PRELIMINARY OFFICIAL STATEMENT DATED MAY 23, 2019

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: S&P (Insured): "AA"
S&P (Underlying): "A"
(See "RATINGS" herein.)

In the opinion of Locke Lord LLP, Los Angeles, California, Bond Counsel to the District, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
$2,500,000*
2019 General Obligation Refunding Bonds
(Bank Qualified)

Dated: Date of Delivery **Due: on the dates shown on inside cover**

The McFarland Unified School District (the "District") is issuing its $2,500,000* 2019 General Obligation Refunding Bonds (Bank Qualified) (the "Bonds"). The Bonds are being issued to (i) effect the refunding of certain general obligation bonds previously issued by the District and (ii) pay certain costs of issuance associated therewith. See "PLAN OF REFUNDING."

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT, SECURED AND PAYABLE FROM *AD VALOREM* PROPERTY TAXES ASSESSED UPON ALL PROPERTY SUBJECT TO TAXATION BY THE DISTRICT, WHICH THE BOARD OF SUPERVISORS OF THE COUNTY OF KERN (THE "COUNTY") IS EMPOWERED AND OBLIGATED TO LEVY WITHOUT LIMITATION AS TO RATE OR AMOUNT (EXCEPT FOR CERTAIN PERSONAL PROPERTY WHICH IS TAXABLE AT LIMITED RATES) ALL AS MORE FULLY DESCRIBED UNDER "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN. THE BONDS ARE PAYABLE ON A PARITY WITH ALL OTHER GENERAL OBLIGATION BONDS OF THE DISTRICT PAYABLE FROM *AD VALOREM* TAXES. THE BONDS ARE GENERAL OBLIGATIONS OF THE DISTRICT ONLY AND ARE NOT OBLIGATIONS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS OTHER POLITICAL SUBDIVISIONS.

Interest on the Bonds accrues from their date of delivery, computed on the basis of a 360-day year comprised of twelve (12) 30-day months, such interest being payable on May 1 and November 1 of each year, commencing on November 1, 2019. See "THE BONDS" herein. The Bonds will mature on the dates and in the amounts and bear interest at the rates per annum shown on the inside cover hereof.

The Bonds will be issued in book-entry form only, in denominations of $5,000 or any integral multiple thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM" herein.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Municipal Assurance Corp.

MUNICIPAL ASSURANCE CORP.

MATURITY SCHEDULE
on inside cover.

This cover page contains general information only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if delivered to and received by the Underwriter, subject to the approving opinion of Locke Lord LLP, Los Angeles, California, Bond Counsel and Disclosure Counsel to the District. See "APPROVAL OF LEGAL PROCEEDINGS" herein. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery in New York, New York, for deposit through the facilities of DTC on or about June 13, 2019.

RAYMOND JAMES

Dated: May __, 2019

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* Preliminary; subject to change.

MATURITY SCHEDULE*

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
$2,500,000*
2019 General Obligation Refunding Bonds
(Bank Qualified)

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP No.† (580415)
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				

* Preliminary; subject to change.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Underwriter take any responsibility for the accuracy of the CUSIP numbers, which are being provided for reference only.

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)

District Administrators

S. Aaron Resendez, Superintendent
Ambelina Garcia-Duran, Deputy Superintendent/Chief Business Officer

SPECIAL SERVICES

Bond and Disclosure Counsel

Locke Lord LLP
Los Angeles, California

Financial Advisor

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

Underwriter

Raymond James & Associates, Inc.
Los Angeles, California

Paying Agent

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

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No dealer, broker, salesperson or other person has been authorized by the McFarland Unified School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell, the solicitation of an offer to buy, nor shall 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.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of Kern (the "County"), the County has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth in "APPENDIX F - THE KERN COUNTY POOLED SURPLUS INVESTMENTS" herein.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the District in any way, regardless of the level of optimism communicated in the information. The District is not obligated to issue nor does it plan to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
$2,500,000*
2019 General Obligation Refunding Bonds
(Bank Qualified)

INTRODUCTION

General

The McFarland Unified School District (the "District") will issue its 2019 General Obligation Bonds (Bank Qualified) (the "Bonds"). The Bonds are being issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the of the California Government Code (commencing with Sections 53550 and 53580, respectively) (the "Refunding Act") and other applicable laws and regulations of the State, and pursuant to a resolution adopted by the Board of Trustees of the District (the "Board") on May 14, 2019 (the "Resolution"). All general obligation bonds issued by or on behalf of the District are or will be issued on parity with the Bonds. See the caption "Proposition 39" under the heading "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT, SECURED AND PAYABLE FROM *AD VALOREM* PROPERTY TAXES ASSESSED UPON ALL PROPERTY SUBJECT TO TAXATION BY THE DISTRICT, WHICH THE BOARD OF SUPERVISORS OF THE COUNTY OF KERN (THE "COUNTY") IS EMPOWERED AND OBLIGATED TO LEVY WITHOUT LIMITATION AS TO RATE OR AMOUNT (EXCEPT FOR CERTAIN PERSONAL PROPERTY WHICH IS TAXABLE AT LIMITED RATES) ALL AS MORE FULLY DESCRIBED UNDER "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN. THE BONDS ARE NOT AN OBLIGATIONS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS OTHER POLITICAL SUBDIVISIONS OR OF THE GENERAL FUND OF THE DISTRICT.

The Bonds are being issued to (i) refund certain of the District's General Obligation Bonds, Election of 2004, Series 2006 B (the "2006 Refunded Bonds") and General Obligation Bonds, Election of 2004, Series 2008 C (the "2008 Refunded Bonds" and, together with the 2006 Refunded Bonds, the "Refunded Bonds") and (ii) pay certain costs of issuance associated therewith. See "PLAN OF REFUNDING."

The District

The McFarland Unified School District is a unified K-12 school district of the State of California (the "State"). The District is located in the northern part of the County. The District serves approximately 3,380 students enrolled in grades K-12. The District currently operates two elementary schools, one intermediate school, two high schools and one continuing school and employs approximately 327 teachers, administrators and classified personnel. The current student-teacher ratio in the District is 26:1 in grades K-3, 31:1 in grades 4-6, 31:1 in grades 7-8 and 31:1 in grades 9-12. The District's average daily attendance for fiscal year 2017-18 was 3,379. The District's projected average daily attendance for fiscal year 2019-20 is 3,387. The District has a 2018-19 assessed valuation of $1,710,215,507. Additional information on the District is included in "APPENDIX B – MCFARLAND UNIFIED SCHOOL DISTRICT" and in "APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Security and Source of Payment for the Bonds

The Bonds are payable from *ad valorem* taxes upon all property subject to taxation by the District, which the County Board of Supervisors is empowered and obligated to levy without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). Pursuant to Section 15250 of the State Education Code, the County is obligated to levy a tax for each year in which general obligation bonds of the District are

* Preliminary; subject to change.

outstanding, in an amount not less than that sufficient to pay principal of and interest on all outstanding bonds due during that year. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Professionals Involved in the Offering

Locke Lord LLP, Los Angeles, California, is acting as Bond Counsel to the District with respect to the Bonds. Isom Advisors, a Division of Urban Futures, Inc., Walnut Creek, California, is acting as Municipal Advisor to the District with respect to the Bonds. Locke Lord LLP, Los Angeles, California, is also acting as Disclosure Counsel to the District. Kutak Rock LLP, Irvine, California is acting as counsel to the Underwriter with respect to the Bonds. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is acting as Paying Agent with respect to the Bonds. Bond Counsel, Disclosure Counsel, and Underwriter’s Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the District, 601 Second Street, McFarland, California 93250, Attention: Deputy Superintendent/Chief Business Officer. The District may impose a fee for copying, handling and mailing such requested documents

THE BONDS

Authority for Issuance

The Bonds are being issued by the District under the Refunding Act and other applicable laws and regulations of the State, and pursuant to the Resolution. Pursuant to the Refunding Act, general obligation bonds issued for the purpose of refunding outstanding general obligation bonds previously authorized by the voters that do not increase the debt service obligation of taxpayers do not require additional voter approval, either for issuance of such refunding general obligation bonds or the levy of an *ad valorem* property tax sufficient to pay principal of and interest as due on the refunding general obligation bonds.

