| Passed Through California Department of Education: | | | | |
| NCLB: Title I, Part A, Basic Grants, Low-Income, and Neglected | 84.010 | 14329 | -- | 296,381 |
| Carl D Perkins Career & Technical Education: State Leadership | 84.048 | 14891 | -- | (461) |
| Carl D Perkins Career & Technical Education: Secondary | 84.048 | 14894 | -- | 9,724 |
| NCLB: Title III, Limited English Proficient Student Program | 84.365 | 14346 | -- | 2,638 |
| NCLB: Title II, Part A, Teacher Quality | 84.367 | 14341 | -- | 33,422 |
| Total Passed Through California Department of Education | | | $ -- | $ 341,704 |
| Total U. S. Department of Education | | | $ -- | $ 341,704 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | -- | 789,326 |

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of El Tejon Unified School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

El Tejon Unified School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 1 - Early Retirement Incentive Program

The DIstrict did not offer this program in the current year.

# Other 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*

To the Board of Trustees
El Tejon Unified School District
Lebec, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Tejon Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise El Tejon Unified School District's basic financial statements, and have issued our report thereon dated December 1, 2018.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 the El Tejon 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*.

**Purpose of this Report**

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

Respectfully submitted,

Scott Erwin CPA

SCOTT ERWIN CPA INC
Bakersfield, CA
December 1, 2018

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## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
El Tejon Unified School District
Lebec, California

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

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

**Opinion on Each Major Federal Program**

In our opinion, the El Tejon 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 the El Tejon 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 the El Tejon 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 the El Tejon Unified School District's internal control over compliance.

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

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

Respectfully submitted,

Scott Erwin CPA

SCOTT ERWIN CPA INC
Bakersfield, CA
December 1, 2017

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# Independent Auditor's Report on State Compliance

To the Board of Trustees
El Tejon Unified School District
Lebec, California

Members of the Board of Trustees:

## Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

## Management's Responsibility for State Compliance

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

## Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our qualified opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

| Compliance Requirements | Procedures in Audit Guide Performed? |
|---|---|
| **LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:** | |
| Attendance Accounting: | |
| Attendance Reporting | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | Yes |
| Independent Study | Yes |
| Continuation Education | N/A |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratio of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | N/A |
| GANN Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | N/A |
| Middle or Early College High Schools | N/A |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | N/A |
| **SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:** | |
| Educator Effectiveness | Yes |
| California Clean Energy Jobs Act | Yes |
| After School Education and Safety Program: | |
| After School | Yes |
| Before School | N/A |
| General Requirements | Yes |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | N/A |
| **CHARTER SCHOOLS:** | |
| Attendance | N/A |
| Mode of Instruction | N/A |
| Nonclassroom-Based Instruction/Independent Study | N/A |
| Determination of Funding for Nonclassroom-Based Instruction | N/A |
| Annual Instructional Minutes - Classroom Based | N/A |
| Charter School Facility Grant Program | N/A |

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

**Basis for our Qualified Opinion**

The results of our auditing procedures disclosed two instances of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting prescribed in Title 5, California Code of Regulations, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2018-01 and 2018-02.

**Qualified Opinion on State Compliance**

In our opinion, except for the findings noted above, El Tejon Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2018.

**Other Matters**

*El Tejon Unified School District's Response to Findings*

El Tejon Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. El Tejon Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Scott Erwin CPA

Respectfully submitted,

SCOTT ERWIN CPA INC
Bakersfield, CA
December 1, 2018

# Findings and Recommendations Section

**EL TEJON UNIFIED SCHOOL DISTRICT**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

## A. Summary of Auditor's Results

1. Financial Statements

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

2. Federal Awards

| | | | | |
|---|---|---|---|---|
| Internal control over major programs: | | | | |
| One or more material weaknesses identified? | ____ | Yes | X | No |
| One or more significant deficiencies identified that are not considered to be material weaknesses? | ____ | Yes | X | None Reported |
| Type of auditor's report issued on compliance for major programs: | Unmodified | | | |
| Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? | ____ | Yes | X | No |

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 10.555 | Child Nutrition: School Programs - Lunch |

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

3. State Awards

| | | | | |
|---|---|---|---|---|
| Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? | X | Yes | | No |
| Type of auditor's report issued on compliance for state programs: | Modified | | | |

## B. Financial Statement Findings

None

## C. Federal Award Findings and Questioned Costs

None

## D. State Award Findings and Questioned Costs

**FINDING 2018-01, CODE 40000**

Criteria or Specific Requirement
F. 6. If the district met or exceeded its LCFF target as set forth in Education Code section 46207(a) compare the amount of time offered for each grade level in each sampled school during the year being audited to the required amount of instructional time specified in Education Code section 46207.

F. 9. If any schools were not in compliance with the instructional minutes requirements pursuant to 6 or 7 of this section, as applicable, prepare a separate schedule for each school showing only those grade levels that were not in compliance and calculate the penalty or penalties pursuant to Education Code section 46201, 46202, or 46207. Include the schedule(s), the calculation, and the amount of the penalty or penalties in a finding.

Condition
The District's instructional minutes for the 2nd through 4th grade was less than the required minutes of CA Education Code section 46207 of 50,400 (2nd - 3rd grade) and 54,000 (4th grade) minutes. The District was 1,387 below the required instructional minutes, respectively.

Effect
The District is not in compliance with the reporting requirement of the California Constitution as it relates to The required instructional minutes for 2nd, 3rd, and 4th grade.

Cause
Frazier Park School, within the El Tejon Unified School District did not meet the minimum requirement in instructional minutes for the 2017-18 school year in 2nd - 4th grades. This was due to the fact that this was the year that El Tejon Unified School District decided to add a minimum day every Wednesday to provide district-wide professional development for school sites to collaborate. Frazier Park School did not adjust their minutes properly while accounting for the high number of 2-hour delays that took place that year due to weather.

Questioned Costs
Total Instructional Time Pentalty is $11,115. See Schedule of Instructional Minutes Finding Calculation on page 81 of this report.

Recommendation
The District should implement proccesses, and review to regularly, to assess the planned bell schedule and any changes to the total instuctional minutes required by the State of Californa.

Corrective Action Plan
Fraizer Park School adjusted their bell schedule at the start of the 2018-19 school year to rectify this situation. Recess time was adjusted for the second and third grade. In order to fix the forth grade schedule recess time was adjusted as well as the extension of the end of the school day. In the event that the District begins having multiple 2-hour delays due to weather, Frazier Park Elementary School will begin adjusting their morning, lunch, and afternoon recesses to make up for the lost minutes to ensure the school does not fall short of the required number of munutes for the 2018-19 school year.

**FINDING 2018-02, CODE 40000**

Criteria or Specific Requirement
CDE Audit Guide Section U.1. Verify that funds provided from the Education Protection Account (EPA) have been properly expended as required by Article XIII, Section 36, Subdivision (e), Paragraph (6) of the California Constitution.

Text of referenced Paragraph (6) :
(6) A community college district, county office of education, school district, or charter school shall have sole authority to determine how the moneys received from the Education Protection Account are spent in the school or schools within its jurisdiction, provided, however, that the appropriate governing board or body shall make these spending determinations in open session of a public meeting of the governing board or body and shall not use any of the funds from the Education Protection Account for salaries or benefits of administrators or any other administrative costs. Each community college district, county office of education, school district, and charter school shall annually publish on its Internet Web site an accounting of how much money was received from the Education Protection Account and how that money was spent

Condition
The District was unable to provide the Auditor with the location (hyperlink) to the District's Internet Web site "Accounting" of how the District's Education Protection Account funds were expended in the prior year(s).

Effect
The District is not in compliance with the reporting requirement of the California Constitution as it relates to the Education Proprection Account Funds.

Cause
The District was unaware of the online posting requirements for Edcuation Protection Account Funds.

Questioned Costs
None

Recommendation
The District should implement procedures to post on its website an annual accounting of appropriations and expenditures related to the Education Protection Account Funds.

Corrective Action Plan
The district will insure the proper reports are made available on the district's website and will continue to annually post an accounting of Education Protection Account funds as required.

# EL TEJON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL MINUTES FINDING & CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018

**FINDING 2018-01, CODE 40000**

| Affected Grade Level | Grade 2 | Grade 3 | Grade 4 |
|---|---|---|---|
| ADA of affected grade level | 50 | 50 | 49 |
| Derived Value of ADA by Grade Span (per CDE worksheet) | $ 8,600 | $ 8,600 | $ 8,275 |
| Instrucitonal Mintutes - Required | 50,400 | 50,400 | 54,000 |
| Instructional Minutes - Actual | 50,084 | 50,084 | 53,245 |
| Instructional Minutes - Deficiency | (316) | (316) | (755) |
| Percentage of Minutes not offered | 0.63% | 0.63% | 1.40% |
| Affected LCFF Apportionment by Grade Span | $ 432,429 | $ 432,429 | $ 404,751 |
| Instructional Time Penalty by Grade Span | $ 2,724 | $ 2,724 | $ 5,667 |
| Total Instructional Time Penalty | | | $ 11,115 |

**EL TEJON UNIFIED SCHOOL DISTRICT**
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

| Finding/Recommendation | Current Status | Management's Explanation If Not Implemented |
|---|---|---|
| There were no findings for year ending June 30, 2017 | | |

## APPENDIX C

## ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT KERN COUNTY

*The following information about Kern County (the "**County**") is included only for the purpose of supplying general information regarding the area of the District. The Bonds are not a debt of the County, the State of California (the "**State**") or any of its political subdivisions (other than the District), and none of the County, Ventura County, the State or any of its political subdivisions (other than the District) is liable therefor.*

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

The County's economy is heavily linked to agriculture and to petroleum extraction. There is also a strong aviation, space, and military presence, such as Edwards Air Force Base, the China Lake Naval Air Weapons Station, and the Mojave Air and Space Port.

### Population

The following table lists population estimates for the County and the other major cities in the County as of January 1 each year for the last five calendar years.

**KERN COUNTY**
**Population Estimates**
**Calendar Years 2015 through 2019**

| | **2015** | **2016** | **2017** | **2018** | **2019** |
|---|---|---|---|---|---|
| Arvin | 20,673 | 21,179 | 21,312 | 21,577 | 22,178 |
| Bakersfield | 373,456 | 377,791 | 382,570 | 384,921 | 389,211 |
| California City | 14,495 | 14,307 | 14,619 | 14,871 | 15,000 |
| Delano | 52,399 | 52,576 | 52,953 | 53,664 | 53,936 |
| Maricopa | 1,106 | 1,106 | 1,131 | 1,237 | 1,240 |
| McFarland | 14,098 | 14,503 | 14,826 | 15,171 | 15,242 |
| Ridgecrest | 28,127 | 28,171 | 28,427 | 29,404 | 29,712 |
| Shafter | 17,448 | 17,546 | 18,516 | 20,093 | 20,886 |
| Taft | 9,504 | 9,388 | 9,446 | 9,493 | 9,430 |
| Tehachapi | 12,707 | 12,119 | 12,325 | 12,976 | 13,668 |
| Wasco | 26,371 | 26,521 | 27,056 | 27,681 | 27,955 |
| Total Unincorporated | 309,962 | 310,946 | 312,920 | 315,475 | 318,006 |
| **Total County** | **880,346** | **886,153** | **896,101** | 906,563 | 916,464 |

*Source: California Department of Finance, Demographic Research Unit.*

## Employment and Industry

The District is included in the Bakersfield Metropolitan Statistical Area (the "**MSA**"), which consists of the County. The unemployment rate in the County was 10.1% in March 2019, up from a revised 9.3% in February 2019, and above the year-ago estimate of 10.0%. This compares with an unadjusted unemployment rate of 4.6% for California and 3.9% for the nation during the same period.

The table below provides information about employment rates and employment by industry type for the County for calendar years 2014 through 2018.

**BAKERSFIELD MSA**
**(County of Kern)**
**Annual Average Civilian Labor Force, Employment and Unemployment,**
**Employment by Industry**
**(March 2018 Benchmark)**

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Civilian Labor Force (1) | 392,500 | 390,300 | 388,300 | 384,800 | 387,000 |
| Employment | 351,700 | 350,500 | 348,000 | 349,500 | 356,100 |
| Unemployment | 40,800 | 39,900 | 40,300 | 35,300 | 30,900 |
| Unemployment Rate | 10.4% | 10.2% | 10.4% | 9.2% | 8.0% |
| Wage and Salary Employment: (2) | | | | | |
| Agriculture | 60,100 | 59,300 | 62,700 | 62,100 | 61,900 |
| Mining and Logging | 12,900 | 11,400 | 9,000 | 8,600 | 9,300 |
| Construction | 18,200 | 16,500 | 14,500 | 14,900 | 16,100 |
| Manufacturing | 14,600 | 14,200 | 13,500 | 13,400 | 13,200 |
| Wholesale Trade | 8,700 | 8,300 | 8,100 | 8,200 | 8,300 |
| Retail Trade | 30,300 | 31,500 | 32,100 | 32,000 | 32,000 |
| Transportation, Warehousing, Utilities | 10,500 | 10,900 | 11,000 | 11,500 | 13,300 |
| Information | 2,400 | 2,700 | 2,200 | 2,000 | 2,000 |
| Finance and Insurance | 5,000 | 4,900 | 4,700 | 4,700 | 4,500 |
| Real Estate and Rental and Leasing | 27,100 | 26,800 | 26,500 | 26,100 | 26,900 |
| Professional and Business Services | 32,600 | 33,400 | 34,800 | 36,400 | 37,800 |
| Educational and Health Services | 23,700 | 25,000 | 25,500 | 25,900 | 26,600 |
| Leisure and Hospitality | 7,800 | 7,700 | 7,700 | 7,700 | 7,900 |
| Other Services | 9,600 | 9,900 | 10,200 | 10,400 | 10,400 |
| Federal Government | 2,500 | 2,500 | 2,500 | 2,600 | 2,600 |
| State Government | 9,200 | 9,600 | 9,900 | 10,100 | 10,300 |
| Local Government | 40,800 | 42,100 | 43,700 | 44,700 | 45,200 |
| Total all Industries (3) | 316,600 | 317,200 | 319,100 | 321,800 | 328,800 |

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) 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.*

## Largest Employers

The following table lists the largest employers within the County as of May 2019.

**KERN COUNTY**
**Major Employers (Listed Alphabetically)**
**As of May 2019**

| Employer Name | Location | Industry |
|---|---|---|
| Bakersfield Memorial Hospital | Bakersfield | Hospitals |
| California Correctional Inst | Tehachapi | Government Offices-State |
| Chevron | Bakersfield | Management Services |
| Edwards Afb | Edwards | Government Offices-Us |
| Ensign United States Drilling | Bakersfield | Energy Management Systems & Products |
| Foster Care Human Svc | Bakersfield | Foster Care |
| Frito-Lay Inc | Bakersfield | Potato Chips (whls) |
| Grimmway Farms | Arvin | Farms |
| John J Kovacevich & Sons | Arvin | Fruits & Vegetables-Growers & Shippers |
| Kern County Human Svc Dept | Bakersfield | Government Offices-County |
| Marko Zaninovich Inc | Mc Farland | Fruits & Vegetables-Growers & Shippers |
| Mercy Hospitals of Bakersfield | Bakersfield | Hospitals |
| Nabors Completion-Production | Bakersfield | Oil Field Service |
| Nasa/Dryden Flight Research | Edwards | Research Service |
| NAVAL Air Warfare Ctr | Ridgecrest | Military Bases |
| Paramount Farms Huller 4 | Lost Hills | Farms |
| Ridgecrest Regional Hospital | Ridgecrest | Hospitals |
| Robertson's Ready Mix | California City | Concrete-Ready Mixed |
| San Joaquin Community Hospital | Bakersfield | Hospitals |
| Sun Pacific | Bakersfield | Fruits & Vegetables-Growers & Shippers |
| US Department of the Navy | Ridgecrest | Business Services NEC |
| US Naval Air Weapons Station | Ridgecrest | Federal Government-National Security |
| US Navy Public Affairs Office | Ridgecrest | Government Offices-Us |
| Wasco State Prison Fire Dept | Wasco | Government Offices-State |
| Wm Bolthouse Farms Inc | Bakersfield | Agricultural Consultants |

*Source: State of California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.*

## Agriculture

The County is part of the San Joaquin Valley, one of the most agriculturally productive areas on a per acre basis in the world. The top five commodities for 2017 were grapes, almonds, citrus, milk and pistachios, which make up more than $4.5 billion (63%) of the total value; with the top twenty commodities making up more than 75% of the total value. The table below lists the value of various agricultural products from 2013 through 2017. Data is not yet available for 2018.