The Board of Supervisors of the County has the power and is obligated to levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property, which is taxable at limited rates), for the payment of principal of and interest on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

General Provisions

The Bonds shall be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Bonds shall be dated the date of their delivery and shall bear interest at the respective rates set forth on the inside cover pages hereof, payable on May 1 and November 1 of each year (each an “Interest Payment Date”), commencing on November 1, 2019, until payment of the principal amount thereof. Interest on the Bonds shall be calculated on the basis of a 360-day year comprised of twelve (12) 30-day months.

Interest on the Bonds will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; *provided, however,* that if at the time of registration of any Bond, interest thereon is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of The Bank of New York Mellon Trust Company, N.A., as paying agent (the “Paying Agent”) sent by first-class mail, postage prepaid, to the Owner thereof appearing on the Bond Register on the Record Date, or by wire transfer to any Owner of $1,000,000 aggregate principal amount or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; *provided, however,* that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest. "Record Date" means the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date. ***The Bonds are not subject to acceleration***.

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by the Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Payments of principal and premium, if any, for any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent. See "THE BONDS – Book Entry Only System" herein.

Redemption*

Optional Redemption. The Bonds maturing prior to November 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after November 1, 20__ may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after November 1, 20__, at par, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on November 1, 20__ are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) from Mandatory Sinking Fund Payments on any November 1 on or after November 1, 20__, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Payment Date (November 1)	Mandatory Sinking Fund Payment
(1)	

(1) Maturity.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, given at least 20 but not more than 45 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, in adverse order of maturity within a series. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however,* that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

* Preliminary; subject to change.

Notice of Redemption

When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District at least 20 but not more than 45 days prior to the date designated for such redemption, shall give notice (each, a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest on Bonds shall cease to accrue.

The Paying Agent shall take the following actions with respect to such Redemption Notice: (i) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register and to the MSRB; (ii) in the event the Bonds are no longer held in book-entry only form, at least 20 but no more than 45 days prior to the redemption date, such Redemption Notice shall be given by (1) first class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories and to the MSRB, and (iii) such Redemption notice shall be given to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

"Information Services" shall mean EMMA and, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the District may designate.

"Securities Depositories" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like series, tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the District's Debt Service Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

Transfer and Exchange

The transfer of any Bond may be registered upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or accompanied by delivery of the written instrument of transfer, duly executed by the Owner or his duly authorized attorney, and payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same Transfer Amount and in authorized denominations, will be executed and delivered to the transferee in exchange therefor.

The Paying Agent shall deem and treat the person in whose name any Outstanding Bond shall be registered upon the Bond Register as the absolute Owner of such Bond, whether the Principal, premium, if any, or interest with respect to such Bond shall be overdue or not, for the purpose of receiving payment of Principal, premium, if any, and interest with respect to such Bond and for all other purposes, and any such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the District or the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged at the office of the Paying Agent for Bonds of like tenor, maturity and Transfer Amount. All Bonds surrendered in any such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge the Owner a reasonable sum for each new Bond executed and delivered upon any exchange (except in the case of the first exchange of any Bond in the form in which it is originally delivered, for which no charge shall be imposed) and the Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Paying Agent shall not be required to register the transfer or exchange of any Bond (i) during the period beginning at the close of business on any Record Date through the close of business on the immediately following Interest Payment Date, or (ii) that has been called or is subject to being called for redemption, during a period beginning at the opening of business 15 days before any selection of Bonds to be redeemed through the close of business on the applicable redemption date, except for the unredeemed portion of any Bond to be redeemed only in part.

Defeasance

If all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the Principal of, premium if any, and interest on such Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution that meets the requirements of serving as Paying Agent, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Internal Revenue Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Resolution with respect to all Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry Only System

The Bonds will be issued under a book entry system, evidencing ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book-entry system, see "APPENDIX E – BOOK-ENTRY ONLY SYSTEM."

Discontinuation of Book Entry System. If at any time DTC notifies the District that it is unwilling or unable to continue as Depository with respect to the Bonds or if at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the District within 90 days after the District receives notice or becomes aware of such condition, as the case may be, the District will cause the issuance of certificated securities representing the Bonds as provided below. In addition, the District may determine at any time that the Bonds shall no longer be lodged with a Depository. In any such event the District shall cause the execution and delivery of certificated securities representing the Bonds as provided below. Bonds issued in exchange for global Bonds pursuant to the Resolution shall be registered in such names and delivered in such denominations as the Depository shall instruct the District. The District shall cause delivery of such certificated securities representing the Bonds to the persons in whose names such Bonds are so registered.

If the District determines to replace the DTC with another qualified securities depository, the District shall prepare or cause to be prepared a new fully registered global Bond for each of the maturities of the Bonds, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the District and such securities depository and not inconsistent with the terms of the Resolution.

Notwithstanding any other provision of the Resolution to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to Principal Amount of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by DTC.

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Debt Service Schedule

The following table summarizes the combined debt service requirements of the District for its outstanding bonds (collectively, the "Existing Bonds") and the Bonds:

		Bonds Debt Service			
Year Ending November 1	Outstanding Existing Bonds [1]	Principal	Interest	Debt Service	Total Debt Service
2019	$1,994,000				
2020	1,793,300				
2021	1,849,300				
2022	1,898,350				
2023	1,962,050				
2024	2,022,400				
2025	2,092,131				
2026	2,161,306				
2027	2,237,650				
2028	2,314,942				
2029	2,392,761				
2030	2,478,532				
2031	2,558,953				
2032	2,622,713				
2033	1,860,900				
2034	1,933,425				
2035	2,013,325				
2036	2,094,475				
2037	2,177,400				
2038	2,266,575				
2039	2,336,250				
Total	$45,060,739				

[1] Includes Outstanding General Obligation Bonds from the District's 2004 and 2012 elections. Includes the Refunded Bonds. See "APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018." Assumes no early optional redemption.

Continuing Disclosure Certificate

In accordance with the requirements of Rule 15c2-12, as amended (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the beneficial owners of the Bonds, to provide certain information as set forth therein and notices of enumerated events. The covenants contained in the Continuing Disclosure Certificate have been made to assist the Underwriter in complying with the Rule. See "CONTINUING DISCLOSURE" herein.

PLAN OF REFUNDING

The net proceeds of the Bonds will be applied to (i) refund on a current basis the Refunded Bond and (ii) pay the costs of issuance of the Bonds. On the date of delivery of the Bonds, a portion of the net proceeds of the Bonds will be applied to redeem the Refunded Bonds on June 5, 2019 at a redemption price equal to 100% of the principal amount of the Refunded Bonds together with interest accrued thereon.

Below is a summary of the Refunded Bonds.

Refunded Bonds*

Maturity Date (November 1)	Principal Amount	Interest Rate	CUSIP No.(1) (580415)
2006 Refunded Bonds			
2021	$105,000.00	4.000%	EL7
2025	215,000.00	4.000	EQ6
2031	1,285,000.00	4.125	EW3
2008 Refunded Bonds			
2019	55,000.00	4.000	FF9
2021	125,000.00	4.000	FH5
2023	130,000.00	4.000	FK8
2027	310,000.00	4.000	FP7

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Underwriter take any responsibility for the accuracy of the CUSIP numbers, which are being provided for reference only.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Municipal Assurance Corp. ("MAC" or "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 exhibit to this Official Statement.

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

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.

* Preliminary; subject to change.

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".

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount
Net Original Issue Premium
Total Sources

Uses of Funds

Transfer to Refunded Bonds Paying Agent
Costs of Issuance [(1)]
Total Uses

[(1)] Includes Underwriter's discount, bond insurance premium, legal and rating fees, fees of the Municipal Advisor, Paying Agent and other costs of issuance.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

To provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues are required by law to be deposited by the Treasurer-Tax Collector of the County (the "County Treasurer") in the District's interest and sinking fund, which is required to be maintained by the County and to be used solely for the payment of general obligation bonds of the District.

The District will provide the County Treasurer with a schedule of the debt service on the Bonds for purposes of the County's annual tax levy, as required by Section 15140(c) of the State Education Code. Following receipt of that schedule, the County Auditor and Controller shall levy property taxes in each year in an amount at least sufficient to provide for payment of said debt service in full. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – *Ad valorem* Property Taxes" below.

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes from a portion of the 1% general County levy for general operating purposes as well. Under California law, the District's funds are deposited with the County Treasurer and invested as provided for under the investment policy of the County. See "APPENDIX F – THE KERN COUNTY POOLED SURPLUS INVESTMENTS."

Pledged of Tax Revenues

Pursuant to the Resolution, the District pledges all revenues from the property taxes collected from the levy by the County Board of Supervisors for the payment of the outstanding bonds of the District heretofore or hereafter issued pursuant to voter-approved measures of the District, including refunding bonds of such bonds and the Bonds and amounts on deposit in the interest and sinking fund of the District to the payment of the principal or redemption price of and interest on the Bonds. This pledge is valid and binding from the date of adoption of the Resolution for the benefit of the owners of the Bonds and successors thereto. The Resolution provides that the property taxes and amounts held in the interest and sinking fund of the District are immediately subject to this pledge, and the pledge constitutes a lien and security interest which immediately attaches to the property taxes and amounts held in the interest and sinking fund of the District to secure the payment of the Bonds and is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. "Bonds" for purpose of this pledge means all bonds of the District heretofore or hereafter issued pursuant to voter approved measures of the District, as all such Bonds are required by State law to be paid from the interest and sinking fund of the District.

The Resolution provides that the pledge is an agreement between the District and the bondholders to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds and each of the other bonds secured by the pledge are or were issued to finance or refinance one or more of the projects specified in the applicable voter-approved measure.

Statutory Lien for General Obligation Bonds

State Government Code Section 53515 provides that general obligation bonds issued by California local agencies, like the District, are secured by a statutory lien on the *ad valorem* taxes levied and collected to pay principal of and interest on the bonds, regardless of whether the bond issuer or bondholders take any steps to pledge, record, or take possession of the taxes. See "LEGAL MATTERS — Possible Limitations on Remedies; Bankruptcy — Statutory Lien" herein.

Assessed Valuations – Constitutional and Statutory Initiatives

Article XIIIA of the California Constitution limits the amount of any *Ad valorem* tax on real property, to one percent of the full cash value thereof, except that additional *Ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. 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." The full cash value may be increased at a rate not to exceed two percent 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.

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 one percent 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 two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

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

Factors Affecting Assessed Valuation

The annual tax rate will be based on the assessed value of taxable property in the District. Changes in the annual debt service on the District's outstanding general obligation bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as economic recession, deflation of land values, relocation of businesses 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, drought, fire, debris flow or other natural disaster, could cause a reduction in the assessed value of taxable property in the District and, all other factors being equal, necessitate a corresponding increase in the annual tax rate. Conversely, factors such as increased assessed value of taxable property and/or an increase in the numbers of property taxpayers within the District could, all other factors being equal, cause a corresponding decrease in the annual tax rate. See "Assessed Valuations of the District - Concentration of Ownership; Non-Residential Ownership" below.

Prospective purchasers of the Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Bonds. The consequence of any decrease in assessed valuation is a concomitant increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Bonds in full.

Assessed Valuations of the District

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

The California State-reimbursed exemption currently provides a credit of $7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

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

The table below shows the Districts history of assessed valuations for the last five years.

MCFARLAND UNIFIED SCHOOL DISTRICT
SUMMARY OF ASSESSED VALUATIONS
FISCAL YEARS 2014-15 THROUGH 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total
2014-15	$1,503,130,173	$369,484	$73,553,014	$1,577,052,671
2015-16	1,334,700,382	369,484	73,363,403	1,408,433,269
2016-17	1,259,595,558	356,406	73,779,094	1,333,731,058
2017-18	1,438,208,906	356,406	46,205,638	1,484,770,950
2018-19	1,654,135,274	356,406	55,723,827	1,710,215,507

Source: California Municipal Statistics, Inc.

Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an 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. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values 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. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution." 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. No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

The following tables present the assessed valuation by land use, by jurisdiction, and per parcel of single family homes, within the District for fiscal year 2018-19.

MCFARLAND UNIFIED SCHOOL DISTRICT
2018-19 Assessed Valuation and Parcels by Land Use

	Assessed Valuation	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$ 548,924,060	33.18%	1,179	25.32%
Commercial	66,477,501	4.02	84	1.80
Vacant Commercial	1,200,229	0.07	26	0.56
Oil & Gas	535,963,366	32.40	184	3.95
Industrial	140,581,906	8.50	39	0.84
Vacant Industrial	1,653,015	0.10	16	0.34
Recreational	50,635	0.00	1	0.02
Government/Social/Institutional	727,554	0.04	192	4.12
Miscellaneous	57,089	0.00	12	0.26
Subtotal Non-Residential	$1,295,635,355	78.32%	1,733	37.21%
Residential:				
Single Family Residence	$314,734,313	19.03%	2,407	51.69%
Condominium/Townhouse	3,753,557	0.23	50	1.07
Mobile Home	1,364,687	0.08	21	0.45
2-4 Residential Units	24,112,828	1.46	216	4.64
5+ Residential Units/Apartments	6,703,886	0.41	22	0.47
Vacant Residential	7,887,737	0.48	208	4.47
Subtotal Residential	$ 358,557,008	21.68%	2,924	62.79%
TOTAL	$1,654,192,363	100.00%	4,657	100.00%

Source: California Municipal Statistics, Inc.