**KERN COUNTY**
**Gross Value of Agricultural Production**
**(Dollars in Thousands)**

| Agricultural Product | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Fruit and Nut Crops | $4,133,389 | $4,769,213 | $4,670,622 | $4,900,990 | $4,802,164 |
| Field Crops | 522,365 | 507,302 | 340,618 | 304,712 | 303,075 |
| Vegetable Crops | 686,789 | 648,857 | 654,165 | 836,670 | 916,636 |
| Livestock & Poultry | 418,926 | 443,650 | 370,376 | 326,508 | 332,978 |
| Livestock & Poultry Products | 819,880 | 980,756 | 652,917 | 609,513 | 666,421 |
| Nursery Crops | 111,271 | 93,720 | 83,265 | 102,318 | 113,705 |
| Industrial Crops | 14,176 | 18,498 | 12,838 | 9,045 | 10,764 |
| Seed Crops & Other | 5,305 | 6,591 | 11,251 | 9,410 | 14,932 |
| Apiary Products | 57,755 | 83,737 | 82,772 | 88,778 | 93,493 |
| Total | $6,769,856 | $7,552,324 | $6,878,824 | $7,187,944 | $7,254,168 |

*Source: Kern County Department of Agriculture, 2017 Agricultural Crop Report.*

**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.

**COUNTY OF KERN**
**Effective Buying Income**
**Calendar years 2015 through 2019**

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Kern County | $42,189 | $43,795 | $44,716 | $47,525 | $44,937 |
| California | 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.*

**Commercial Activity**

Total taxable sales during the first quarter of calendar year 2018 in the County were reported to be $3.4 billion, a 8.27% increase over the total taxable sales of $3.1 billion reported during the first quarter of calendar year 2017. Annual figures for calendar year 2018 are not yet available.

**KERN COUNTY**
**Taxable Retail Sales**
**Number of Permits and Valuation of Taxable Transactions**
**Calendar Years 2013 through 2017**
**(Dollars in Thousands)**

| | Retail Stores | | Total All Outlets | |
|---|---|---|---|---|
| | Number of Permits | Taxable Transactions | Number of Permits | Taxable Transactions |
| 2013 | 11,242 | $8,134,147 | 16,077 | $15,199,124 |
| 2014 | 11,519 | 8,589,322 | 16,336 | 15,722,694 |
| 2015[(1)] | 6,303 | 8,549,819 | 18,455 | 14,322,101 |
| 2016 | 12,097 | 8,566,623 | 18,556 | 13,885,643 |
| 2017 | 12,253 | 9,021,040 | 18,743 | 13,883,734 |

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
*Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.*

## Construction Activity

Construction activity in the County for the past five years for which data is available is shown in the following tables.

**KERN COUNTY**
**Total Building Permit Valuations**
**Calendar Years 2013 through 2017**
**(Valuations in Thousands)**

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Permit Valuation | | | | | |
| New Single-family | $363,561.4 | $444,592.4 | $496,973.6 | $489,908.4 | $396,101.1 |
| New Multi-family | 44,545.8 | 51,730.1 | 28,017.3 | 12,501.0 | 2,169.0 |
| Res. Alterations/Additions | 30,414.3 | 32,193.6 | 27,705.0 | 30,119.6 | 44,923.8 |
| Total Residential | 438,521.4 | 528,516.1 | 552,695.9 | 532,529.0 | 443,193.9 |
| | | | | | |
| New Commercial | 267,395.0 | 148,418.5 | 116,726.1 | 121,385.2 | 182,439.2 |
| New Industrial | 23,706.3 | 19,876.5 | 11,396.1 | 5,469.5 | 14,027.3 |
| New Other | 1,319,217.8 | 627,586.8 | 646,808.6 | 89,364.6 | 52,473.9 |
| Com. Alterations/Additions | 132,961.5 | 165,036.0 | 144,820.5 | 132,775.7 | 121,754.7 |
| Total Nonresidential | 1,743,280.6 | 960,917.8 | 919,751.3 | 348,995.0 | 370,695.1 |
| | | | | | |
| New Dwelling Units | | | | | |
| Single Family | 1,952 | 2,047 | 2,184 | 2,181 | 1,844 |
| Multiple Family | 520 | 380 | 270 | 66 | 10 |
| TOTAL | 2,472 | 2,427 | 2,454 | 2,247 | 1,854 |

*Source: Construction Industry Research Board, Building Permit Summary.*

## Transportation Systems

Well-developed surface and air transportation facilities are available to residents and business firms. Main lines of both the Union Pacific and the Burlington Northern Santa Fe railroads traverse the area. Amtrak service is available.

State Highway 99, is the main north-south artery serving the most populous communities along the east side of the Central Valley. State Highway 58 provides east-west linkage between Interstate 5, 20 miles west, and Interstate 15 at Barstow, to the east. Highway 178, heading northeast, is the major route along the Kern River Valley. Highway 65, to the north, provides access to communities east of Highway 99 and to Sequoia National Park.

Interurban motor transportation is made available by Orange Belt Stages, Greyhound, and Trailways. Golden Empire Transit provides local bus transportation.

The Meadows Field Airport is located on the north side of Bakersfield. Regularly scheduled passenger and air cargo service is available, as well as charter service and general aviation services. The Meadows Field Airport includes the William M. Thomas Terminal, a 64,800 square foot, state-of-the-art terminal facility completed in November 2005 that is currently equipped with three jet-boarding bridges, but that may be expanded to accommodate up to nine gates. A second, older terminal has been converted to accommodate international flights to Mexico.

## APPENDIX D

## PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF JONES HALL]

May 30, 2019

Board of Trustees
El Tejon Unified School District
4337 Lebec Road
Lebec, California 93243

***OPINION:*** $4,500,000 El Tejon Unified School District (Kern and Ventura Counties, California) General Obligation Bonds, Election of 2018, Series B

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Members of the Board of Trustees:

We have acted as bond counsel to the El Tejon Unified School District (the "District") in connection with the issuance by the District of $4,500,000 principal amount of El Tejon Unified School District (Kern and Ventura Counties, California) General Obligation Bonds, Election of 2018, Series B, dated the date hereof (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 Kern is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except for certain personal property 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,

*Jones Hall,*
A Professional Law Corporation

# APPENDIX E

# FORM OF CONTINUING DISCLOSURE CERTIFICATE

**$4,500,000**
**EL TEJON UNIFIED SCHOOL DISTRICT**
**(Kern and Ventura Counties, California)**
**General Obligation Bonds**
**Election of 2018, Series B**
**(Bank Qualified)**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Disclosure Certificate**") is executed and delivered by the El Tejon 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**"). The Bank of New York Mellon Trust Company, N.A. 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, Isom Advisors, a Division of Urban Futures, Inc. or any successor Dissemination Agent designated in writing by the District and which has filed with the District 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 The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or any successor thereto.

"*Participating Underwriter*" means O'Connor & Company Securities, Inc., 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 Annual Report Date, 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) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information for the most recently completed fiscal year, or, if available at the time of filing the Annual Report, for the fiscal year in which the Annual Report is filed:

(i) assessed valuation of taxable properties in the;

(ii) assessed valuation of properties of the top twenty taxpayers in the District;

(iii) if the District's levy for general obligation bonds is not included on the Teeter Plan for both Kern and Ventura Counties, property tax collection delinquencies for the District for the most recently completed Fiscal Year but only if available at the time of the filing of the Annual Report, for the prior fiscal year,

(iv) the adopted budget or, alternatively, the most recently Board-approved interim report which contains budgeted and projected figures, for the fiscal year in which the Annual Report is filed, or a summary thereof, and

(v) 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.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

**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 District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect 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 Disrict, 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 Isom Advisors, a Division of Urban Futures, Inc. 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: May 30, 2019

**EL TEJON UNIFIED SCHOOL DISTRICT**

By: ______________________________
Name:____________________________
Title:_____________________________

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT

**ISOM ADVISORS,**
**A DIVISION OF URBAN FUTURES, INC.**

By: ______________________________
Name:____________________________
Title:_____________________________

## EXHIBIT A

## NOTICE OF FAILURE TO FILE ANNUAL REPORT

| | |
|---|---|
| Name of Issuer: | El Tejon Unified School District (the "District") |
| Name of Bond Issue: | El Tejon Unified School District General Obligation Bonds, Election of 2018, Series B |
| Date of Issuance: | May 30, 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 May 30, 2019. The District anticipates that the Annual Report will be filed by _____________.

Dated:__________________

**DISSEMINATION AGENT:**

By: ___________________________
Its: ___________________________

cc: Paying Agent and Participating Underwriter

## APPENDIX F

## DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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# APPENDIX G

# KERN COUNTY INVESTMENT POLICY
# AND INVESTMENT REPORT

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# OFFICE OF THE TREASURER-TAX COLLECTOR
# COUNTY OF KERN

## TREASURER'S STATEMENT OF INVESTMENT POLICY
## *Approved By the Board of Supervisors December 4, 2018*

**SCOPE:**

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

This policy shall be reviewed annually by the County's Treasury Oversight Committee and approved by the County Board of Supervisors. The purpose of this policy is to establish cash management and investment guidelines for the County Treasurer, who is responsible for the management and investment of the County Treasurer's Pool, which consists of pooled monies held on behalf of the County, school districts, community college districts and certain special districts within the County.

This policy shall apply to all investments held within the County Treasurer's Pool and made on behalf of the County and member agencies of the Pool with the exception of certain bond funds for which the Board of Supervisors may specifically authorize other allowable investments, consistent with State law. Also exempt from this policy are retirement funds and other post employment benefit (OPEB) funds managed through an external trust. The Treasurer and Treasurer's staff are responsible for the full-time, active management of the Pool. All investments and activities of the Treasurer and staff are conducted with the understanding that the Treasurer holds a public trust with the citizens of the County, which cannot be compromised.

**FIDUCIARY RESPONSIBILITY:**

CGC Section 27000.3, declares each Treasurer, or governing body authorized to make investment decisions on behalf of local agencies, to be a fiduciary subject to the prudent investor standard as stated in CGC Section 53600.3:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall investment strategy, investments may be acquired as authorized by law."

**PORTFOLIO OBJECTIVES:**

It is the policy of the Treasurer to invest public funds in a manner which will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines. The portfolio should be actively managed in a manner that is responsive to the public trust and consistent with State law. Accordingly, the County Treasurer's Pool will be guided by the following principles, in order of importance:

1. The primary objective of the Treasurer's investment of public funds is to safeguard investment principal.
2. The secondary objective is to maintain sufficient liquidity to insure that funds are available to meet daily cash flow requirements.
3. The third and last consideration is to achieve a reasonable rate of return or yield consistent with these objectives.

**AUTHORIZED INVESTMENTS:**

Investments shall be restricted to those authorized in the CGC and as further restricted by this policy statement, with the exception of certain bond funds in which the Board of Supervisors has specifically authorized other allowable investments. All investments shall be further governed by the restrictions shown in Schedule I which defines the type of investments authorized, maturity limitations, portfolio diversification (maximum percent of portfolio), credit quality standards, and purchase restrictions that apply. Whenever a maximum allowable percentage of the portfolio is stipulated for any type of security or structural maturity range, the limit or maximum allowable is determined by the portfolio size at the close of the date on which the security is settled.

In conjunction with these restrictions, County Treasurer staff shall diversify its investments by security type, issuer and maturity. The purpose of this diversification is to reduce portfolio risk by avoiding an over concentration in any particular maturity sector, asset class or specific issuer. As Agency security holdings are the largest portion of the pool, diversification among the Agency issuers should be considered to the extent practical when making investments.

**PROHIBITED INVESTMENTS:**

No investment shall be made that is prohibited by *53601.6* as may be from time to time amended.

**STAFF AUTHORIZED TO MAKE INVESTMENTS:**

Only the Treasurer, Assistant Treasurer, Principal Treasury Investment Officer and department Accountants, when acting as the Investment Officer, are authorized to make investments and to order the receipt and delivery of investment securities among custodial security clearance accounts.

**AUTHORIZED BROKER/DEALERS:**

The County Treasurer shall maintain an 'Eligible Broker/Dealer List'. Firms eligible to do business with the County are:

- Primary Broker/Dealers eligible to trade with the New York branch of the Federal Reserve Bank

- Regional Broker/Dealers meeting the minimum capital requirements of the Securities Exchange Commission

- Introducing Brokers meeting the minimum capital requirements of the Securities Exchange Commission

- National or State banks, domestic branches of properly licensed foreign banks, credit unions, savings and loan institutions, thrift associations

- Direct Issuers meeting the appropriate credit criteria for the securities being offered

- Other institutions as authorized by law

All firms with whom the County does business shall comply with the requirements set forth in Schedule IV. County Treasurer staff shall conduct an annual review of each Broker/Dealer's current financial condition and performance in servicing the County over the prior year.

Further, in compliance with CGC Section 27133(c) & (d), no dealer and/or securities firm shall be eligible if they have made a political contribution in excess of the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board or exceeded the limit on honoraria, gifts, and gratuities set by State law, or by the Fair Political Practices Commission, by County Ordinance or Departmental Policy.

**DUE DILIGENCE:**

County Treasurer staff shall conduct a thorough review and perform due diligence of all firms seeking to do business with the County prior to conducting transactions with those parties and on a continuing basis. This due diligence may include a periodic review of recent news, financial statements and SEC filings related to each entity.

**INTERNAL CONTROL:**

The County Treasurer has established a system of internal control to provide reasonable assurance that the investment objectives are met and to ensure that the assets of the County Treasury Pool are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that the cost of control shall not exceed the benefits likely to be derived and that the valuation of costs and benefits require estimates and judgments by management. The County Treasurer shall develop and maintain written procedures for the operation of the investment program, which are consistent with this policy. These procedures shall include reference to separation of duties, safekeeping, collateralization, wire transfers and banking related activities.

Except for declared emergencies, the County Treasurer's Office shall observe the following procedures on a daily basis:

1. All investment transactions conducted by the County Treasurer's Office shall be immediately confirmed and entered into the Treasurer's Portfolio Accounting System.
2. A copy of each day's investment transactions shall be filed with the County Auditor-Controller.

3. County investments shall be executed, confirmed, accounted for, and audited by different people.

## SECURITY CUSTODY & DELIVERIES:

All securities purchased shall be deposited for safekeeping with the Custodial Bank that has contracted to provide the County Treasurer with custodial security clearance services or with a tri-party custodian bank under a written tri-party custody agreement. These third party trust department arrangements provide the County with a perfected interest in, ownership of and control over the securities held by the bank custodian on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are not to be held in investment firm/broker dealer accounts. All security holdings shall be reconciled monthly by the County Treasurer and audited at least quarterly by the County Auditor.

All security transactions are to be conducted on a "delivery-versus-payment basis". All trades will be immediately confirmed with the Broker/Dealer and reconfirmed through the Custodian Bank.

## COMPETITIVE PRICING:

Investment transactions are to be made at current market prices. Wherever possible, competitive prices should be obtained through obtaining multiple bids or offers. When possible, bids and offers for any investment security shall be taken from a minimum of three security dealers/brokers or banks and awards shall be made to the best bid or offer. The primary source of pricing information and guidance will be that information available through Bloomberg LLP, a world-wide financial news service to which the County subscribes.

## LIQUIDITY:

The portfolio will maintain a weighted-average maturity of no greater than 2 years. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio will maintain at least 35% of its total book value in securities having a maturity of one (1) year or less.

## PORTFOLIO EVALUATION:

The portfolio is monitored and evaluated daily, monthly, and quarterly by the County Treasurer's Office. Monthly market value pricing is provided by a third party. Earned yield is calculated each month. Benchmarks for earned yield and investment performance will be commensurate with the pool's investment goals, credit limits, and target weighted average maturity and duration.

## MITIGATING MARKET & CREDIT RISKS:

Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the: (1) credit quality standards issued by Standard & Poor's, Moody's and Fitch's rating services on the credit worthiness of each issuer of securities, (2) limiting the duration of investments to the time frames noted in Schedule I, and (3) by maintaining the diversification and liquidity standards expressed within this policy.

In the event of a downgrade of a security held in the portfolio, the Principal Treasury Investment Officer shall report the downgrade to the Treasurer within a maximum of 3 days. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated on a case-by-case basis to determine whether the security shall be sold or held. Every effort will be made to sell such a security without a book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors including the issuer's default risk, headline risk, and short term vs. long term financial metrics.

**TRADING & EARLY SALE OF SECURITIES:**

Securities should be purchased with the intent of holding them until maturity. However, in an effort to minimize market risks, credit risks, and increase the return of the portfolio, securities may be sold prior to maturity either at a profit or loss when economic circumstances or a deterioration in credit worthiness of the issuer warrant a sale of the securities to either enhance overall portfolio return or to minimize loss of investment principal. In measuring a profit or loss, the sale proceeds shall be compared to the original cost of the security plus accrued interest earned and/or any accretion or amortization of principal on the security from the date of purchase or the last coupon date, to the date of sale.

**PORTFOLIO REPORTS/AUDITING:**

On a monthly basis, the County Treasurer shall prepare and file with the Board of Supervisors, the County Administrative Officer, and County Auditor-Controller, a report consisting of, but not limited to, the following:

1. Monthly investment transactions, investments detailing each by type, issuer, date of maturity, par value and stating the book vs. current market value together with all other portfolio information required by law.
2. Compliance of investments to the existing County Investment Policy.
3. A statement confirming the ability of the Pool to meet anticipated cash requirements for the Pool for the next six months.

**TREASURY OVERSIGHT COMMITTEE:**

In accordance with the CGC Section 27131, the Board of Supervisors has established a Treasury Oversight Committee. The Treasury Oversight Committee will render unbiased and objective opinions on matters involving the Treasurer's investment of public funds. Specifically, the law requires that the Treasury Oversight Committee meet to:

1. Review the Treasurer's annual Investment Policy Statement and any subsequent changes thereto, prior to its submission to the Board of Supervisors for review and adoption,
2. Review the Treasurer's investment portfolio reports and the portfolio's compliance with law and this Investment Policy,
3. Cause an annual audit to be conducted on the Treasurer's Pooled Investment portfolio.

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph

M. Brown Act. By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury.

**QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:**

All moneys deposited in this pool by the participants represent an individual interest in all assets and investments in the pool based upon the amount deposited. Portfolio income shall be reconciled daily against cash receipts, and quarterly prior to the distribution of earnings among those entities sharing in pooled fund investment income. Nonetheless, actual portfolio income and/or losses, net of any reserves, will be distributed quarterly using the accrual basis of accounting, in compliance with the CGC Section 53684, among those participants sharing in pooled investment income. Except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the calendar quarter.

**QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:**

Prior to the quarterly apportionment of pooled fund investment income, the County Treasurer is permitted by CGC Section 53684 to deduct from investment income before the distribution thereof, the actual cost of the investments, auditing, depositing, handling and distribution of such income. Accordingly, the Treasurer shall deduct from pooled fund investment earnings the actual cost incurred for banking and investment related services including but not limited to: wire transfers, custodial safekeeping charges, necessary capital outlays, the costs of investment advisory services, credit ratings, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer-Tax Collector's Office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions.

**WITHDRAWAL OF FUNDS:**

The Treasurer's Investment Policy establishes guidelines for unusual or unexpected withdrawal of cash and provides for adequate liquidity to cover day-to-day operations of pool depositors. On occasion, depositors have need of withdrawals that exceed those normally associated with operations. To accommodate such withdrawals, the Treasurer-Tax Collector's Office has established written notification requirements as set forth below to allow for adjustments to the liquidity position of the Portfolio. The notification required is as follows:

| | |
|---|---|
| Withdrawals of up to $10,000,000 | 24 hours |
| Withdrawals of $10,000,001 and more | 72 hours |

Notification should be by email to 2servu@co.kern.ca.us. Failure to adhere to these requirements may result in payment being delayed by the Treasurer-Tax Collector's office.

Pursuant to CGC Section 27136, any local agency, public agency, public entity, or public official that has funds on deposit in the county treasury pool and that seeks to withdraw funds for the purpose of investing or depositing those funds outside the county treasury pool is required to first submit a request for the withdrawal to the county Treasurer-Tax Collector before withdrawing funds from the county treasury pool. Prior to approving such a request, the county

Treasurer-Tax Collector will find that the withdrawal will not adversely affect other depositors in the county treasury pool. Approval of the withdrawal does not constitute approval or endorsement of the investment.

**POLICY CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY INTO COUNTY INVESTMENT POOL:**

The County Treasurer is not soliciting nor accepting any new agency's voluntary entry into the County Treasurer's Pool.

**ETHICS & CONFLICTS OF INTEREST:**

Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. The County Treasurer-Tax Collector, Assistant Treasurer-Tax Collector, Principal Treasury Investment Officer and department Accountants are required to file annually the applicable financial disclosure statements as mandated by the Fair Political Practices Commission (FPPC) and/or by County Ordinance. In addition, the Principal Treasury Investment Officer and department Accountants are required to sign and abide by an Ethics Policy instituted by the Treasurer.

**POLICY ADOPTION & AMENDMENTS:**

This policy statement will become effective immediately following adoption by the Board of Supervisors, and will remain in force as long as the delegation of authority to the Treasurer to invest is in effect and until subsequently amended in writing by the County Treasurer, reviewed by the Treasury Oversight Committee and approved by the Board of Supervisors.

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# OFFICE OF THE TREASURER
# COUNTY OF KERN
*STATEMENT OF INVESTMENT POLICY*

## Schedule I

## Authorized Investments

| AUTHORIZED INVESTMENTS | MAXIMUM HOLDINGS | PURCHASE RESTRICTIONS | MAXIMUM MATURITY | CREDIT QUALITY (S&P/MOODY'S/ FITCH) |
|---|---|---|---|---|
| Inactive Accounts aka Money Market Accounts | $50,000,000 per account | Limited to depository's described in CGC 53630.5 | Daily | Collateralization requirements per Govt Code section 53652. |
| U.S. Treasury Obligations | 100% | None | 5 years | Not Applicable |
| Notes, participation's or obligations issued by an agency of the Federal Government or U.S. government-sponsored enterprises | 75% | Maximum per issuer limit of 40% | 5 years | Not Applicable |
| Bonds, notes, warrants or certificates of indebtedness issued by the State of California | 10% | None | 5 years | AA by at least 2 of the 3 rating agencies |
| Cash substitutes issued by the State of California | 25% | Applies only to cash substitutes issued by the State during periods of fiscal emergency | 5 years | Not Applicable |
| Bonds, notes, warrants or certificates of indebtedness issued by agencies within the State of California | 10% | None | 5 years | AAA by at least 2 of the 3 rating agencies |
| Bonds, notes, warrants or certificates of indebtedness issued by any of the other 49 states | 10% | None | 5 years | AAA by at least 2 of the 3 rating agencies |
| Bankers Acceptances | 30% | See Note 1 | 180 Days | Minimum A-1, P-1 or F1 |



TOC Approved 11/08/18
BOS Approved 12/04/18

| | | | | |
|---|---|---|---|---|
| Commercial paper of U.S. Corps with total assets in excess of $500 MM | 40% total for all Commercial Paper | Max 10% of outstanding paper of any one issuer & max. See Note 1 | 270 Days | Minimum A-1, P-1 or F1 |
| Asset-backed Commercial Paper | Included in Commercial Paper Requirements | Issuer must have program-wide credit enhancements | 270 Days | Minimum A-1, P-1 or F1 |
| Local Agency Investment Fund (LAIF) | Maximum amount permitted by LAIF | LAIF Policies | Daily | Not Applicable |
| Negotiable CD's issued by US National or State chartered banks or a savings association or a federal association, a state or federal credit union, or by a federally licensed or state licensed branch of a foreign bank | 30% | See Note 1 | 5 years | Minimum A-1, P-1 or F1 for CDs issued with a maturity of one year or less. AA for CDs issued with a maturity of more than one year (must be rated by 2 of the 3 rating agencies) |
| Collateralized Certificates of Deposit/Deposits | 10% | As stipulated in Article 2, Section 53630 et al of the Calif. Government Code | 1 year | See Section 53630 et al of the California Government Code |
| Repurchase Agreements with 102% collateral | 40% | Repurchase Agreements(contracts) must be on file | 180 days | Restricted to Primary Dealers on Eligible Dealer list |
| Reverse Repurchase Agreements | 10% | See Schedule II | 92 days (See Schedule III) | Restricted to Primary Dealers on Eligible Dealer list |
| Medium Term Notes of corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S. | 30% | See Note 1 | 5 years | Minimum rating of AA for maturities exceeding 1 year. A for maturities of one year or less. (must be rated by 2 of the 3 rating agencies) |
| Money Market Mutual Funds that meet requirements of Calif. Gov't. Code | 15% | Registered with SEC. No NAV adjustments. No Front-end loads. No more than 10% per MMF. | Daily | AAAm or equivalent by at least 2 of the 3 rating agencies or advisor requirements |

| | | | | |
|---|---|---|---|---|
| Shares of beneficial interest issued by a JPA aka Local Government Investment Pools (LGIPs) | 10% | None | Daily | Advisor requirements |
| Asset-Backed Securities | 10% | None | 5 years | AAA by at least 2 of the 3 ratings agencies |
| Supranationals | 10% | International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), or Inter-American Development Bank (IADB) only. Permitted by CGC 53601 (q) and this policy effective January 1, 2015. | 5 years | AAA by at least 2 of the 3 rating agencies |

Note 1: Maximum investment per issuer across all investment types will not exceed 6% of the total book value of the Pool as of date of purchase.
Note 2: Consistent with the Government Code, rating criteria in this policy do not specify any modifier (+/– or 1/2/3) and it is implied that ratings with a modifier still meet the rating requirements of this policy regardless of modifier.
Note 3: While references to ratings of AAA, AA, A are in S&P's nomenclature, they imply the equivalent ratings by all other rating agencies.

| MATURITY STRUCTURE | | |
|---|---|---|
| Maturity Range | No less Than | No more than |
| 0-366 Days - 0 to 12months | 35% | n/a |
| 367- 1097 Days - 1 to 3 years | n/a | 65% |
| 1097-1827 Days - 3 to 5 years | n/a | 25% |

The weighted-average maturity of the portfolio will not exceed 2 years.

Some securities purchased by the Pool will be callable securities. Callable securities are subject to redemption prior to the final maturity date. For accounting purposes, premiums will be amortized to the next applicable call date, whereas discounts will be accreted to the final maturity date. Callable securities will not exceed 20% of the portfolio.

Some callable securities have coupons that increase at specified periods if the security is not called (step-up notes). Step-up notes will be included in the 20% allocation of callable notes, but will not exceed 10% of the total portfolio.

REPURCHASE AGREEMENTS

Repurchase agreements are restricted to primary dealers of the Federal Reserve Bank of New York. All counterparties must sign a PSA Master Repurchase Agreement and for tri-party repurchase agreements a Tri-Party Repurchase Agreement as well before engaging in any repurchase agreement transactions. Collateral for repurchase agreements shall have a market value of at least 102% of the amount invested and must be marked to market by staff or by an independent third-party or custodial bank acting under contract to the County. Collateral for term repurchase agreements should be marked to market on a regular basis. Repurchase agreements are required to be collateralized by securities authorized under Section 53601 et.

seq. of the California Government Code. Confirmations resulting from securities purchased under repurchase agreements should clearly state (A) the exact and complete nomenclature of the underlying securities purchased; (B) that these securities have been sold to the County under a repurchase agreement; and (C) the stipulated date and amount of the resale by the County back to the seller of the securities.

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# OFFICE OF THE TREASURER
# COUNTY OF KERN
## *STATEMENT OF INVESTMENT POLICY*

## *SCHEDULE II*

### POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS

The Treasurer hereby institutes the following policies as further safeguards governing investments in Reverse Repurchase Agreements.

The total of Reverse Repurchase Agreement transactions shall not exceed 10 percent of the base value of the portfolio. The term of such agreements shall not exceed 92 calendar days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using such an agreement and the final maturity date of the same security.

1. All loaned securities subject to Reverse Repurchase Agreements shall be properly flagged and immediately accounted for in the Treasurer’s financial system.

2. Investments purchased from the loaned proceeds of the Reverse Repurchase Agreement shall have maturities not exceeding the due date for repayment of the Reverse Repurchase Agreement transaction.

3. Only U.S. Treasury Notes and Federal Agency securities owned, fully paid for, and held in the Treasurer’s portfolio for a minimum of 30 days can be subject to Reverse Repurchase Agreements.

4. Reverse Repurchase Agreements shall only be placed on portfolio securities:

   (a) intended to be held to maturity
   (b) fully paid for and held in the portfolio for a minimum of 30 days

5. Reverse Repurchase Agreements shall only be made with the authorized primary dealers of the Federal Reserve.

6. A contractual agreement must be in place prior to entering into a Reverse Repurchase Agreement with any authorized primary dealer.

7. Reverse Repurchase Agreement transactions shall have the approval of the County Treasurer.

# SCHEDULE III

## *POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS*

1. The issuing bank must provide us with an executed copy of the authorization for deposit of moneys.

2. The money-market yield on the certificate of deposit must be competitive to negotiable CD's offered by banks on the County's pre-approved list in the maturities desired by the County. The County Treasurer's Office reserves the right to negotiate higher yields based on market conditions at the time.

3. Collateral Requirements – The County will only accept municipal government securities ("muni bonds") or U.S. Treasury and Agency securities as collateral. The collateral must be held by a separate custodial bank in an account in the name of Kern County. The County must have a perfected interest in the collateral.
   a. For municipal government securities, the following requirements are listed:
      i. Securities must be issued by governmental agencies located within the State of California (generally general obligation bonds and revenue bonds only)
      ii. Securities must be "AAA" rated
      iii. Maximum maturity of securities is 5 years
      iv. Collateral must be priced at 110% of the face value of the CD on a daily basis
      v. Minimum face value of $5 million per pledged security
   b. For U.S. Treasuries and Agency securities, the following requirements are listed:
      i. Maximum maturity of securities is 5 years
      ii. Collateral must be priced at 110% of the face value of the CD on a daily basis
      iii. Minimum face value of $5 million per pledged security

   The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. Additionally, a statement of the collateral shall be provided on a monthly basis from the custodial bank.

4. The County Treasurer must be given a current audited financial statement for the financial year just ended. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.

5. The County Treasurer must receive a certificate of deposit which specifically expresses the terms governing the transaction, deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc.)

6. Deposits will only be made with banks and savings and loans having branch office locations within Kern County.

OFFICE OF THE TREASURER
**COUNTY OF KERN**
*STATEMENT OF INVESTMENT POLICY*

# SCHEDULE IV

## POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

1. All financial institutions wishing to be considered for the County of Kern's Broker/Dealer List must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses.

2. The County Treasurer's intent is to enter into a long-term relationship. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.

3. The assigned staff members must complete a Brokers Certificate stating in writing their acceptance and understanding of the County Treasurer's written Investment Policy guidelines. *Such Certificate must be renewed annually.* This is critical for the establishment of a stable, long-term relationship.

4. It is important that the firm provide related services that will enhance the account relationship which could include:

   (a) An active secondary market for its securities.
   (b) Internal credit research analysis on the securities offered for sale.
   (c) Be willing to purchase securities from our portfolio.
   (d) Be capable of providing market analysis, economic projections, newsletters.

5. The firm must provide the County with annual financial statements. All firms with whom the County does business must have a stable financial condition.

6. The County Treasury is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's Custodial Bank.

7. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis or for repurchase agreements, on a tri-party basis.

8. The broker/dealer must have been in operation for more than five (5) years.

9. Firms must have adequate financial strength and capital to support the level of trading that is approved. Adequate financial strength will be assessed by a review of the balance sheet and income statement of the dealer.

10. Repurchase Agreement Counterparty Minimum Requirements:
    Repurchase agreement counterparties will be limited to (i) primary government securities

dealers who report daily to the Federal Reserve Bank of New York, or (ii) banks, savings and loan associations or diversified securities broker-dealers subject to regulation of capital standards by any State or federal regulatory agency.

Counterparties must have:

(a) short-term credit ratings of at least A-1/P-1; and
(b) a minimum asset and capital size of $25 billion in assets and $350 million in capital for primary dealers

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## GLOSSARY OF TERMS

ACCRUED INTEREST – Interest that has accumulated but has not yet been received.

AGENCY ISSUES – Securities issued by federal agencies, those chartered by the federal government or Government Sponsored Enterprises that are considered to be backed by the federal government. See also Government Sponsored Enterprises.