MCFARLAND UNIFIED SCHOOL DISTRICT
2018-19 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Delano	$ 489,645	0.03%	$2,017,223,867	0.02%
City of McFarland	404,562,180	23.66	404,562,180	100.00
Unincorporated Kern County	1,305,163,682	76.32	52,504,608,247	2.49
Total District	$1,710,215,507	100.00%		
Kern County	$1,710,215,507	100.00%	$91,615,665,706	1.87%

Source: California Municipal Statistics, Inc.

MCFARLAND UNIFIED SCHOOL DISTRICT
Per Parcel 2018-19 Assessed Valuation of Single Family Homes

	No. of Parcels	Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	2,407	$314,734,313	$130,758	$116,454

Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	265	11.010%	11.010%	$ 7,305,802	2.321%	2.321%
$50,000 - $99,999	682	28.334	39.344	54,620,593	17.355	19.676
$100,000 - $149,999	589	24.470	63.814	71,949,005	22.860	42.536
$150,000 - $199,999	468	19.443	83.257	83,309,797	26.470	69.006
$200,000 - $249,999	344	14.292	97.549	76,251,994	24.227	93.233
$250,000 - $299,999	23	0.956	98.504	6,121,554	1.945	95.178
$300,000 - $349,999	14	0.582	99.086	4,480,200	1.423	96.602
$350,000 - $399,999	8	0.332	99.418	3,042,924	0.967	97.569
$400,000 - $449,999	5	0.208	99.626	2,085,926	0.663	98.231
$450,000 - $499,999	1	0.042	99.668	490,813	0.156	98.387
$500,000 - $549,999	3	0.125	99.792	1,530,718	0.486	98.874
$550,000 - $599,999	1	0.042	99.834	571,200	0.181	99.055
$600,000 - $649,999	2	0.083	99.917	1,244,659	0.395	99.451
$650,000 - $699,999	0	0.000	99.917	0	0.000	99.451
$700,000 - $749,999	0	0.000	99.917	0	0.000	99.451
$750,000 - $799,999	1	0.042	99.958	767,334	0.244	99.694
$800,000 - $849,999	0	0.000	99.958	0	0.000	99.694
$850,000 - $899,999	0	0.000	99.958	0	0.000	99.694
$900,000 - $949,999	0	0.000	99.958	0	0.000	99.694
$950,000 - $999,999	1	0.042	100.000	961,794	0.306	100.000
$1,000,000 and greater	0	0.000	100.000	0	0.000	100.000
Total	2,407	100.000%		$314,734,313	100.000%	

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

The following table presents the largest local taxpayers based on secured assessed valuation within the District for fiscal year 2018-19.

MCFARLAND UNIFIED SCHOOL DISTRICT
2018-19 Largest Local Secured Taxpayers

	Property Owner	Primary Land Use	Assessed Valuation	% of Total[1]
1.	Elysium West LLC	Oil & Gas Production	$292,470,888	17.68%
2.	Berry Petroleum Company LLC	Oil & Gas Production	145,364,989	8.79
3.	Farmland Reserve Inc.	Food Processing	74,075,616	4.48
4.	Wonderful Citrus II LLC	Agricultural	52,195,113	3.16
5.	Mt. Poso Cogen Co LP	Energy Generation	47,687,932	2.88
6.	E&B Nat. Resources Management Corp.	Oil & Gas Production	44,650,667	2.70
7.	CPT Operating Partnership LP	Correctional Facility	42,059,986	2.54
8.	Jakov Dulcich & Sons LLC	Warehouse	32,358,599	1.96
9.	Paramount Land Co. II LLC	Agricultural	18,358,803	1.11
10.	P&N LP	Agricultural	13,674,800	0.83
11.	MAMZIRP LLC	Agricultural	12,661,580	0.77
12.	SE Land LLC	Agricultural	11,741,249	0.71
13.	Central Valley Almond Association	Food Processing	11,163,954	0.67
14.	Juraj Milicic & Son	Agricultural	10,728,139	0.65
15.	RF Nut Ranches LLC	Agricultural	10,679,225	0.65
16.	S. Brar Harbinder Family LP	Agricultural	10,023,485	0.61
17.	Global Ag Prop II USA LLC	Agricultural	9,065,152	0.55
18.	Famoso Nut Co. LLC	Food Processing	8,541,076	0.52
19.	Golden State Vintners Inc.	Food Processing	8,133,767	0.49
20.	MZIRP Inc.	Industrial	8,082,314	0.49
			$863,717,334	52.22%

[1] 2018-19 Local Secured Assessed Valuation: $1,654,135,274.
Source: California Municipal Statistics, Inc.

Concentration of Ownership; Non-Residential Ownership. Ownership of property in the District is highly concentrated with the twenty largest local secured tax payers accounting for 52.22% of the 2018-19 assessed valuation. The top two local secured tax payers account for over 26% of the District's secured assessed valuation. Non-payment of property taxes by a large secured taxpayer in the District could reduce the District's share of local property taxes. The District, however, will receive its share of taxes notwithstanding any delinquencies as long as the County continues to participate in the Teeter Plan. See "Teeter Plan" below.

Kern County is the largest petroleum producing county in the State, and as identified by the data presented in the foregoing table, a large portion of property ownership in the District is owned by gas and oil producing properties. These properties are taxable as real property, however, special rules apply to the determination of their assessed value, and is determined by the Special Properties Division of the County Assessor's office. The State Board of Equalization is empowered to prescribe rules and regulations governing local assessors' uniform assessment of certain types of properties, and pursuant to such authority, has adopted Rule 468 with respect to oil and gas producing properties. Rule 468 establishes specific appraisal principals and procedures designed to satisfy the requirements of State law with respect to property taxation. The appraisal methodology takes into account variables such as base year values of the land, increases and reductions in recoverable amounts of minerals, volumes of proved reserves, as well as discoveries, construction of improvements or changes in economic conditions, among others. Consequently, the assessed valuation of oil and gas producing properties may be subject to more fluctuations in assessed values than other types of property. As identified by the data presented in the Assessed Valuation and Parcels by Land Use table above, over 78% of the assessed valuation in the District constitutes non-residential property.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area (TRA 91-001) for fiscal years 2014-15 through 2018-19:

MCFARLAND UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates (TRA 91-001) (1)

	2014-15	2015-16	2016-17	2017-18	2018-19
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
McFarland Unified School District	.082754	.108414	.113686	.084215	.094925
Kern Community College District SRID	.010450	.013571	.013180	.014412	.012338
Kern Community College District SFID	-	-	-	.021837	.021330
Total Tax Rate	1.093204	1.121985	1.126866	1.120464	1.128593

(1) 2018-19 assessed valuation of TRA 91-001 is $486,599,493.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The following table sets forth the tax levy and delinquency information for the District for the years shown.

MCFARLAND UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies (1)

Fiscal Year	Secured Tax Charge (2)	Percent Delinquent	Secured Tax Delinquencies
2013-14	$1,471,034.00	0.42%	$ 6,178.34
2014-15	1,498,470.24	0.82	12,322.98
2015-16	1,696,824.82	0.94	15,944.43
2016-17	1,657,061.87	1.16	19,262.59
2017-18	1,316,167.14	1.04	13,724.01

(1) The 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. See "Teeter Plan" below.
(2) Bond debt service levy.
Source: California Municipal Statistics, Inc.