AMORTIZED COST – The original cost of the principal adjusted for the periodic reduction of any discount or premium from the settlement date until a specific future date (also called "Book Value").

BANKERS ACCEPTANCE – Money market instrument created from transactions involving foreign trade. Payment is guaranteed by a shipping manifest and a bank Letter of Credit accepted by the seller's bank.

BASIS POINT – A unit of measurement equal to 1/100 of 1 percent. As an example, the difference between a security yielding 3.25% and one yielding 3.20% is five basis points.

BENCHMARK – An index or security used to compare the performance of a portfolio.

BOND – A long-term debt instrument of a government or corporation promising payment of the original investment plus periodic interest payments by a specified future date.

BOOK RETURN – The sum of all investment income plus changes in the realized gains or losses of a portfolio for a given period.

BULLET – A colloquial term for a bond that cannot be redeemed, or called, prior to maturity.

CALLABLE BOND – A bond in which all or a portion of its outstanding principal may be redeemed prior to maturity by the issuer under specified conditions.

COLLATERALIZATION – Process by which a borrower pledges securities, property or other deposits for the purpose of securing the repayment of a loan and/or security.

COLLATERALIZED CERTIFICATE OF DEPOSIT – A non-negotiable instrument representing a deposit into a bank. The interest rate and maturity are specified on the receipt. It is collateralized by the bank with securities at a minimum of 110% of the deposit amount.

COMMERCIAL PAPER – An unsecured short-term promissory note of a corporation or special purpose entity issued at a specified rate of return for a specified period of time.

COUPON – The stated interest rate on a debt security that an issuer promises to pay.

CREDIT QUALITY – An indication of the risk that an issuer of a security will fulfill its obligation.

CREDIT RATING – A standardized assessment, expressed in alphanumeric characters, of a company's credit quality.

CREDIT RISK – The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

CUSIP – A unique identifier for a security developed by the Committee on Uniform Security Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character *string*. The first six characters identify the issuer, the following two identify the issue, and the final character is a Check-digit.

DERIVATIVES – Securities which derive their value from that of another security or an underlying index, currency or other measure. Floating rate notes (also "floaters") are not considered derivatives.

DISCOUNT INSTRUMENTS – Securities that are sold at a discount to face value.

DIVERSIFICATION – The practice or concept of investing in a range of securities by sector, maturity, asset class or credit quality in order to reduce and spread financial risk.

DOLLAR WEIGHTED AVERAGE MATURITY – The sum of the cost of each security investment multiplied by the number of days to maturity, divided by the total cost of security investments.

EFFECTIVE DURATION – Is a measure of the price volatility of a portfolio that provides an estimate of the projected increase or decrease in the value of that portfolio based upon a decrease or increase in market interest rates. An effective duration of 1.0 means that for every one percent increase in interest rates, the market value of the Portfolio would be expected to decrease by 1.0 percent.

EARNINGS APPORTIONMENT – Is the quarterly interest distribution to the Pool Participants. The actual investment costs incurred by the Treasurer are deducted from the interest earnings of the Pool prior to apportionment.

GOVERNMENT OBLIGATIONS – Securities issued by the U.S. Treasury and Federal Agencies. U.S. Treasuries are direct obligations of the Federal Government. Agencies are not direct obligations of the Federal Government, but involve federal sponsorship or guarantees.

GOVERNMENT SPONSORED ENTERPRISES (GSE'S) – Private, shareholder-owned companies with a relationship with government agencies. These agencies generally are viewed to have an implied guarantee of the U.S. government. These include:

Federal National Mortgage Association (FNMA)
Federal Home Loan Bank (FHLB)
Federal Farm Credit Bank (FFCB)
Federal Home Loan Mortgage Corporation (FHLMC)

LIQUID – A security that is easily converted to cash because there are many interested buyers and sellers to trade large quantities at a reasonable price.

ILLIQUID – A security that is difficult to buy or sell or has a wide spread between the bid price and offer price in the secondary market. There are few buyers and sellers willing to trade large quantities at a reasonable price.

INTEREST RATE RISK – The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value. It is also called “Market Risk”.

INVERSE FLOATERS – Floating rate notes which pay interest in inverse relationship to an underlying index.

LOCAL AGENCY OBLIGATION – An indebtedness issued by a local agency, department, board, or authority within the State of California.

LONG-TERM – The term used to describe a security when the maturity is greater than one year.

MARKET VALUE – The value of a security at which the principal could be sold from a willing seller to a willing buyer at the date of pricing.

MEDIUM TERM NOTES – These are Corporate Notes and Bank Notes that are debt obligations of banks, corporations, and insurance companies. They are issued at a specific rate of return for a specific period of time.

MONEY MARKET MUTUAL FUND – A mutual fund with investments directed in short-term money market instruments only, which can be withdrawn daily without penalty.

NEGOTIABLE CERTIFICATE OF DEPOSIT – A Money Market instrument representing a receipt from a bank for a deposit at a specified rate of interest for a specified period of time, that is traded in secondary markets.

PAR – The stated maturity value, or face value, of a security.

PASS-THROUGH SECURITIES – A debt instrument that reflects an interest in a mortgage pool, consumer receivables pool and equipment lease-backed pool that serves as collateral for a bond. Principal and interest are ‘passed through’ to investors at specified intervals.

POOL – The pooled monies of different government agencies administered by the County Treasurer. Each pool member owns a fractional interest in the securities held in the Pool.

PORTFOLIO VALUE – The total book value amount of all the securities held in the Treasurer’s Pooled Money Fund.

PRIMARY DEALER – A dealer or bank that can buy and sell securities directly with the Federal Reserve Bank of New York.

PRIVATE PLACEMENTS – Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

RANGE NOTES – Notes which pay interest only if the underlying index upon which it is benchmarked, falls within a certain range.

REPURCHASE AGREEMENT – A repurchase agreement consists of two simultaneous transactions. One is the purchase of securities by an investor (i.e., the County), the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed future date.

REVERSE REPURCHASE AGREEMENT – The mirror image of Repurchase Agreements. In this instance the County Pool is the seller of securities to an investor (i.e. brokers).

SAFEKEEPING – A Custodian Bank's action to store and protect an investor's securities by segregating and identifying the securities.

SETTLEMENT DATE – The date on which cash and securities are exchanged and the transaction completed.

SHORT-TERM – The term used to describe a security when the maturity is one year or less.

SUPRANATIONAL SECURITIES – A supranational organization is formed by a group of countries through an international treaty with specific objectives such as promoting economic development. Supranational organizations also issue debt in the United States. The most commonly recognized supranational debt is issued by the International Bank for Reconstruction and Development (IBRD or World Bank).

TOTAL RETURN – The sum of all investment income plus changes in the capital value of a portfolio for a given period.

VOLUNTARY PARTICIPANTS – Local agencies that are not required to deposit their funds with the County Treasurer.

WEIGHTED AVERAGE MATURITY – The remaining average maturity of all securities held in a portfolio. See Dollar Weighted Average Maturity.

WHEN-ISSUED SECURITIES – A security traded before it is actually *issued.* All Treasury bills, notes and bonds trade in the when-issued market before they are auctioned by the Treasury Department. Agencies and GSE's also use this method of trading. It serves to establish the initial offering price of the securities.

YIELD – The percentage return that an investor derives from a financial asset.

YIELD TO MATURITY – The percentage rate of return paid if the security is held to its maturity date. The calculation is based on the coupon rate, length of time to maturity, and market price. It assumes that coupon interest paid over the life of the security is reinvested at the same rate.

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Kern County Treasurer-Tax Collector

***Jordan Kaufman***
*Treasurer and Tax Collector*
***Chase Nunneley***
*Assistant Treasurer and Tax Collector*

**BROKER/DIRECT ISSUER RECEIPT FOR INVESTMENT POLICY AND CERTIFICATE OF COMPLIANCE**

TO:

Jordan Kaufman, Kern County Treasurer-Tax Collector
Mary Bedard, Kern County Auditor-Controller-County Clerk
1115 Truxtun Avenue
Bakersfield, CA 93301

By signing below, I____________________________ of ___________________________
(Name) (Company)

hereby certify that:

1) I have reviewed the Investment Policy governing the Kern County Treasurer's Pooled Cash Portfolio, and that I understand its content. I am not expected to enforce provisions concerning Average Maturity, Category Limits or Issuer Limits. I am expected to offer only those investments that qualify under the County's credit requirement as directed in the Policy. The responsibility for overall portfolio structure and composition remains with the County.

2) I further certify that I have not made, nor do I intend to make, political contributions to any candidate for any Kern County elective office.

Signed:

___________________________________________ Date:________________________



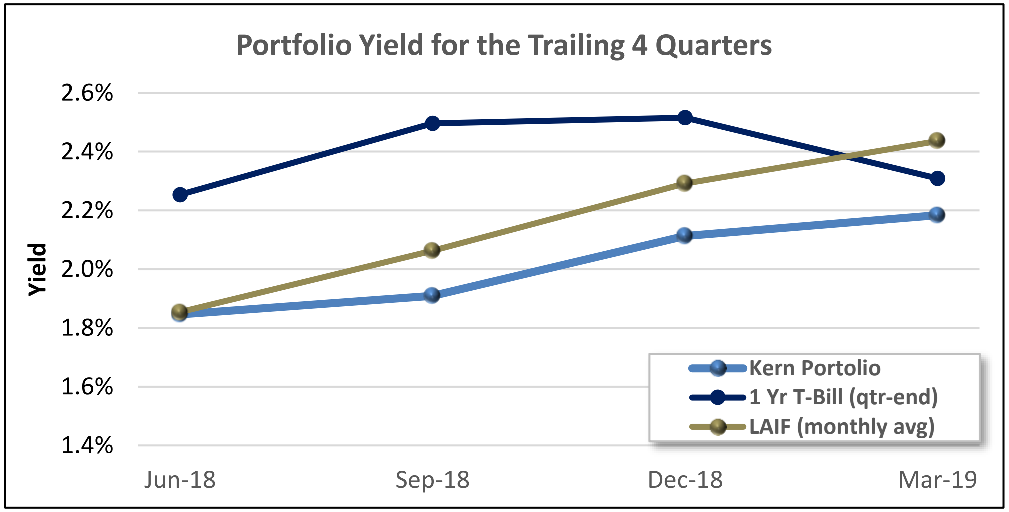
TOC Approved 11/08/18
BOS Approved 12/04/18

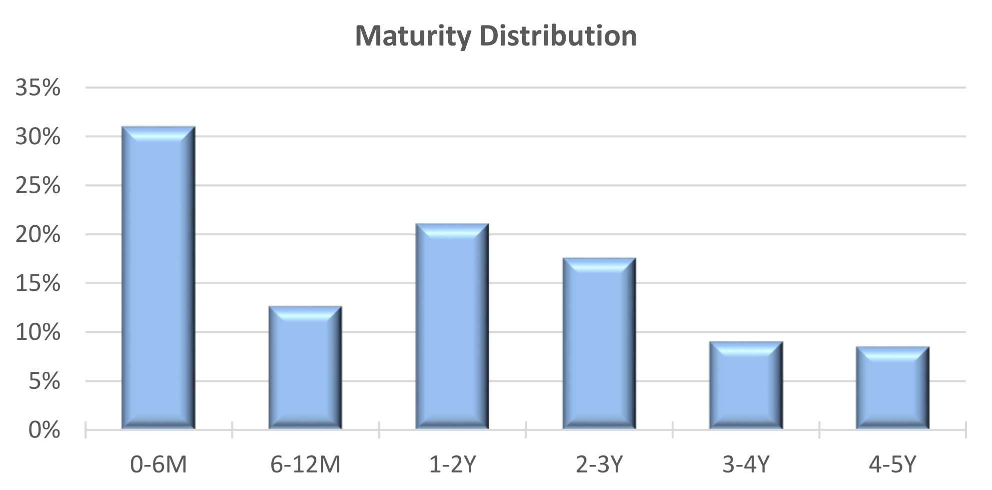
# Kern County Treasurer's Pooled Cash

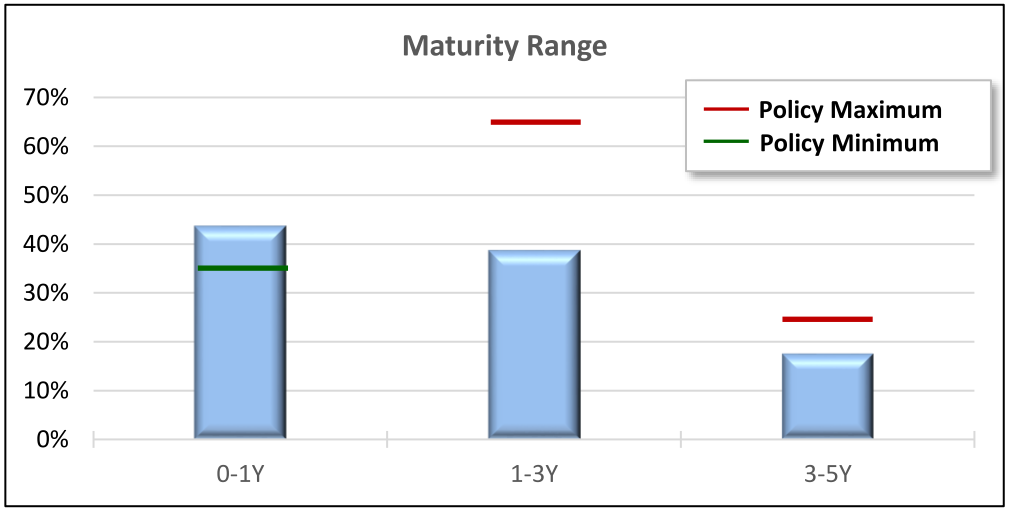
## Portfolio Summary

**3/31/2019**

| | |
|---|---|
| **Total Market Value** | $ 3,331,561,846 |
| **Yield to Maturity at Cost** | 2.18% |
| **Yield to Maturity at Market** | 2.48% |
| **Effective Duration** | 1.47 |
| **Weighted Average Years to Maturity** | 1.59 |



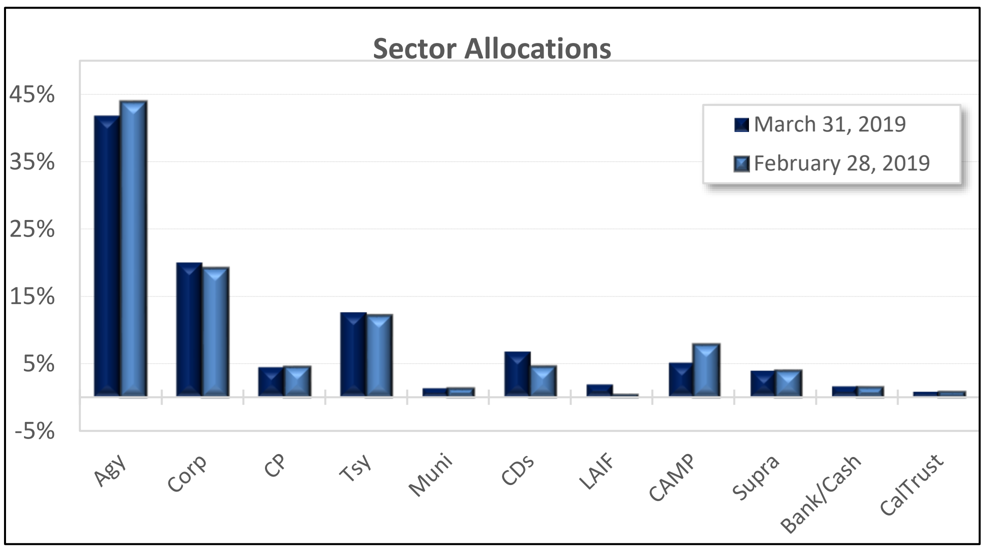

*The County Treasurer believes the Treasury Investment Pool contains sufficient cash flow from liquid and maturing securities, bank deposits, and incoming cash to meet the next six months of expected expenditures.

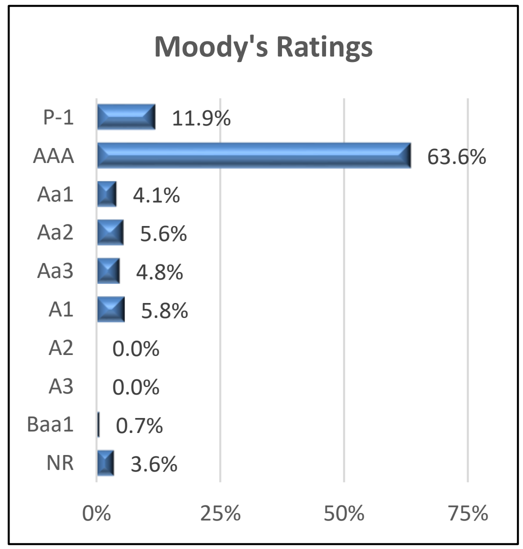
# Kern County Treasurer's Pooled Cash

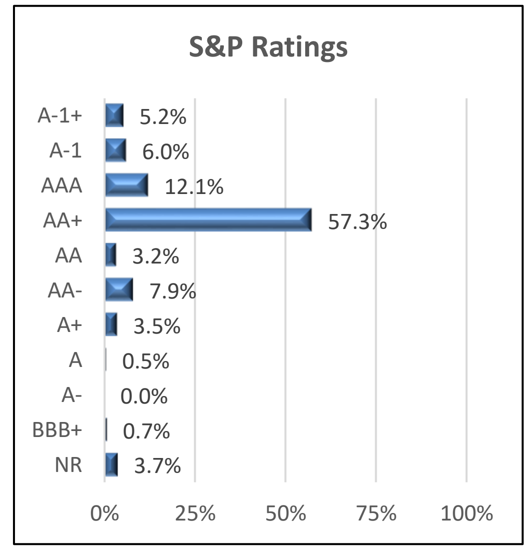
## Portfolio Summary

**3/31/2019**

| Sector | Par Amount | Original Cost | Market Value | Original Yield | % of Total Assets | Policy Limit Rating | Days to Maturity |
|---|---|---|---|---|---|---|---|
| Local Agency Investment Fund | 61,297,828 | 61,297,828 | 61,297,828 | 2.44% | 1.84% | $65 Million | 1 |
| California Asset Management Program | 169,457,892 | 169,457,892 | 169,457,892 | 2.59% | 5.09% | 10% | 1 |
| CalTRUST | 25,136,351 | 25,136,351 | 25,136,351 | 2.53% | 0.75% | 10% | 1 |
| U.S. Treasuries | 426,000,000 | 419,923,047 | 420,649,520 | 2.12% | 12.63% | 100% | 681 |
| Federal Agencies | 1,393,912,000 | 1,392,788,896 | 1,390,127,153 | 1.91% | 41.73% | 75% | 654 |
| Municipal Bonds | 42,000,000 | 42,323,890 | 42,978,240 | 2.85% | 1.29% | 10% | 1,290 |
| Supranationals | 130,000,000 | 130,241,360 | 129,576,842 | 1.89% | 3.89% | 10% | 735 |
| Negotiable CDs | 225,000,000 | 225,000,000 | 225,046,331 | 2.74% | 6.75% | 30% | 143 |
| Commercial Paper | 150,000,000 | 147,550,354 | 148,578,292 | 2.89% | 4.46% | 40% | 108 |
| Corporate Notes | 667,581,000 | 667,443,145 | 666,999,994 | 2.33% | 20.02% | 30% | 769 |
| **Total Securities** | 3,290,385,071 | 3,281,162,763 | 3,279,848,443 | 2.18% | 98.45% | | 582 |
| Total Cash | 51,713,403 | 51,713,403 | 51,713,403 | | 1.55% | | |
| **Total Assets** | 3,342,098,475 | 3,332,876,166 | 3,331,561,846 | | 100.00% | | |



# Treasurer's Pooled Cash
## Portfolio Management
## Portfolio Details - Investments
## March 31, 2019

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | S&P | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Pooled Funds** | | | | | | | | | | | | |
| 928989367 | 8940 | JPM Short Term Inv Fund | | | 100,220.44 | 100,220.44 | 100,220.44 | 0.001 | Aaa | AAA | 0.001 | |
| 539995217 | 419 | Local Agency Investment Fund | | | 61,197,607.80 | 61,197,607.80 | 61,197,607.80 | 2.440 | | | 2.440 | |
| | | **Subtotal and Average** | **29,039,763.72** | | **61,297,828.24** | **61,297,828.24** | **61,297,828.24** | | | | **2.436** | |
| **Negotiable CD's** | | | | | | | | | | | | |
| 06370RRC5 | 15453 | Bank of Montreal Chicago | | 12/11/2018 | 25,000,000.00 | 25,002,547.75 | 25,000,000.00 | 2.780 | P-1 | A-1 | 2.819 | 04/09/2019 |
| 78012ULD5 | 15458 | Royal Bank of Canada NY | | 12/14/2018 | 25,000,000.00 | 25,022,964.00 | 25,000,000.00 | 2.870 | P-1 | A-1 | 2.910 | 07/16/2019 |
| 78012UMR3 | 15499 | Royal Bank of Canada NY | | 03/28/2019 | 25,000,000.00 | 24,992,700.00 | 25,000,000.00 | 2.520 | P-1 | A-1 | 2.555 | 02/06/2020 |
| 86564FPD9 | 15461 | Sumitomo Trust & Bank NY | | 12/18/2018 | 25,000,000.00 | 25,005,142.75 | 25,000,000.00 | 2.820 | P-1 | A-1 | 2.859 | 04/18/2019 |
| 89114MSK4 | 15467 | Toronto Dominion Bank NY | | 01/07/2019 | 25,000,000.00 | 25,019,691.25 | 25,000,000.00 | 2.830 | P-1 | A-1 | 2.869 | 07/30/2019 |
| 89114MTM9 | 15480 | Toronto Dominion Bank NY | | 01/16/2019 | 25,000,000.00 | 25,012,360.25 | 25,000,000.00 | 2.760 | P-1 | A-1 | 2.798 | 07/12/2019 |
| 89114MZM2 | 15500 | Toronto Dominion Bank NY | | 03/28/2019 | 25,000,000.00 | 24,998,725.00 | 25,000,000.00 | 2.590 | P-1 | A-1 | 2.626 | 09/27/2019 |
| 62478TY60 | 15492 | MUFG UNION BK NA | | 03/27/2019 | 50,000,000.00 | 49,992,200.00 | 50,000,000.00 | 2.580 | P-1 | A-1 | 2.616 | 11/08/2019 |
| | | **Subtotal and Average** | **156,451,612.90** | | **225,000,000.00** | **225,046,331.00** | **225,000,000.00** | | | | **2.741** | |
| **Commercial Paper - Discount** | | | | | | | | | | | | |
| 09659CU22 | 15456 | BNP New York | | 12/12/2018 | 25,000,000.00 | 24,833,420.25 | 24,601,611.11 | 2.840 | P-1 | A-1 | 2.963 | 07/02/2019 |
| 25214PN66 | 15450 | DEXIA CREDIT LOCAL SA NY | | 12/06/2018 | 25,000,000.00 | 24,540,832.50 | 24,540,833.33 | 2.850 | P-1 | A-1 | 2.975 | 07/26/2019 |
| 25214PP23 | 15489 | DEXIA CREDIT LOCAL SA NY | | 03/26/2019 | 25,000,000.00 | 24,701,937.50 | 24,701,937.50 | 2.510 | P-1 | A-1 | 2.611 | 09/13/2019 |
| 62479MUC5 | 15465 | MUFG BANK LTD/NY | | 12/21/2018 | 25,000,000.00 | 24,815,885.50 | 24,601,048.61 | 2.830 | P-1 | A-1 | 2.952 | 07/12/2019 |
| 63873KS73 | 15421 | Natixis NY | | 09/27/2018 | 25,000,000.00 | 24,934,485.50 | 24,594,541.67 | 2.630 | P-1 | A-1 | 2.742 | 05/07/2019 |
| 63873KVF1 | 15462 | Natixis NY | | 12/19/2018 | 25,000,000.00 | 24,751,730.50 | 24,510,381.94 | 2.950 | P-1 | A-1 | 3.082 | 08/15/2019 |
| | | **Subtotal and Average** | **133,237,792.11** | | **150,000,000.00** | **148,578,291.75** | **147,550,354.16** | | | | **2.887** | |
| **Federal Agency Issues - Coupon** | | | | | | | | | | | | |
| 3133EEHF0 | 14047 | Federal Farm Credit Bank | | 01/06/2015 | 10,000,000.00 | 9,967,600.00 | 10,076,400.00 | 1.800 | Aaa | AA | 1.635 | 11/05/2019 |
| 3133EFXV4 | 14630 | Federal Farm Credit Bank | | 02/04/2016 | 10,000,000.00 | 9,884,600.00 | 10,037,800.00 | 1.450 | Aaa | AA | 1.363 | 08/04/2020 |
| 3133EGCA1 | 14794 | Federal Farm Credit Bank | | 06/03/2016 | 10,000,000.00 | 9,977,700.00 | 9,977,000.00 | 1.060 | Aaa | AA | 1.138 | 06/03/2019 |
| 3133EGCA1 | 14805 | Federal Farm Credit Bank | | 06/03/2016 | 15,000,000.00 | 14,966,550.00 | 14,962,950.00 | 1.060 | Aaa | AA | 1.144 | 06/03/2019 |
| 3133EGXF7 | 14930 | Federal Farm Credit Bank | | 10/04/2016 | 10,000,000.00 | 9,930,400.00 | 10,000,000.00 | 0.960 | Aaa | AA | 0.960 | 10/04/2019 |
| 3133EHWM1 | 15241 | Federal Farm Credit Bank | | 09/01/2017 | 10,000,000.00 | 9,850,900.00 | 10,005,800.00 | 1.700 | Aaa | AA | 1.685 | 09/01/2021 |
| 3133EHVS9 | 15255 | Federal Farm Credit Bank | | 09/29/2017 | 8,065,000.00 | 7,939,508.60 | 8,019,594.05 | 1.840 | Aaa | AA | 1.961 | 08/23/2022 |
| 3133EHTS2 | 15259 | Federal Farm Credit Bank | | 09/29/2017 | 10,000,000.00 | 9,866,400.00 | 9,980,100.00 | 1.900 | Aaa | AA | 1.943 | 08/03/2022 |
| 3133EHF57 | 15263 | Federal Farm Credit Bank | | 10/13/2017 | 10,000,000.00 | 9,901,500.00 | 10,000,000.00 | 1.680 | Aaa | AA | 1.680 | 10/13/2020 |
| 3133EHW58 | 15278 | Federal Farm Credit Bank | | 11/28/2017 | 10,000,000.00 | 9,929,000.00 | 9,997,970.00 | 1.900 | Aaa | AA | 1.907 | 11/27/2020 |

# Treasurer's Pooled Cash
# Portfolio Management
## Portfolio Details - Investments
## March 31, 2019



| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | S&P | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Federal Agency Issues - Coupon** | | | | | | | | | | | | |
| 3133EHU84 | 15316 | Federal Farm Credit Bank | | 01/03/2018 | 23,925,000.00 | 23,712,785.25 | 23,742,930.75 | 1.980 | Aaa | AA | 2.185 | 11/22/2021 |
| 3133EH6L2 | 15321 | Federal Farm Credit Bank | | 01/10/2018 | 20,000,000.00 | 19,934,800.00 | 19,979,200.00 | 1.950 | Aaa | AA | 2.003 | 01/10/2020 |
| 3133EJAW9 | 15336 | Federal Farm Credit Bank | | 01/29/2018 | 10,000,000.00 | 9,986,200.00 | 10,000,000.00 | 2.250 | Aaa | AA | 2.250 | 01/29/2021 |
| 3133EJHL6 | 15348 | Federal Farm Credit Bank | | 03/27/2018 | 10,000,000.00 | 10,020,700.00 | 9,992,800.00 | 2.375 | Aaa | AA | 2.412 | 03/27/2020 |
| 3133EJK24 | 15429 | Federal Farm Credit Bank | | 10/19/2018 | 10,000,000.00 | 10,164,400.00 | 9,994,700.00 | 3.000 | Aaa | AA | 3.019 | 10/19/2021 |
| 3133EJK24 | 15430 | Federal Farm Credit Bank | | 10/19/2018 | 10,000,000.00 | 10,164,400.00 | 9,994,700.00 | 3.000 | Aaa | AA | 3.019 | 10/19/2021 |
| 3133EJZU6 | 15434 | Federal Farm Credit Bank | | 10/31/2018 | 15,000,000.00 | 15,184,050.00 | 14,954,850.00 | 2.850 | Aaa | AA | 2.959 | 09/20/2021 |
| 3133EJV63 | 15439 | Federal Farm Credit Bank | | 11/28/2018 | 11,311,000.00 | 11,646,031.82 | 11,324,573.20 | 3.050 | Aaa | AA | 3.023 | 08/23/2023 |
| 3133EJWV7 | 15454 | Federal Farm Credit Bank | | 12/12/2018 | 10,589,000.00 | 10,835,511.92 | 10,622,355.35 | 2.900 | Aaa | AA | 2.827 | 08/14/2023 |
| 3133EJP60 | 15463 | Federal Farm Credit Bank | | 12/20/2018 | 15,000,000.00 | 15,389,100.00 | 15,140,100.00 | 3.000 | Aaa | AA | 2.771 | 05/02/2023 |
| 3133EJQX0 | 15466 | Federal Farm Credit Bank | | 01/04/2019 | 15,000,000.00 | 15,336,000.00 | 15,249,900.00 | 2.900 | Aaa | AA | 2.498 | 05/30/2023 |
| 3133EJ4Q9 | 15477 | Federal Farm Credit Bank | | 01/11/2019 | 10,000,000.00 | 10,036,200.00 | 9,996,700.00 | 2.550 | Aaa | AA | 2.567 | 01/11/2021 |
| 3133EJQX0 | 15478 | Federal Farm Credit Bank | | 01/15/2019 | 10,000,000.00 | 10,224,000.00 | 10,106,600.00 | 2.900 | Aaa | AA | 2.640 | 05/30/2023 |
| 3133EJ5G0 | 15479 | Federal Farm Credit Bank | | 01/16/2019 | 20,000,000.00 | 20,320,200.00 | 20,006,600.00 | 2.700 | Aaa | AA | 2.693 | 01/16/2024 |
| 3133EJ7C7 | 15485 | Federal Farm Credit Bank | | 02/06/2019 | 10,000,000.00 | 10,161,400.00 | 9,994,500.00 | 2.700 | Aaa | AA | 2.712 | 02/06/2024 |
| 3130A0JR2 | 13993 | Federal Home Loan Bank | | 12/15/2014 | 10,000,000.00 | 9,997,300.00 | 10,302,900.00 | 2.375 | Aaa | AA | 1.739 | 12/13/2019 |
| 313379EE5 | 14452 | Federal Home Loan Bank | | 09/24/2015 | 10,000,000.00 | 9,984,200.00 | 10,124,000.00 | 1.625 | Aaa | AA | 1.283 | 06/14/2019 |
| 313379EE5 | 14810 | Federal Home Loan Bank | | 05/26/2016 | 15,000,000.00 | 14,976,300.00 | 15,214,650.00 | 1.625 | Aaa | AA | 1.146 | 06/14/2019 |
| 3130A8Y72 | 14903 | Federal Home Loan Bank | | 08/29/2016 | 10,000,000.00 | 9,942,110.00 | 9,947,300.00 | 0.875 | Aaa | AA | 1.058 | 08/05/2019 |
| 3130A9EP2 | 14915 | Federal Home Loan Bank | | 09/09/2016 | 10,000,000.00 | 9,925,270.00 | 9,991,300.00 | 1.000 | Aaa | AA | 1.029 | 09/26/2019 |
| 313383HU8 | 14934 | Federal Home Loan Bank | | 09/30/2016 | 8,965,000.00 | 8,892,293.85 | 9,191,814.50 | 1.750 | Aaa | AA | 1.051 | 06/12/2020 |
| 3130A9TJ0 | 14960 | Federal Home Loan Bank | | 11/15/2016 | 10,000,000.00 | 9,859,700.00 | 10,000,000.00 | 1.200 | Aaa | AA | 1.200 | 05/15/2020 |
| 3130A9ZV6 | 14971 | Federal Home Loan Bank | | 11/30/2016 | 15,000,000.00 | 14,831,700.00 | 15,000,000.00 | 1.200 | Aaa | AA | 1.200 | 02/28/2020 |
| 3130AAGX0 | 15067 | Federal Home Loan Bank | | 01/10/2017 | 15,000,000.00 | 14,883,600.00 | 15,000,000.00 | 1.830 | Aaa | AA | 1.830 | 07/10/2020 |
| 313378J77 | 15107 | Federal Home Loan Bank | | 03/30/2017 | 15,000,000.00 | 14,917,800.00 | 15,122,100.00 | 1.875 | Aaa | AA | 1.575 | 03/13/2020 |
| 3130AB3E4 | 15114 | Federal Home Loan Bank | | 04/05/2017 | 15,000,000.00 | 14,853,600.00 | 15,053,850.00 | 1.750 | Aaa | AA | 1.644 | 10/05/2020 |
| 3130AB3E4 | 15129 | Federal Home Loan Bank | | 04/13/2017 | 10,000,000.00 | 9,902,400.00 | 10,046,500.00 | 1.750 | Aaa | AA | 1.612 | 10/05/2020 |
| 3130AB6A9 | 15141 | Federal Home Loan Bank | | 04/20/2017 | 20,000,000.00 | 19,813,200.00 | 20,092,000.00 | 1.650 | Aaa | AA | 1.505 | 07/20/2020 |
| 3130ABDX1 | 15167 | Federal Home Loan Bank | | 05/25/2017 | 10,000,000.00 | 9,985,200.00 | 10,000,000.00 | 1.400 | Aaa | AA | 1.400 | 05/24/2019 |
| 313379RB7 | 15193 | Federal Home Loan Bank | | 06/22/2017 | 10,000,000.00 | 9,896,300.00 | 10,059,200.00 | 1.875 | Aaa | AA | 1.720 | 06/11/2021 |
| 313383HU8 | 15203 | Federal Home Loan Bank | | 06/29/2017 | 15,000,000.00 | 14,878,350.00 | 15,075,450.00 | 1.750 | Aaa | AA | 1.575 | 06/12/2020 |
| 3130A8QS5 | 15243 | Federal Home Loan Bank | | 09/14/2017 | 10,000,000.00 | 9,736,600.00 | 9,817,000.00 | 1.125 | Aaa | AA | 1.619 | 07/14/2021 |
| 313383HU8 | 15291 | Federal Home Loan Bank | | 12/06/2017 | 10,000,000.00 | 9,918,900.00 | 9,947,300.00 | 1.750 | Aaa | AA | 1.966 | 06/12/2020 |
| 3130A1W95 | 15293 | Federal Home Loan Bank | | 12/07/2017 | 10,000,000.00 | 9,981,100.00 | 10,068,400.00 | 2.250 | Aaa | AA | 2.901 | 06/11/2021 |
| 313383MB4 | 15298 | Federal Home Loan Bank | | 12/08/2017 | 5,000,000.00 | 4,965,850.00 | 4,992,300.00 | 1.875 | Aaa | AA | 1.938 | 06/12/2020 |