Teeter Plan

The County has adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing with Section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal yearend. Under the Teeter Plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, the District's general fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's general fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

Upon adopting the Teeter Plan, the County was required to distribute to participating local agencies, 95% of the then-accumulated, secured roll property tax delinquencies and to place the remaining 5% in a tax losses reserve fund. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. Since the District maintains funds in the County Treasury, the District is included in the Teeter Plan.

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

Direct and Overlapping Debt

Numerous local agencies which provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc. The following table is a statement of the District's direct and estimated overlapping bonded debt as of May 1, 2019.

MCFARLAND UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2018-19 Assessed Valuation: $1,710,215,507

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 5/1/19**
Kern Community College District School Facilities Improvement District No. 1	1.922%	$ 1,818,308
Kern Community College District Safety, Repair & Improvement District	1.934	2,330,684
McFarland Unified School District	**100.000**	**25,779,907 (1)**
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$29,928,899
OVERLAPPING GENERAL FUND DEBT:		
Kern County General Fund Obligations	1.867%	$ 1,717,287
Kern County Pension Obligation Bonds	1.867	3,860,814
Kern County Board of Education Certificates of Participation	1.867	694,337
Kern Community College District Certificates of Participation	1.736	522,796
Kern Community College District Pension Obligation Bonds	1.736	1,350,782
City of Delano General Fund Obligations	0.024	4,505
City of McFarland General Fund Obligations	100.000	4,450,000
TOTAL OVERLAPPING GENERAL FUND DEBT		$12,600,521
OVERLAPPING TAX INCREMENT DEBT:		
Successor Agencies to Delano Redevelopment Agency	1.116%	$125,215
TOTAL OVERLAPPING TAX INCREMENT DEBT		$125,215
COMBINED TOTAL DEBT		**$42,654,635(2)**

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($25,779,907)........ 1.51%
Total Direct and Overlapping Tax and Assessment Debt........ 1.75%
Combined Total Debt........ 2.49%

Ratios to Redevelopment Incremental Valuation ($80,726,547):
Total Overlapping Tax Increment Debt 0.16%

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

District Reports and Certification

The Education Code of the State of California (Section 42133 *et seq*.) requires each school district to certify at two points during the fiscal year whether or not it is able to meet its financial obligations for the remainder of such fiscal year, and, based on current forecasts, for the subsequent fiscal year. The first report covers the period ending October 31 and the second report covers the period ending January 31. Such certifications are based on the governing board's assessment based on standards and criteria for fiscal stability adopted by the State Board of Trustee and the State Superintendent of Public Instruction. Each certification is required to be classified as positive, qualified, or negative on the basis of a review of the respective report against such criteria, but may include additional financial information known by the governing board to exist at the time of each certification. Such certifications are to be filed with the County Superintendent of Schools within forty-five days after the close of the period being reported and, in the event of a negative or qualified certification, to the State Controller and the State Superintendent of Public Instruction. A negative certification is to be assigned to any school district that likely will be unable to meet its financial obligations for the remainder of the fiscal year or for which existing expenditure practices jeopardize the ability of the district to meet its multi-year financial commitments.

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 County Superintendent of Schools determines that the district's repayment of indebtedness is probable.

The District has filed its 2018-19 Second Interim Report with the County Superintendent of Schools with a positive certification within the meaning of Section 42133 of the Education Code of the State.

Copies of the reports and certifications of the District may be obtained upon request from the District at the District's offices.

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA

Major Revenues

The Treasurer and Tax Collector of the County (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally.

The operating income of school districts in California is comprised of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local ad valorem tax authorized by the State Constitution. School districts may also be eligible for special categorical funding from State and federal government programs

Local Control Funding Formula. As part of the 2013-14 State Budget (defined herein), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF"), to replace the revenue limit funding system for determining State apportionments and the majority of categorical program funding. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). The LCFF consists primarily of base grant, supplemental grant and concentration grant funding that focuses resources based on a school's student demographics. Each school district and charter school will receive a per pupil base grant to support the basic costs of instruction and operations. The LCFF was implemented over a period of several years, with an annual transition adjustment calculated for each school district, equal to such district's proportionate share of appropriations included the 2013-14 State Budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. School

Districts will have the same proportion of their respective funding gaps closed in each year, with funding amounts that vary in accordance with the size of each district's funding gap.

The LCFF includes the following components:

- A base grant for each local education agency equivalent to $7,643 per unit of average daily attendance ("ADA"). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts with students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site so as to continue receiving its adjustment to the K-3 base grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period.

- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."

- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment. Because the District's unduplicated count is above the 55% threshold, the District will be eligible for the concentration grant for eligible students above 55%.

- An "Economic Recovery Target" ("ERT") 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 following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2017-18 and budgeted for 2018-19.

MCFARLAND UNIFIED SCHOOL DISTRICT
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
FISCAL YEARS 2013-14 THROUGH 2018-19

	Average Daily Attendance					Enrollment	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment
2013-14	1,149	778	456	809	3,193	3,370	86.56%
2014-15	1,139	820	473	842	3,276	3,469	90.83
2015-16	1,177	830	501	857	3,365	3,544	91.99
2016-17	1,159	836	483	899	3,379	3,547	90.75
2017-18	1,107	839	518	921	3,386	3,556	92.18
2018-19(2)	1,075	767	539	929	3,311	3,484	91.93

Source: The District.

(1) For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students based on a rolling average of such district's EL/LI enrollment for the then current fiscal year and the two immediately preceding fiscal years.

(2) Budgeted.

Local Control and Accountability Plan ("LCAP"). As part of the LCFF, school districts, county offices of education, and charter schools are required to develop, adopt and annually update a three-year Local Control and Accountability Plan or "LCAP," beginning on July 1, 2014, using a template adopted by the California State Board of Education ("SBE"). The SBE is required to adopt evaluation rubrics to assist school districts and oversight entities in evaluation strengths, weaknesses, areas that require improvement, technical assistance needs, and where interventions are warranted on or before October 1, 2015. Subsequent revisions to the template or evaluation rubrics are required to be approved by the SBE by January 31 before the fiscal year when the template or rubric would be used. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators.

Ad valorem **Property Taxes**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and March 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (i.e., seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. 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 recordation 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, bank accounts or possessory interests belonging or assessed to the taxpayer.

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for ADA and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990, (SB 88, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

State Budget Process

The District receives approximately 45% of its general fund revenues from the State. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs under "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution). See "Proposition 98" herein.

The State's Proposition 98 funding mandate normally commands about 45% of all State general fund revenues. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25," a final budget must be adopted by a simple majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget.

Prior to the adoption of Proposition 25, there were instances where the State Legislature failed to pass a budget in a timely fashion, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised. The District cannot predict the final outcome of State budget negotiations, the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

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

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

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

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the Underwriter, Bond Counsel and Disclosure Counsel nor the Owners of the Bonds to provide State budget information to the District or the Owners of the Bonds. Although they believe the State sources of information are reliable, none of the District, Bond Counsel, Disclosure Counsel nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference**.