# Treasurer's Pooled Cash
## Portfolio Management
## Portfolio Details - Investments
## March 31, 2019

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | S&P | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Federal Agency Issues - Coupon** | | | | | | | | | | | | |
| 3130ADG48 | 15329 | Federal Home Loan Bank | | 01/29/2018 | 15,000,000.00 | 14,959,950.00 | 14,980,500.00 | 2.250 | Aaa | AA | 2.295 | 01/29/2021 |
| 3130ADC26 | 15335 | Federal Home Loan Bank | | 01/29/2018 | 10,000,000.00 | 9,939,100.00 | 10,000,000.00 | 2.200 | Aaa | AA | 2.200 | 01/29/2021 |
| 3130ADUJ9 | 15345 | Federal Home Loan Bank | | 03/16/2018 | 10,000,000.00 | 9,993,900.00 | 9,998,200.00 | 2.375 | Aaa | AA | 2.214 | 03/30/2020 |
| 3130A0XD7 | 15346 | Federal Home Loan Bank | | 03/20/2018 | 10,000,000.00 | 10,006,700.00 | 9,957,800.00 | 2.375 | Aaa | AA | 2.523 | 03/12/2021 |
| 3130ADXU1 | 15369 | Federal Home Loan Bank | | 04/09/2018 | 20,000,000.00 | 19,977,400.00 | 19,989,400.00 | 2.320 | Aaa | AA | 2.352 | 01/09/2020 |
| 3130ADRG9 | 15376 | Federal Home Loan Bank | | 04/12/2018 | 15,000,000.00 | 15,264,450.00 | 15,030,300.00 | 2.750 | Aaa | AA | 2.705 | 03/10/2023 |
| 3130AEBM1 | 15396 | Federal Home Loan Bank | | 06/27/2018 | 20,000,000.00 | 20,273,600.00 | 19,969,600.00 | 2.750 | Aaa | AA | 2.790 | 06/10/2022 |
| 3130AEVF4 | 15413 | Federal Home Loan Bank | | 08/30/2018 | 7,000,000.00 | 7,047,250.00 | 7,000,000.00 | 3.050 | Aaa | AA | 3.050 | 08/28/2023 |
| 3130AFBS5 | 15435 | Federal Home Loan Bank | | 11/16/2018 | 15,000,000.00 | 15,161,250.00 | 15,000,000.00 | 3.250 | Aaa | AA | 3.250 | 11/16/2022 |
| 313383QR5 | 15469 | Federal Home Loan Bank | | 01/08/2019 | 20,000,000.00 | 20,750,000.00 | 20,502,000.00 | 3.250 | Aaa | AA | 2.644 | 06/09/2023 |
| 3130AFWX1 | 15496 | Federal Home Loan Bank | | 03/28/2019 | 10,000,000.00 | 10,105,280.00 | 10,132,300.00 | 2.550 | Aaa | AA | 2.248 | 05/30/2023 |
| 313370E38 | 15497 | Federal Home Loan Bank | | 03/28/2019 | 13,875,000.00 | 14,047,743.75 | 14,047,743.75 | 3.375 | Aaa | AA | 2.320 | 06/12/2020 |
| 3137EADG1 | 14470 | Federal Home Loan Mort Corp | | 10/01/2015 | 10,000,000.00 | 9,988,900.00 | 10,213,000.00 | 1.750 | Aaa | AA | 1.154 | 05/30/2019 |
| 3134G8W21 | 14710 | Federal Home Loan Mort Corp | | 04/08/2016 | 10,000,000.00 | 9,917,500.00 | 10,000,000.00 | 1.375 | Aaa | AA | 1.375 | 12/30/2019 |
| 3134G8YF0 | 14719 | Federal Home Loan Mort Corp | | 04/28/2016 | 10,000,000.00 | 9,926,000.00 | 10,000,000.00 | 1.200 | Aaa | AA | 1.200 | 10/28/2019 |
| 3134G8YF0 | 14720 | Federal Home Loan Mort Corp | | 04/28/2016 | 10,000,000.00 | 9,926,000.00 | 10,000,000.00 | 1.200 | Aaa | AA | 1.200 | 10/28/2019 |
| 3134G9BG1 | 14730 | Federal Home Loan Mort Corp | | 04/18/2016 | 10,000,000.00 | 9,931,000.00 | 10,000,000.00 | 1.225 | Aaa | AA | 1.225 | 10/18/2019 |
| 3134G9DC8 | 14750 | Federal Home Loan Mort Corp | | 05/10/2016 | 15,000,000.00 | 14,850,150.00 | 15,000,000.00 | 1.320 | Aaa | AA | 1.320 | 02/10/2020 |
| 3134G9PR2 | 14792 | Federal Home Loan Mort Corp | | 05/26/2016 | 15,000,000.00 | 14,838,000.00 | 15,000,000.00 | 1.450 | Aaa | AA | 1.450 | 05/26/2020 |
| 3137EADZ9 | 14809 | Federal Home Loan Mort Corp | | 05/24/2016 | 10,000,000.00 | 9,994,800.00 | 9,999,500.00 | 1.125 | Aaa | AA | 1.101 | 04/15/2019 |
| 3134GABZ6 | 14899 | Federal Home Loan Mort Corp | | 08/25/2016 | 10,000,000.00 | 9,892,400.00 | 10,000,000.00 | 1.250 | Aaa | AA | 1.250 | 02/25/2020 |
| 3137EAEB1 | 14922 | Federal Home Loan Mort Corp | | 09/27/2016 | 10,000,000.00 | 9,952,300.00 | 9,974,500.00 | 0.875 | Aaa | AA | 0.967 | 07/19/2019 |
| 3134G3A83 | 14923 | Federal Home Loan Mort Corp | | 09/27/2016 | 5,000,000.00 | 4,978,950.00 | 5,059,700.00 | 1.400 | Aaa | AA | 0.982 | 08/23/2019 |
| 3134G43Q9 | 14947 | Federal Home Loan Mort Corp | | 10/21/2016 | 6,737,000.00 | 6,675,760.67 | 6,830,374.82 | 1.550 | Aaa | AA | 1.150 | 05/08/2020 |
| 3134GAVB7 | 14959 | Federal Home Loan Mort Corp | | 11/10/2016 | 15,000,000.00 | 14,835,900.00 | 15,000,000.00 | 1.180 | Aaa | AA | 1.180 | 02/10/2020 |
| 3137EADR7 | 15018 | Federal Home Loan Mort Corp | | 12/13/2016 | 10,000,000.00 | 9,886,700.00 | 9,938,800.00 | 1.375 | Aaa | AA | 1.561 | 05/01/2020 |
| 3134GBEK4 | 15099 | Federal Home Loan Mort Corp | | 03/29/2017 | 20,000,000.00 | 19,814,200.00 | 20,000,000.00 | 1.850 | Aaa | AA | 1.850 | 03/29/2021 |
| 3137EADR7 | 15117 | Federal Home Loan Mort Corp | | 04/05/2017 | 15,000,000.00 | 14,830,050.00 | 14,925,450.00 | 1.375 | Aaa | AA | 1.541 | 05/01/2020 |
| 3134GA7A6 | 15147 | Federal Home Loan Mort Corp | | 04/25/2017 | 15,000,000.00 | 14,934,750.00 | 15,000,000.00 | 1.500 | Aaa | AA | 1.500 | 09/09/2019 |
| 3134GBGG1 | 15149 | Federal Home Loan Mort Corp | | 04/26/2017 | 20,000,000.00 | 19,937,200.00 | 20,000,000.00 | 1.500 | Aaa | AA | 1.691 | 07/26/2019 |
| 3134GBHQ8 | 15153 | Federal Home Loan Mort Corp | | 04/27/2017 | 10,000,000.00 | 9,905,900.00 | 10,000,000.00 | 1.700 | Aaa | AA | 1.434 | 07/27/2020 |
| 3134GBJM5 | 15158 | Federal Home Loan Mort Corp | | 05/03/2017 | 20,000,000.00 | 19,785,000.00 | 20,000,000.00 | 1.910 | Aaa | AA | 1.910 | 05/03/2022 |
| 3134G9S24 | 15198 | Federal Home Loan Mort Corp | | 06/27/2017 | 25,000,000.00 | 24,683,250.00 | 25,042,000.00 | 1.750 | Aaa | AA | 1.707 | 07/26/2021 |
| 3134GBE81 | 15367 | Federal Home Loan Mort Corp | | 04/05/2018 | 16,500,000.00 | 16,293,255.00 | 16,147,725.00 | 1.930 | Aaa | AA | 2.591 | 08/27/2021 |
| 3134GSSP1 | 15407 | Federal Home Loan Mort Corp | | 07/30/2018 | 10,000,000.00 | 10,069,900.00 | 10,000,000.00 | 3.000 | Aaa | AA | 3.000 | 01/30/2023 |

# Treasurer's Pooled Cash
# Portfolio Management
## Portfolio Details - Investments
## March 31, 2019



| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | S&P | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Federal Agency Issues - Coupon** | | | | | | | | | | | | |
| 3134GSVD4 | 15412 | Federal Home Loan Mort Corp | | 08/29/2018 | 5,000,000.00 | 5,036,450.00 | 4,996,250.00 | 3.000 | Aaa | AA | 3.018 | 02/28/2023 |
| 3134GSWS0 | 15417 | Federal Home Loan Mort Corp | | 09/27/2018 | 10,000,000.00 | 10,027,700.00 | 10,000,000.00 | 3.000 | Aaa | AA | 3.000 | 09/27/2022 |
| 3134GSZH1 | 15425 | Federal Home Loan Mort Corp | | 10/18/2018 | 15,000,000.00 | 15,052,050.00 | 15,000,000.00 | 3.030 | Aaa | AA | 3.030 | 10/18/2021 |
| 3135G0ZE6 | 14506 | Federal National Mortgage Assn | | 11/09/2015 | 10,000,000.00 | 9,984,000.00 | 10,105,100.00 | 1.750 | Aaa | AA | 1.450 | 06/20/2019 |
| 3135G0ZY2 | 14583 | Federal National Mortgage Assn | | 12/24/2015 | 10,000,000.00 | 9,953,000.00 | 10,044,600.00 | 1.750 | Aaa | AA | 1.632 | 11/26/2019 |
| 3135G0K85 | 14818 | Federal National Mortgage Assn | | 06/13/2016 | 10,000,000.00 | 9,978,700.00 | 10,000,000.00 | 1.400 | Aaa | AA | 1.400 | 06/13/2019 |
| 3136G3P25 | 14893 | Federal National Mortgage Assn | | 08/12/2016 | 10,000,000.00 | 9,957,600.00 | 10,000,000.00 | 1.125 | Aaa | AA | 1.125 | 07/26/2019 |
| 3135G0D75 | 14924 | Federal National Mortgage Assn | | 09/27/2016 | 10,000,000.00 | 9,892,400.00 | 10,165,800.00 | 1.500 | Aaa | AA | 1.046 | 06/22/2020 |
| 3136G34L6 | 14929 | Federal National Mortgage Assn | | 09/29/2016 | 12,440,000.00 | 12,368,470.00 | 12,440,000.00 | 1.125 | Aaa | AA | 1.125 | 09/06/2019 |
| 3135G0D75 | 14946 | Federal National Mortgage Assn | | 10/21/2016 | 5,000,000.00 | 4,946,200.00 | 5,067,900.00 | 1.500 | Aaa | AA | 1.121 | 06/22/2020 |
| 3135G0D75 | 14954 | Federal National Mortgage Assn | | 10/27/2016 | 10,000,000.00 | 9,892,400.00 | 10,125,500.00 | 1.500 | Aaa | AA | 1.148 | 06/22/2020 |
| 3135G0D75 | 14974 | Federal National Mortgage Assn | | 11/10/2016 | 10,000,000.00 | 9,892,400.00 | 10,093,400.00 | 1.500 | Aaa | AA | 1.235 | 06/22/2020 |
| 3136G4GN7 | 14977 | Federal National Mortgage Assn | | 11/22/2016 | 9,500,000.00 | 9,374,980.00 | 9,500,000.00 | 1.250 | Aaa | AA | 1.250 | 05/22/2020 |
| 3136G4GS6 | 14978 | Federal National Mortgage Assn | | 11/30/2016 | 10,000,000.00 | 9,854,700.00 | 10,000,000.00 | 1.430 | Aaa | AA | 1.430 | 11/30/2020 |
| 3136G4HN6 | 14985 | Federal National Mortgage Assn | | 11/30/2016 | 20,000,000.00 | 19,708,800.00 | 20,000,000.00 | 1.800 | Aaa | AA | 1.800 | 05/26/2021 |
| 3136G4HP1 | 14986 | Federal National Mortgage Assn | | 12/01/2016 | 15,000,000.00 | 14,754,450.00 | 15,000,000.00 | 1.750 | Aaa | AA | 1.750 | 06/01/2021 |
| 3136G4GU1 | 15000 | Federal National Mortgage Assn | | 12/02/2016 | 10,000,000.00 | 9,926,700.00 | 9,967,000.00 | 1.400 | Aaa | AA | 1.514 | 11/25/2019 |
| 3136G3K53 | 15001 | Federal National Mortgage Assn | | 12/02/2016 | 10,000,000.00 | 9,959,900.00 | 9,949,100.00 | 1.260 | Aaa | AA | 1.460 | 08/02/2019 |
| 3135G0D75 | 15008 | Federal National Mortgage Assn | | 12/08/2016 | 10,000,000.00 | 9,892,400.00 | 9,979,400.00 | 1.500 | Aaa | AA | 1.560 | 06/22/2020 |
| 3135G0N82 | 15011 | Federal National Mortgage Assn | | 12/09/2016 | 10,000,000.00 | 9,755,400.00 | 9,727,200.00 | 1.250 | Aaa | AA | 1.862 | 08/17/2021 |
| 3136G3J97 | 15034 | Federal National Mortgage Assn | | 12/21/2016 | 10,000,000.00 | 9,959,900.00 | 9,922,500.00 | 1.260 | Aaa | AA | 1.569 | 08/02/2019 |
| 3136G4JN4 | 15047 | Federal National Mortgage Assn | | 12/29/2016 | 10,000,000.00 | 9,916,500.00 | 10,000,000.00 | 1.700 | Aaa | AA | 1.699 | 06/29/2020 |
| 3136G4JP9 | 15052 | Federal National Mortgage Assn | | 12/29/2016 | 10,000,000.00 | 9,920,200.00 | 10,000,000.00 | 1.910 | Aaa | AA | 1.910 | 06/29/2021 |
| 3135G0S38 | 15191 | Federal National Mortgage Assn | | 06/22/2017 | 15,000,000.00 | 14,897,166.00 | 15,117,000.00 | 2.000 | Aaa | AA | 1.820 | 01/05/2022 |
| 3135G0T60 | 15277 | Federal National Mortgage Assn | | 11/21/2017 | 10,000,000.00 | 9,884,500.00 | 9,903,500.00 | 1.500 | Aaa | AA | 1.869 | 07/30/2020 |
| 3135G0T78 | 15304 | Federal National Mortgage Assn | | 12/12/2017 | 10,000,000.00 | 9,905,700.00 | 9,901,300.00 | 2.000 | Aaa | AA | 2.217 | 10/05/2022 |
| 3135G0U27 | 15377 | Federal National Mortgage Assn | | 04/13/2018 | 20,000,000.00 | 20,074,200.00 | 19,970,200.00 | 2.500 | Aaa | AA | 2.552 | 04/13/2021 |
| 3136G4RX3 | 15387 | Federal National Mortgage Assn | | 04/26/2018 | 10,000,000.00 | 10,002,500.00 | 10,000,000.00 | 2.750 | Aaa | AA | 2.750 | 10/26/2021 |
| 3136G4TB9 | 15400 | Federal National Mortgage Assn | | 06/28/2018 | 15,000,000.00 | 15,013,300.50 | 15,000,000.00 | 2.780 | Aaa | AA | 2.780 | 06/28/2021 |
| 3135G0U43 | 15440 | Federal National Mortgage Assn | | 11/28/2018 | 10,000,000.00 | 10,234,000.00 | 9,942,300.00 | 2.875 | Aaa | AA | 3.005 | 09/12/2023 |
| 880591EN8 | 15457 | Tennessee Valley Authority | | 12/13/2018 | 15,000,000.00 | 14,755,500.00 | 14,471,550.00 | 1.875 | Aaa | AA | 2.893 | 08/15/2022 |
| | | **Subtotal and Average** | **1,357,477,133.64** | | **1,348,907,000.00** | **1,345,618,367.36** | **1,350,332,681.42** | | | | **1.921** | |