2018-19 State Budget. On June 27, 2018, Governor Brown approved the final 2018-19 State Budget (the "2018-19 Budget"), a $201.4 billion plan which includes funding of $97.2 billion ($56.1 billion General Fund and $41.1 billion other funds) for K-12 education programs and a $6.16 billion increase in one-time and ongoing appropriations for K-12 school districts in Fiscal Year 2018-19. The 2018-19 Budget also includes $500 million in grants for cities to use to address homelessness and anticipates placing the $2 billion 'No Place Like Home' bond on the November 2018 ballot to accelerate the delivery of housing projects to serve individuals with mental illness. Altogether, the 2018-19 Budget includes $5 billion related to affordable housing and homelessness, across multiple State departments and programs and increases the value of welfare grants through the CalWORKS program by approximately $360 million. The 2018-19 Budget also includes $79 million for programs to help those in the U.S. illegally by funding legal services programs and assistance for young adults who signed up with the Deferred Action for Childhood Arrivals program.

For K-12 schools, the 2018-19 Budget provides an increase in funding levels of approximately $4,633 per student over Fiscal Year 2011-12 levels and notes that available funding will allow the State to reach 100-percent implementation of the LCFF. In an effort to improve student achievement and transparency, the 2018-19 Budget requires school districts to create a link between their local accountability plans and their budgets to show how increased funding is being spent to support English learners, students from low-income families, and youth in foster care. The 2018-19 Budget also provides $300 million to school district targeting improvements for the State's lowest performing students, and includes $82.8 million in specific funding for K-12 accountability measures including the following:

- ***Statewide System of Support* —** $57.8 million Proposition 98 General Fund for county offices of education to provide technical assistance to school districts.

- ***Multi-Tiered Systems of Support ("MTSS")*** — $15 million one-time Proposition 98 General Fund to expand the state's MTSS framework.

- ***Community Engagement Initiative*** — $13.3 million one-time Proposition 98 General Fund for the California Collaborative for Educational Excellence.

- ***Special Education Local Plan Area ("SELPA") Technical Assistance* —** $10 million Proposition 98 General Fund for SELPAs to assist county offices of education in providing technical assistance.

In addition, the 2018-19 Budget includes the following features affecting K-12 school districts:

- ***Classified School Employee Summer Assistance Program* —** $50 million one-time Proposition 98 General Fund to provide State matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the school year and then paid during the summer recess period.

- ***Classified School Employee Professional Development Block Grant Program*** — $50 million onetime Proposition 98 General Fund for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- ***English Language Proficiency Assessment for California ("ELPAC")*** — $27.1 million one-time Proposition 98 General Fund to convert the paper-based ELPAC to a computer-based assessment and to develop an ELPAC assessment specific to students with exceptional needs.

- ***Charter School Facility Grant Program*** — $21.1 million one-time and $24.8 million ongoing Proposition 98 General Fund to reflect increases in programmatic costs.

- ***Kids Code After School Program*** — $15 million one-time Proposition 98 General Fund to increase opportunities for students in after-school programs to access computer coding education.

- ***Fire-Related Support* —** $4.4 million Proposition 98 General Fund over two years in property tax relief to schools impacted by the fires in Northern and Southern California in 2017, and an additional $25 million Proposition 98 General Fund relief through the LCFF.

- ***Local Solutions Grant Program*** — $50 million one-time Proposition 98 General Fund to provide onetime competitive grants to local educational agencies to develop and implement new, or expand existing, locally identified solutions that address a local need for special education teachers.

- ***Teacher Residency Grant Program*** — $75 million one-time Proposition 98 General Fund to support locally sponsored, one-year intensive, mentored, clinical teacher preparation programs with $50 million aimed at preparing and retaining special education teachers and $25 million aimed at bilingual and science, technology, engineering and mathematics teachers.

Proposed 2019-20 State Budget. The Governor released his proposed State budget for fiscal year 2019-20 (the "Proposed 2019-20 Budget") on January 10, 2019 which, for fiscal year 2018-19, projects total expenditures of $144.1 billion and total general fund revenues and transfers of $136.9 billion. The Proposed 2019-20 Budget projects that at the end of the 2018-19 fiscal year the State will have total available general fund reserves of $18.3 billion, including $3.9 billion in the traditional general fund reserve, $13.5 billion in the State's Budget Stabilization Account ("BSA") and $900 million in the Safety Net Reserve Fund. The Proposed 2019-20 Budget also projects total general fund revenues and transfers of $142.6 billion for fiscal year 2019-20 and authorizes expenditures of $144.2 billion, and projects that the State will end the 2019-20 fiscal year with total available general fund reserves of $18.5 billion, including $2.3 billion in the traditional general fund reserve, $15.3 billion in the BSA and $900 million in the Safety Net Reserve Fund. The Proposed 2019-20 Budget notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10%. Under such new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes.

The Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for fiscal years 2017-18 and 2018-19 due to lower ADA than previously anticipated and declines in State general fund revenue growth. The Proposition 98 minimum funding guarantee for fiscal year 2017-18 included in the Proposed 2019-20 Budget is $75.5 billion, a decrease of $120.1 million from fiscal year 2016-17. In addition, the Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at $77.9 billion, reflecting a decrease of $525.7 million from fiscal year 2017-18. The Proposed 2019-20 Budget nonetheless maintains level funding for K14 education in these years by maintaining a $44 million over-appropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19. The Proposed 2019-20 Budget sets the minimum funding guarantee for fiscal year 2019-20 at $80.7 billion, reflecting an increase of $2.8 billion from the revised level for fiscal year 2018-19. In connection therewith, fiscal year 2019-20 is projected to be a "Test 3" year.

With respect to K-12 education, ongoing per-pupil spending is set at $12,003, reflecting an increase of $435 from the prior year. Other significant features with respect to K-12 education funding include the following:

- ***Local Control Funding Formula*** — An increase of $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LCFF funding to $63 billion.

- ***Categorical Programs* —** An increase of $187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.

- ***Pension Costs*** — A $3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, $700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability.

- ***State System of Support*** — An increase of $20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- ***Special Education* —** $577 million in Proposition 98 funding (of which $186 million is one- time) to school districts based on their unduplicated counts of low-income, English learner and disabled students. These funds may be used for either (i) special education services for students with disabilities, or (ii) early intervention programs for students are not yet receiving special education services.

- ***Preschool* —** $125 million in non-Proposition 98, ongoing funding to provide 10,000 full-day preschool slots for children from low income families. The Proposed 2019-20 Budget also provides for an increase of $26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.

- ***Early Education* —** An increase of $750 million in one-time non-Proposition 98 funding to create more full-day Kindergarten programs. The funds are primarily intended for constructing new or retrofitting existing school facilities needed to operate longer-day programs. The Proposed 2019-20 Budget also includes $500 million for improvements to early education (including $245 million for facilities, $245 million for the child care workforce, and $10 million to improve access and quality).

- **County Offices of Education —** An increase of $9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.

- **Proposition 51 —** A total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

May Revision to the Proposed 2019-20 Budget. The Governor released the May Revision to the Proposed 2019-20 Budget (the "May Revision") on May 9, 2019. The May Revision projects an increase of $3.2 billion in short-term general fund revenues as compared to the Proposed 2019-20 Budget. However, most of the increased revenues are constitutionally obligated to reserves, debt repayments and schools. Therefore, the budget surplus remains relatively unchanged. After accounting for transfers, which includes loan repayments as well as automatic and discretionary transfers to the Rainy Day Fund, General Fund revenues at the May Revision forecast are higher than the Proposed 2019-20 Budget by over $1.1 billion in 2018-19 and almost $1.2 billion in 2019-20. The May Revision includes total funding of $101.8 billion for all K-12 education programs, including $58.9 billion from the general fund and $42.9 billion from other funds.