# Treasurer's Pooled Cash
# Portfolio Management
## Portfolio Details - Investments
## March 31, 2019

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | S&P | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Federal Agency Issues - Discount** | | | | | | | | | | | | |
| 31771EAU5 | 14048 | Financing Corp | | 01/07/2015 | 10,000,000.00 | 9,952,900.00 | 9,279,600.00 | | Aaa | AA | 1.725 | 06/06/2019 |
| 313586RC5 | 14502 | Federal National Mortgage Assn | | 11/05/2015 | 10,000,000.00 | 9,871,700.00 | 9,258,900.00 | | Aaa | AA | 1.998 | 10/09/2019 |
| 313586RC5 | 14791 | Federal National Mortgage Assn | | 05/19/2016 | 15,005,000.00 | 14,812,485.85 | 14,297,514.25 | 1.371 | Aaa | AA | 1.450 | 10/09/2019 |
| 313586RC5 | 14879 | Federal National Mortgage Assn | | 07/14/2016 | 10,000,000.00 | 9,871,700.00 | 9,620,200.00 | 1.157 | Aaa | AA | 1.217 | 10/09/2019 |
| | | **Subtotal and Average** | **43,746,452.96** | | **45,005,000.00** | **44,508,785.85** | **42,456,214.25** | | | | **1.577** | |
| **Medium Term Notes 30/360** | | | | | | | | | | | | |
| 037833AX8 | 14134 | Apple | | 03/04/2015 | 10,000,000.00 | 9,922,700.00 | 9,905,900.00 | 1.550 | Aa | AA | 1.750 | 02/07/2020 |
| 037833CB4 | 14910 | Apple | | 09/06/2016 | 20,290,000.00 | 20,187,332.60 | 20,251,651.90 | 1.100 | Aa | AA | 1.166 | 08/02/2019 |
| 037833CB4 | 14916 | Apple | | 09/12/2016 | 10,000,000.00 | 9,949,400.00 | 10,005,650.00 | 1.100 | Aa | AA | 1.080 | 08/02/2019 |
| 037833AR1 | 14956 | Apple | | 10/31/2016 | 10,000,000.00 | 10,065,900.00 | 10,489,200.00 | 2.850 | Aa | AA | 1.719 | 05/06/2021 |
| 037833AR1 | 15028 | Apple | | 12/16/2016 | 10,000,000.00 | 10,065,900.00 | 10,253,500.00 | 2.850 | Aa | AA | 2.240 | 05/06/2021 |
| 037833AQ3 | 15109 | Apple | | 03/31/2017 | 10,000,000.00 | 9,995,100.00 | 10,115,000.00 | 2.100 | Aa | AA | 1.540 | 05/06/2019 |
| 037833BD1 | 15197 | Apple | | 06/27/2017 | 10,000,000.00 | 9,952,100.00 | 10,070,200.00 | 2.000 | Aa | AA | 1.747 | 05/06/2020 |
| 037833BS8 | 15288 | Apple | | 12/05/2017 | 10,000,000.00 | 9,964,000.00 | 10,021,000.00 | 2.250 | Aa | AA | 2.182 | 02/23/2021 |
| 037833DE7 | 15356 | Apple | | 04/03/2018 | 10,000,000.00 | 9,925,300.00 | 9,724,200.00 | 2.400 | Aa | AA | 3.023 | 01/13/2023 |
| 037833DE7 | 15399 | Apple | | 06/28/2018 | 14,000,000.00 | 13,895,420.00 | 13,519,520.00 | 2.400 | Aa | AA | 3.218 | 01/13/2023 |
| 037833CQ1 | 15498 | Apple | | 03/29/2019 | 15,000,000.00 | 14,892,223.50 | 14,956,350.00 | 2.300 | Aa | AA | 2.397 | 05/11/2022 |
| 084670BL1 | 13960 | Berkshire Hathaway | | 12/02/2014 | 5,000,000.00 | 4,989,450.00 | 5,067,350.00 | 2.100 | Aa | AA | 1.800 | 08/14/2019 |
| 084670BJ6 | 15402 | Berkshire Hathaway | | 06/29/2018 | 13,094,000.00 | 13,318,300.22 | 13,006,663.02 | 3.000 | Aa | AA | 3.156 | 02/11/2023 |
| 084670BJ6 | 15446 | Berkshire Hathaway | | 12/04/2018 | 8,460,000.00 | 8,604,919.80 | 8,324,809.20 | 3.000 | Aa | AA | 3.412 | 02/11/2023 |
| 166764AY6 | 15111 | Chevron Corp | | 04/03/2017 | 10,277,000.00 | 10,256,857.08 | 10,381,517.09 | 2.419 | Aa | AA | 2.125 | 11/17/2020 |
| 166764BH2 | 15134 | Chevron Corp | | 04/18/2017 | 5,000,000.00 | 4,992,850.00 | 4,995,000.00 | 1.561 | Aa | AA | 1.610 | 05/16/2019 |
| 166764BK5 | 15484 | Chevron Corp | | 02/01/2019 | 10,000,000.00 | 10,013,900.00 | 9,839,500.00 | 2.566 | Aa | AA | 2.966 | 05/16/2023 |
| 36962G4R2 | 14973 | General Electric Cos-MTN | | 11/15/2016 | 10,000,000.00 | 10,190,300.00 | 10,978,600.00 | 4.375 | Baa | BBB | 1.962 | 09/16/2020 |
| 36962G4D3 | 15097 | General Electric Cos-MTN | | 03/21/2017 | 10,000,000.00 | 10,095,200.00 | 10,985,300.00 | 6.000 | Baa | BBB | 2.179 | 08/07/2019 |
| 459200JE2 | 14680 | IBM | | 03/16/2016 | 10,000,000.00 | 9,989,600.00 | 10,048,200.00 | 1.800 | A | A | 1.642 | 05/17/2019 |
| 459200JE2 | 15135 | IBM | | 04/18/2017 | 5,000,000.00 | 4,994,800.00 | 5,027,500.00 | 1.800 | A | A | 1.530 | 05/17/2019 |
| 478160CD4 | 15352 | Johnson & Johnson | | 03/28/2018 | 18,135,000.00 | 18,048,496.05 | 17,732,765.70 | 2.250 | Aaa | AAA | 2.850 | 03/03/2022 |
| 48125LRG9 | 14949 | J.P. Morgan & Co,, Inc. | | 10/24/2016 | 10,000,000.00 | 9,952,000.00 | 10,051,100.00 | 1.650 | Aa | A | 1.470 | 09/23/2019 |
| 191216BT6 | 14494 | Coca Cola | | 11/03/2015 | 10,000,000.00 | 9,910,200.00 | 9,955,100.00 | 1.875 | Aa | A | 1.970 | 10/27/2020 |
| 191216BV1 | 15031 | Coca Cola | | 12/20/2016 | 7,070,000.00 | 7,052,254.30 | 7,028,569.80 | 1.375 | Aa | A | 1.620 | 05/30/2019 |
| 191216BY5 | 15144 | Coca Cola | | 04/24/2017 | 16,063,000.00 | 15,694,514.78 | 15,823,821.93 | 1.550 | Aa | A | 1.908 | 09/01/2021 |
| 191216CF5 | 15200 | Coca Cola | | 06/29/2017 | 10,000,000.00 | 9,935,932.00 | 10,051,900.00 | 2.200 | Aa | A | 2.088 | 05/25/2022 |
| 191216BY5 | 15379 | Coca Cola | | 04/17/2018 | 7,607,000.00 | 7,432,495.42 | 7,299,905.41 | 1.550 | Aa | A | 2.813 | 09/01/2021 |

# Treasurer's Pooled Cash
## Portfolio Management
## Portfolio Details - Investments
## March 31, 2019

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | S&P | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Medium Term Notes 30/360** | | | | | | | | | | | | |
| 594918BV5 | 15124 | Microsoft Corp | | 04/11/2017 | 10,000,000.00 | 9,940,800.00 | 10,051,500.00 | 1.850 | Aaa | AAA | 1.662 | 02/06/2020 |
| 594918BN3 | 15235 | Microsoft Corp | | 08/28/2017 | 11,474,000.00 | 11,414,794.16 | 11,390,010.32 | 1.100 | Aaa | AAA | 1.483 | 08/08/2019 |
| 594918BP8 | 15426 | Microsoft Corp | | 10/18/2018 | 14,610,000.00 | 14,260,967.10 | 14,013,327.60 | 1.550 | Aaa | AAA | 3.080 | 08/08/2021 |
| 594918BP8 | 15427 | Microsoft Corp | | 10/18/2018 | 1,718,000.00 | 1,676,956.98 | 1,647,390.20 | 1.550 | Aaa | AAA | 3.090 | 08/08/2021 |
| 594918BP8 | 15428 | Microsoft Corp | | 10/18/2018 | 5,000,000.00 | 4,880,550.00 | 4,795,800.00 | 1.550 | Aaa | AAA | 3.080 | 08/08/2021 |
| 594918BP8 | 15451 | Microsoft Corp | | 12/10/2018 | 7,778,000.00 | 7,592,183.58 | 7,494,647.46 | 1.550 | Aaa | AAA | 2.984 | 08/08/2021 |
| 594918BQ6 | 15483 | Microsoft Corp | | 01/29/2019 | 11,683,000.00 | 11,410,669.27 | 11,296,526.36 | 2.000 | Aaa | AAA | 2.783 | 08/08/2023 |
| 66989HAM0 | 15187 | Novartis | | 06/21/2017 | 10,000,000.00 | 9,964,398.00 | 10,125,400.00 | 2.400 | Aa | AA | 2.129 | 05/17/2022 |
| 66989HAM0 | 15201 | Novartis | | 06/30/2017 | 16,980,000.00 | 16,919,547.80 | 17,112,444.00 | 2.400 | Aa | AA | 2.230 | 05/17/2022 |
| 742718EN5 | 15385 | Proctor & Gamble | | 04/23/2018 | 10,000,000.00 | 9,888,500.00 | 9,743,971.94 | 1.850 | Aa | AA | 2.815 | 02/02/2021 |
| 742718EQ8 | 15401 | Proctor & Gamble | | 06/29/2018 | 9,127,000.00 | 8,959,884.63 | 8,785,193.85 | 1.700 | Aa | AA | 2.882 | 11/03/2021 |
| 742718DY2 | 15406 | Proctor & Gamble | | 07/18/2018 | 20,000,000.00 | 19,970,000.00 | 19,528,000.00 | 2.300 | Aa | AA | 3.006 | 02/06/2022 |
| 742718EU9 | 15408 | Proctor & Gamble | | 08/16/2018 | 4,997,000.00 | 4,949,743.37 | 4,842,192.94 | 2.150 | Aa | AA | 2.980 | 08/11/2022 |
| 742718EU9 | 15410 | Proctor & Gamble | | 08/23/2018 | 5,686,000.00 | 5,632,227.50 | 5,515,021.98 | 2.150 | Aa | AA | 2.959 | 08/11/2022 |
| 89236TBP9 | 14611 | Toyota Motors Credit Corp | | 01/20/2016 | 10,000,000.00 | 9,985,900.00 | 10,098,100.00 | 2.125 | Aa | AA | 1.834 | 07/18/2019 |
| 89233P4S2 | 15301 | Toyota Motors Credit Corp | | 12/11/2017 | 10,196,000.00 | 10,488,727.16 | 10,789,101.32 | 4.250 | Aa | AA | 2.285 | 01/11/2021 |
| 89236TCF0 | 15338 | Toyota Motors Credit Corp | | 02/05/2018 | 12,972,000.00 | 12,914,274.60 | 12,915,571.80 | 2.150 | Aa | AA | 2.363 | 03/12/2020 |
| 89236TCZ6 | 15341 | Toyota Motors Credit Corp | | 03/06/2018 | 9,289,000.00 | 9,161,647.81 | 9,035,503.19 | 1.900 | Aa | AA | 2.829 | 04/08/2021 |
| 89236TDP7 | 15411 | Toyota Motors Credit Corp | | 08/29/2018 | 10,000,000.00 | 9,973,733.00 | 9,834,800.00 | 2.600 | Aa | AA | 3.120 | 01/11/2022 |
| 89233P5T9 | 15414 | Toyota Motors Credit Corp | | 09/07/2018 | 5,729,000.00 | 5,831,434.52 | 5,757,759.58 | 3.300 | Aa | AA | 3.140 | 01/12/2022 |
| 90331HML4 | 14857 | US Bank | | 06/28/2016 | 10,770,000.00 | 10,741,178.40 | 11,030,310.90 | 2.125 | A | AA | 1.380 | 10/28/2019 |
| 90331HML4 | 14858 | US Bank | | 06/28/2016 | 10,000,000.00 | 9,973,239.00 | 10,239,800.00 | 2.125 | A | AA | 1.386 | 10/28/2019 |
| 90331HML4 | 14918 | US Bank | | 09/20/2016 | 8,000,000.00 | 7,978,591.20 | 8,178,160.00 | 2.125 | A | AA | 1.390 | 10/28/2019 |
| 90331HNB5 | 15131 | US Bank | | 04/17/2017 | 10,000,000.00 | 9,948,100.00 | 10,062,600.00 | 2.000 | A | AA | 1.767 | 01/24/2020 |
| 90331HNB5 | 15192 | US Bank | | 06/22/2017 | 10,750,000.00 | 10,694,207.50 | 10,800,095.00 | 2.000 | A | AA | 1.815 | 01/24/2020 |
| 90331HNL3 | 15333 | US Bank | | 01/25/2018 | 7,500,000.00 | 7,517,625.00 | 7,499,625.00 | 2.850 | A | AA | 2.851 | 01/23/2023 |
| 90331HNL3 | 15334 | US Bank | | 01/25/2018 | 10,000,000.00 | 10,023,500.00 | 9,998,100.00 | 2.850 | A | AA | 2.854 | 01/23/2023 |
| 90331HNV1 | 15481 | US Bank | | 01/22/2019 | 10,000,000.00 | 10,244,800.00 | 10,034,700.00 | 3.400 | A | AA | 3.316 | 07/24/2023 |
| 90331HNV1 | 15482 | US Bank | | 01/22/2019 | 10,000,000.00 | 10,244,800.00 | 10,034,700.00 | 3.400 | A | AA | 3.316 | 07/24/2023 |
| 94988J5D5 | 14814 | Wells Fargo Bank | | 06/02/2016 | 10,000,000.00 | 9,987,800.00 | 10,037,400.00 | 1.750 | Aa | AA | 1.621 | 05/24/2019 |
| 94988J5D5 | 14833 | Wells Fargo Bank | | 06/22/2016 | 10,000,000.00 | 9,987,800.00 | 10,097,800.00 | 1.750 | Aa | AA | 1.407 | 05/24/2019 |
| 94988J5D5 | 14891 | Wells Fargo Bank | | 08/08/2016 | 11,826,000.00 | 11,811,572.28 | 12,005,755.20 | 1.750 | Aa | AA | 1.195 | 05/24/2019 |
| 94988J5R4 | 15443 | Wells Fargo Bank | | 11/30/2018 | 15,000,000.00 | 15,390,450.00 | 14,788,050.00 | 3.550 | Aa | A | 3.880 | 08/14/2023 |
| 94988J5R4 | 15488 | Wells Fargo Bank | | 03/18/2019 | 10,000,000.00 | 10,260,300.00 | 10,181,900.00 | 3.550 | Aa | A | 3.105 | 08/14/2023 |
| 931142EK5 | 15486 | Wal-Mart Stores | | 03/05/2019 | 11,500,000.00 | 11,840,745.00 | 11,722,812.50 | 3.400 | Aa | AA | 2.917 | 06/26/2023 |