Certain adjustments and budgetary proposals for K-12 education set forth in the May Revision include the following:

- **Proposition 98 Minimum Guarantee**. The May Revision projects increased Proposition 98 funding by $78.4 million in fiscal year 2017-18, $278.8 million in fiscal year 2018-19 and $389.3

million in fiscal year 2019-20, due to increase in general fund revenues, an increase in the minimum guarantee funding level in fiscal year 2017-18 and a slightly slower decline in ADA than projected in the Proposed 2019-20 Budget.

- **Public School System Stabilization Account**. For the first time, the May Revision projects that a deposit is required to the Public School System Stabilization Account in the amount of $389.3 million in Proposition 98 resources.

- **Special Education.** The May Revision proposes to allocate $696.2 million in ongoing Proposition 98 general fund resources to special education, $119.2 million more than set forth in the Proposed 2019-20 Budget, to increase coordination between local general education and special education programs, and for program governance and accountability for special education student outcomes.

- **Retaining Well-Prepared Educators.** The May Revision includes $89.8 million in onetime non-Proposition 98 general fund resources for loan repayments of newly credentialed teachers to work in high-need schools. The May Revision also includes $44.8 million in one-time non-Proposition 98 general fund resources to provide training and resources for classroom educators, including teachers and paraprofessionals, and $13.9 million in ongoing federal funds for professional learning opportunities for public school administrators supporting diverse student populations in State public schools.

- **Access to Computer Science Education.** The May Revision includes $15 million in one-time Proposition 98 general fund resources for broadband infrastructure and $1 million in one-time non-Proposition 98 general fund resources for the State Board of Education to establish a State Computer Science Coordinator.

- **CalSTRS Employer Contribution Rate.** The May Revision includes $150 million in one-time non-Proposition 98 general fund resources to reduce the employer contribution rate to 16.7% in fiscal year 2019-20.

- **Local Control Funding Formula Adjustments.** The May Revision proposes an increase of $70 million in Proposition 98 general fund resources in fiscal year 2018-19 and a decrease of $63.9 million in Proposition 98 general fund resources in fiscal year 2019-20 for school districts, charter schools and county offices of education to reflect changes in ADA and cost-of-living in fiscal year 2019-20 that affect the LCFF calculation.

- **Classified School Employees Summer Assistance Program.** The May Revision includes an increase of $36 million in one-time Proposition 98 general fund resources to provide an additional year of funding for the Classified School Employees Summer Assistance Program, which provides a State match for classified employee savings used to provide income during summer months.

- **Local Property Tax Adjustments.** The May Revision proposes an increase of $146.6 million of Proposition 98 general fund resources in fiscal year 2018-19 and $142.1 million in fiscal year 2019-20 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in these years.

- **Categorical Program Cost-of-Living Adjustments.** The May Revision proposes to decrease the Proposition 98 general fund by $7.4 million for selected categorical programs during fiscal year 2019-20. Such decrease reflects a change in the cost-of-living set forth in the Proposed 2019-20 Budget of 3.46% to 3.26% in the May Revision.

- **Categorical Program Growth**. The May Revision proposes to increase the Proposition 98 general fund by $7.6 million for selected categorical programs, based on updated estimates of ADA growth.

For additional information regarding the State's Proposed Budget, the May Revision and the Final Budget, see the State Department of Finance website at www.ebudget.ca.gov. However, the information presented on such website is not incorporated herein by reference.

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

The State Constitution requires that from all State revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. As discussed above, school districts in the State receive a significant portion of their funding from State appropriations. Accordingly, the State's economic condition can affect the economic condition of California school districts.

Financial Statements

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the National Council on Governmental Accounting.

Funds and Accounting Groups used by the District are categorized as follows:

<u>Governmental Funds</u>
General Fund
Special Revenue Funds
Capital Projects Funds

<u>Proprietary Fund</u>
Internal Service Funds

<u>Fiduciary Funds</u>
Expendable Trust Funds

<u>Account Group</u>
General Long-Term Debt Account Group

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Directors of Accounting for the District and audited by independent certified public accountants each year. The District's audited financial statements for the year ended June 30, 2018 are attached hereto as APPENDIX C. The District has not requested and the auditor has not performed any update or review of such statements in connection with the inclusion in this Official Statement.

State Emergency Loan Program

The California Education Code provides that a school district which determines during a fiscal year that its revenues are less than the amount necessary to meet its current year expenditure obligations may request an emergency apportionment from the State through the State Superintendent of Public Instruction (the "State Superintendent"). As a condition to the making of any such emergency apportionment, the following requirements must be met:

(a) The district requesting the apportionment must submit to the county superintendent of schools having jurisdiction over the district a report issued by an independent auditor approved by the county superintendent of schools on the financial conditions and budgetary controls of the district, a written management review conducted by a qualified management consultant approved by the county superintendent of schools and a fiscal plan adopted by the governing board to resolve the financial problems of the district.

(b) The county superintendent of schools must review, and provide written comment on, the independent auditor's report, the management review and the district plan. If the county superintendent disapproves the plan, the governing board must revise the district plan to respond to the concerns expressed by the county superintendent.

(c) Upon his or her approval of the district plan, the county superintendent must submit copies of the report, review, plan and written comments to the State Superintendent, the Auditor General, the Joint Legislative Budget Committee, the Director of Finance and the Controller.

(d) The State Superintendent must review the reports and comments submitted to him or her by the county superintendent and must certify to the Director of Finance that the action taken to correct the financial problems of the district is realistic and will result in placing the district on a sound financial basis.

(e) The district must develop a schedule to repay the emergency loan and submit it to the county superintendent of schools, who after reviewing and commenting on it submits it to the State Superintendent for approval or disapproval. Upon the approval of the repayment schedule and of the other reports, reviews, plans and the appointment of the trustee (as described below), the State Superintendent must request the State Controller to disburse the proceeds of the emergency loan to the district.

(f) The district requesting the apportionment must reimburse the county superintendent of schools for the costs incurred by the superintendent in performing such duties.

In addition, the acceptance by the district of the apportionments made pursuant to the Education Code constitutes the agreement by the district to the following conditions:

> (i) The State Superintendent shall appoint a trustee who shall have recognized expertise in management and finance. The State Superintendent shall establish the terms and conditions of the employment, including the remuneration of the trustee and the trustee shall serve at the pleasure of, and report directly to, the State Superintendent until the loan is repaid and the district has adequate fiscal systems and controls in place. Before the district repays its loan, the recipient of the loan shall select an auditor from a list established by the State Superintendent and the Controller to conduct an audit of its fiscal systems. If the fiscal systems are deemed to be inadequate, the State Superintendent may retain the trustee until the deficiencies are corrected.
>
> (ii) The trustee appointed by the State Superintendent shall monitor and review the operation of the district. During the period of his or her service, the trustee may stay or rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district. The trustee shall approve or reject all reports and other materials required from the district as a condition of receiving the apportionment.

On or before October 31 of the year following receipt of an emergency apportionment, and each year thereafter, until the emergency apportionment is repaid, the governing board of the district shall prepare under the review and with the approval of the trustee, a report on the financial condition of the district which shall be transmitted to the county superintendent of schools, the State Superintendent and the State Controller. The report shall include all of the following information: (i) specific actions taken to reduce expenditures or increase income, and the cost savings and increased income resulting from those actions; (ii) a copy of the adopted budget for the current fiscal year; (iii) reserves for economic uncertainties; (iv) status of employee contracts; and (v) obstacles to the implementation of the adopted recovery plan.