# Treasurer's Pooled Cash
## Portfolio Management
## Portfolio Details - Investments
## March 31, 2019



| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | S&P | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Medium Term Notes 30/360** | | | | | | | | | | | | |
| 931142EK5 | 15487 | Wal-Mart Stores | | 03/05/2019 | 10,000,000.00 | 10,296,300.00 | 10,197,700.00 | 3.400 | Aa | AA | 2.908 | 06/26/2023 |
| 30231GAV4 | 15342 | Exxon-Mobil | | 03/07/2018 | 10,000,000.00 | 9,954,600.00 | 9,851,600.00 | 2.222 | Aaa | AA | 2.748 | 03/01/2021 |
| | | **Subtotal and Average** | **650,056,211.32** | | **667,581,000.00** | **666,999,993.61** | **667,443,145.19** | | | | **2.325** | |
| **StoneCastle - FICA** | | | | | | | | | | | | |
| 104791305790 | 13942 | StoneCastle | | | 0.00 | 0.00 | 0.00 | 1.580 | | | 1.580 | |
| | | **Subtotal and Average** | **0.00** | | **0.00** | **0.00** | **0.00** | | | | **0.000** | |
| **CAMP** | | | | | | | | | | | | |
| CAMP | 14800 | CAMP | | | 169,457,891.68 | 169,457,891.68 | 169,457,891.68 | 2.590 | | AAA | 2.590 | |
| | | **Subtotal and Average** | **199,740,018.11** | | **169,457,891.68** | **169,457,891.68** | **169,457,891.68** | | | | **2.590** | |
| **CALTRUST** | | | | | | | | | | | | |
| CALTRUST | 15476 | CalTRUST | | 01/10/2019 | 25,136,351.22 | 25,136,351.22 | 25,136,351.22 | 2.530 | | AAA | 2.530 | |
| | | **Subtotal and Average** | **25,086,387.25** | | **25,136,351.22** | **25,136,351.22** | **25,136,351.22** | | | | **2.530** | |
| **Treasury Securities - Coupon** | | | | | | | | | | | | |
| 912828XH8 | 15090 | U S Treasury Note | | 03/13/2017 | 10,000,000.00 | 9,904,700.00 | 9,957,812.50 | 1.625 | Aaa | AA | 1.757 | 06/30/2020 |
| 912828T67 | 15204 | U S Treasury Note | | 06/29/2017 | 20,000,000.00 | 19,496,200.00 | 19,587,500.00 | 1.250 | Aaa | AA | 1.746 | 10/31/2021 |
| 912828P87 | 15233 | U S Treasury Note | | 08/25/2017 | 10,000,000.00 | 9,780,100.00 | 9,847,656.25 | 1.125 | Aaa | AA | 1.572 | 02/28/2021 |
| 912828D72 | 15247 | U S Treasury Note | | 09/21/2017 | 20,000,000.00 | 19,874,200.00 | 20,234,375.00 | 2.000 | Aaa | AA | 1.691 | 08/31/2021 |
| 912828T67 | 15257 | U S Treasury Note | | 09/29/2017 | 10,000,000.00 | 9,748,100.00 | 9,790,625.00 | 1.250 | Aaa | AA | 1.783 | 10/31/2021 |
| 912828R77 | 15261 | U S Treasury Note | | 10/05/2017 | 10,000,000.00 | 9,810,600.00 | 9,866,406.25 | 1.375 | Aaa | AA | 1.754 | 05/31/2021 |
| 912828S76 | 15262 | U S Treasury Note | | 10/05/2017 | 10,000,000.00 | 9,741,800.00 | 9,761,328.13 | 1.125 | Aaa | AA | 1.774 | 07/31/2021 |
| 912828XH8 | 15274 | U S Treasury Note | | 11/07/2017 | 10,000,000.00 | 9,904,700.00 | 9,981,640.63 | 1.625 | Aaa | AA | 1.696 | 06/30/2020 |
| 912828N89 | 15284 | U S Treasury Note | | 11/30/2017 | 10,000,000.00 | 9,831,300.00 | 9,833,593.75 | 1.375 | Aaa | AA | 1.919 | 01/31/2021 |
| 912828P87 | 15285 | U S Treasury Note | | 11/30/2017 | 20,000,000.00 | 19,560,200.00 | 19,495,312.50 | 1.125 | Aaa | AA | 1.930 | 02/28/2021 |
| 912828L32 | 15287 | U S Treasury Note | | 12/04/2017 | 20,000,000.00 | 19,718,800.00 | 19,752,343.75 | 1.375 | Aaa | AA | 1.841 | 08/31/2020 |
| 912828P87 | 15290 | U S Treasury Note | | 12/06/2017 | 20,000,000.00 | 19,560,200.00 | 19,453,125.00 | 1.125 | Aaa | AA | 2.003 | 02/28/2021 |
| 912828L32 | 15307 | U S Treasury Note | | 12/14/2017 | 20,000,000.00 | 19,718,800.00 | 19,739,062.50 | 1.375 | Aaa | AA | 1.871 | 08/31/2020 |
| 912828L32 | 15308 | U S Treasury Note | | 12/19/2017 | 15,000,000.00 | 14,789,100.00 | 14,793,750.00 | 1.375 | Aaa | AA | 1.900 | 08/31/2020 |
| 912828T67 | 15311 | U S Treasury Note | | 12/20/2017 | 10,000,000.00 | 9,748,100.00 | 9,683,203.13 | 1.250 | Aaa | AA | 2.108 | 10/31/2021 |
| 912828R77 | 15312 | U S Treasury Note | | 12/20/2017 | 15,000,000.00 | 14,715,900.00 | 14,658,984.38 | 1.375 | Aaa | AA | 2.062 | 05/31/2021 |
| 912828R77 | 15318 | U S Treasury Note | | 01/04/2018 | 10,000,000.00 | 9,810,600.00 | 9,767,968.75 | 1.375 | Aaa | AA | 2.085 | 05/31/2021 |

# Treasurer's Pooled Cash
## Portfolio Management
## Portfolio Details - Investments
## March 31, 2019

| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | S&P | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Treasury Securities - Coupon** | | | | | | | | | | | | |
| 912828S76 | 15319 | U S Treasury Note | | 01/04/2018 | 10,000,000.00 | 9,741,800.00 | 9,665,625.00 | 1.125 | Aaa | AA | 2.101 | 07/31/2021 |
| 912828XM7 | 15326 | U S Treasury Note | | 01/22/2018 | 20,000,000.00 | 19,799,200.00 | 19,752,343.75 | 1.625 | Aaa | AA | 2.131 | 07/31/2020 |
| 912828XR6 | 15339 | U S Treasury Note | | 02/02/2018 | 10,000,000.00 | 9,852,000.00 | 9,693,750.00 | 1.750 | Aaa | AA | 2.501 | 05/31/2022 |
| 912828F21 | 15371 | U S Treasury Note | | 04/10/2018 | 11,000,000.00 | 10,963,920.00 | 10,862,500.00 | 2.125 | Aaa | AA | 2.503 | 09/30/2021 |
| 912828WY2 | 15372 | U S Treasury Note | | 04/10/2018 | 10,000,000.00 | 9,994,900.00 | 9,926,562.50 | 2.250 | Aaa | AA | 2.482 | 07/31/2021 |
| 912828K58 | 15383 | U S Treasury Note | | 04/19/2018 | 20,000,000.00 | 19,780,400.00 | 19,575,000.00 | 1.375 | Aaa | AA | 2.454 | 04/30/2020 |
| 9128284S6 | 15393 | U S Treasury Note | | 06/15/2018 | 10,000,000.00 | 10,202,000.00 | 9,986,718.75 | 2.750 | Aaa | AA | 2.779 | 05/31/2023 |
| 912828X96 | 15409 | U S Treasury Note | | 08/22/2018 | 5,000,000.00 | 4,951,000.00 | 4,908,398.44 | 1.500 | Aaa | AA | 2.588 | 05/15/2020 |
| 912828NT3 | 15452 | U S Treasury Note | | 12/10/2018 | 10,000,000.00 | 10,033,200.00 | 9,977,734.38 | 2.625 | Aaa | AA | 2.760 | 08/15/2020 |
| 912828Y46 | 15455 | U S Treasury Note | | 12/12/2018 | 10,000,000.00 | 10,032,000.00 | 9,975,781.25 | 2.625 | Aaa | AA | 2.776 | 07/31/2020 |
| 9128282B5 | 15464 | U S Treasury Note | | 12/21/2018 | 25,000,000.00 | 24,837,000.00 | 24,707,031.25 | 0.750 | Aaa | AA | 2.573 | 08/15/2019 |
| 9128282B5 | 15468 | U S Treasury Note | | 01/07/2019 | 25,000,000.00 | 24,837,000.00 | 24,737,304.69 | 0.750 | Aaa | AA | 2.507 | 08/15/2019 |
| 912828U57 | 15491 | U S Treasury Note | | 03/26/2019 | 10,000,000.00 | 9,945,700.00 | 9,955,468.75 | 2.125 | Aaa | AA | 2.225 | 11/30/2023 |
| 912828XG0 | 15495 | U S Treasury Note | | 03/28/2019 | 10,000,000.00 | 9,966,000.00 | 9,994,140.63 | 2.125 | Aaa | AA | 2.143 | 06/30/2022 |
| | | **Subtotal and Average** | **403,189,868.98** | | **426,000,000.00** | **420,649,520.00** | **419,923,046.91** | | | | **2.119** | |
| **Municipal Bonds** | | | | | | | | | | | | |
| 13063DDF2 | 15323 | California State Controller | | 01/08/2018 | 10,000,000.00 | 10,041,000.00 | 10,004,600.00 | 2.500 | Aa | AA | 2.489 | 10/01/2022 |
| 13063DAC2 | 15378 | California State Controller | | 04/17/2018 | 5,000,000.00 | 5,028,150.00 | 4,989,350.00 | 2.625 | Aa | AA | 2.700 | 04/01/2021 |
| 13063DGA0 | 15386 | California State Controller | | 04/25/2018 | 6,000,000.00 | 6,054,180.00 | 6,000,240.00 | 2.800 | Aa | AA | 2.867 | 04/01/2021 |
| 13063DGN2 | 15416 | State of California | | 09/18/2018 | 21,000,000.00 | 21,854,910.00 | 21,329,700.00 | 3.400 | Aa | AA | 3.051 | 08/01/2023 |
| | | **Subtotal and Average** | **42,323,890.00** | | **42,000,000.00** | **42,978,240.00** | **42,323,890.00** | | | | **2.851** | |
| **Supranationals** | | | | | | | | | | | | |
| 4581X0CH9 | 14633 | INTER AMERICAN DEV BANK | | 02/03/2016 | 10,000,000.00 | 9,961,000.00 | 10,148,500.00 | 1.750 | Aaa | AAA | 1.337 | 10/15/2019 |
| 4581X0CP1 | 14933 | INTER AMERICAN DEV BANK | | 09/30/2016 | 5,000,000.00 | 4,968,650.00 | 5,131,100.00 | 1.875 | Aaa | AAA | 1.151 | 06/16/2020 |
| 4581X0CX4 | 15126 | INTER AMERICAN DEV BANK | | 04/12/2017 | 20,000,000.00 | 19,831,800.00 | 19,952,600.00 | 1.625 | Aaa | AAA | 1.704 | 05/12/2020 |
| 4581X0DB1 | 15384 | INTER AMERICAN DEV BANK | | 04/19/2018 | 10,000,000.00 | 10,049,501.00 | 9,987,060.00 | 2.625 | Aaa | AAA | 2.670 | 04/19/2021 |
| 4581X0DA3 | 15490 | INTER AMERICAN DEV BANK | | 03/27/2019 | 10,000,000.00 | 10,064,288.00 | 10,077,000.00 | 2.500 | Aaa | AAA | 2.287 | 01/18/2023 |
| 459058EV1 | 14804 | International Bank for Reconst | | 05/25/2016 | 10,000,000.00 | 9,960,200.00 | 10,017,300.00 | 1.250 | Aaa | AAA | 1.194 | 07/26/2019 |
| 45905UXS8 | 14951 | International Bank for Reconst | | 10/27/2016 | 10,000,000.00 | 9,778,000.00 | 9,920,600.00 | 1.200 | Aaa | AAA | 1.400 | 12/01/2020 |
| 45905UB86 | 15036 | International Bank for Reconst | | 12/22/2016 | 10,000,000.00 | 9,852,500.00 | 10,000,000.00 | 1.870 | Aaa | AAA | 1.870 | 06/22/2021 |
| 45905UC36 | 15045 | International Bank for Reconst | | 12/28/2016 | 10,000,000.00 | 9,913,428.00 | 10,000,000.00 | 2.000 | Aaa | AAA | 2.000 | 09/28/2021 |
| 45905UF74 | 15138 | International Bank for Reconst | | 04/19/2017 | 10,000,000.00 | 9,881,100.00 | 10,000,000.00 | 1.770 | Aaa | AAA | 1.770 | 10/19/2020 |
| 459058EW9 | 15239 | International Bank for Reconst | | 08/30/2017 | 10,000,000.00 | 9,861,675.90 | 9,985,000.00 | 1.625 | Aaa | AAA | 1.669 | 03/09/2021 |

# Treasurer's Pooled Cash
## Portfolio Management
### Portfolio Details - Investments
### March 31, 2019



| CUSIP | Investment # | Issuer | Average Balance | Purchase Date | Par Value | Market Value | Book Value | Stated Rate | Moody's | S&P | YTM 365 | Maturity Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Supranationals** | | | | | | | | | | | | |
| 459058GL1 | 15448 | International Bank for Reconst | | 12/05/2018 | 15,000,000.00 | 15,454,699.50 | 15,022,200.00 | 3.000 | Aaa | AAA | 2.966 | 09/27/2023 |
| | | **Subtotal and Average** | **125,659,489.03** | | **130,000,000.00** | **129,576,842.40** | **130,241,360.00** | | | | **1.894** | |
| | | **Total and Average** | **3,195,975,033.16** | | **3,290,385,071.14** | **3,279,848,443.11** | **3,281,162,763.07** | | | | **2.184** | |

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# APPENDIX H

# SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL ASSURANCE CORP.

AN ASSURED GUARANTY COMPANY

# MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $



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

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

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

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

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

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

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

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



MUNICIPAL ASSURANCE CORP.

By ________________________________
Authorized Officer

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