The emergency apportionment is required to be repaid to the State over a five-year period, or less, together with interest at a rate determined in accordance with the Education Code.

The State Legislature expressly provides that these provisions of the Education Code are not intended to authorize emergency loans to school districts for the purpose of meeting cash-flow requirements pending the receipt of local taxes and other funds. Furthermore, no such emergency apportionment will be made unless funds have been specifically appropriated therefor by the Legislature.

The District is not currently participating in the emergency loan program.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem property tax levied by the County for the payment thereof See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and for the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy property 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, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution limits the amount of *ad valorem* property taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "*SECURITY AND SOURCES OF PAYMENT FOR THE BONDS*".

Article XIIIA requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem* property taxes, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on 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% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State Legislature (the “State Legislature”) to change any state taxes for the purpose of increasing tax revenues.

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.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value. Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor, (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements Full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

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 State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the 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. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula.

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. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts and community college districts (collectively "K-14 school districts") to mean the percentage change in State per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

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 pursuant to 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 such as the Bonds, (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 State 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.

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 pursuant to Section 8.5 of Article XVI of the State Constitution. See "— Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State 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 State 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 State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution 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.

Propositions 98 and 111

On November 8, 1988, voters of the State 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 changed

State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-14 school districts at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in the 1986-87 fiscal year, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period. The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, 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 districts appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys 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 can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's budget.

On June 5, 1990, the voters of the State approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation 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:

(a) *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 State 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.

(b) *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.

(c) *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 State 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 State Legislature and the Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

(d) *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.

(e) *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 ("Test 1") 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 ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, 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 Test 3 is used in any year, the difference between Test 3 and Test 2 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, State voters approved an amendment (commonly known as "Proposition 39") to the State 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. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts and county offices of education. As noted above, the State Constitution previously limited property taxes to 1% of the value of property, and 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 governing board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the governing 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 projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary or high school district), or $25 (for a community college district), per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends 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-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. 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 amends 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, the Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was projected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, was expected to be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Proposition 30 and Proposition 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. 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 $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS — Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being 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 school 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 board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Jarvis v. Connell

On May 29, 2002, the State Court of Appeal for the Second District decided the case of Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell (as Controller of the State). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the State Supreme Court upheld the holding of the Court of Appeal, stating that the State Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 2

On November 8, 2016, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15-year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers to the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as an emergency within the meaning of Article XIIIB of the State Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of the funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also requires the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter schools ($500 million) and technical education facilities ($500 million). Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State Legislature will select among eligible projects as part of the annual state budget process.

The District makes no guarantees that it will receive Proposition 51 State facilities funding.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 22, 26, 30, 39, 98, 55 and 51 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Bonds is subject to the approving opinion of Bond Counsel, to be delivered in substantially the form set forth in APPENDIX A herein. Locke Lord LLP, in its role as Bond Counsel has undertaken no responsibility to the owners of the Bonds for the accuracy, completeness or fairness of this Official Statement or any other offering material related to the Bonds, and expresses no opinion to the Owners with respect thereto. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP.

TAX MATTERS

Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from California personal income taxes. Bond Counsel has not opined as to any other California or Federal tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than California. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix A hereto.

To the extent the issue price of any series and maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from California personal income taxes. For this purpose, the issue price of a particular series and maturity of the Bonds is the reasonably expected initial offering price to the public or the first price at which a substantial amount of such series and maturity of the Bonds is sold to the public, as applicable. The original issue discount with respect to any series and maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Holders of Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the reasonably expected initial offering price to the public, or, if applicable, the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and California personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a registered owner's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such registered owner. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective investors should be aware that certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the California legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exclusion of interest on the Bonds from gross income for state income tax purposes for all or certain taxpayers.

For example, H.R. 1, signed into law on December 22, 2017, reduced the corporate tax rate, modified individual tax rates, eliminated many deductions, and raised the income threshold above which the individual alternative minimum tax is invoked, among other things. These changes may increase, reduce or otherwise change the financial benefits of owning state and local government bonds. Additionally, investors in the Bonds should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds. Investors are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Qualified Tax Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense that is incurred by a “financial institution” of the type described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) that are designated by an issuer as “qualified tax-exempt obligations.” An issuer may designate obligations as “qualified tax-exempt obligations” only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The District will designate the Bonds as “qualified tax-exempt obligations” and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, the District anticipates that financial institutions that purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, if Bonds treated as “qualified tax-exempt obligations” are acquired by a financial institution that is subject to section 265(b) of the Code, the deduction for interest expense incurred by that financial institution that is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code. Bond Counsel has rendered no opinion as to the status of the Bonds as “qualified tax-exempt obligations” or to the consequences of such status (see “TAX MATTERS - Tax Exemption”).

LEGAL MATTERS

Possible Limitations on Remedies; Bankruptcy

General. Following is a limited discussion of certain considerations in the event that the District becomes a debtor in a bankruptcy proceeding. It is not an exhaustive discussion of the potential application of bankruptcy law to the District. The discussion is based on the United States Bankruptcy Code ("the Bankruptcy Code") as now in effect and the few relevant judicial decisions to date. The Bankruptcy Code could be amended or construed differently in future judicial decisions (including as a result of possible future decisions in the pending analogous insolvency proceedings for the Commonwealth of Puerto Rico). Any such action could affect the possible application of bankruptcy law to the District.

State law contains a number of safeguards to protect the financial solvency of school districts. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – District Reports and Certification." If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the "State Superintendent"), operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the District for the adjustment of its debts, assuming that the District meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. Under current State law, the District is not itself authorized to file a bankruptcy proceeding, and it is not subject to an involuntary bankruptcy proceeding.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, bondholders may be prohibited from taking any action to collect any amount from the District (including ***ad valorem*** tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission, except possibly as described below in the case of pledged "special revenues." In such a proceeding, as part of its plan of adjustment in bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, including the obligation of the County and the District to raise taxes if necessary to pay the Bonds, if the bankruptcy court determines that the plan is fair, equitable, not unfairly discriminatory to creditors as a whole, is in the best interests of creditors and otherwise complies with the Bankruptcy Code. There also may be other possible effects of a District bankruptcy proceeding that could result in delays or reductions in payments on the Bonds. Regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Limitations on Plans of Adjustments. Chapter 9 of the Bankruptcy Code does not limit or impair the power of a state to control, by legislation or otherwise, a political subdivision of the state in the exercise of its political or governmental powers, including expenditures for the exercise. In addition, Chapter 9 prevents a bankruptcy court from interfering with the political or governmental powers of a political subdivision debtor, any of its property or revenues or the use or enjoyment of its income producing property, unless the political subdivision debtor confirms a plan of adjustment to that effect or consents to that action. State law provides that *ad valorem* taxes may be levied to pay the principal of and interest on the Bonds and other voted general obligation bonds of the District in an unlimited amount, and that proceeds of such a levy must be used for the payment of principal of and interest on the District's general obligation bonds, including the Bonds, and for no other purpose. Under State law, the District's share of the 1% limited tax imposed by the County is the only *ad valorem* tax revenue that may be raised and expended to pay liabilities and expenses of the District other than its voter-approved debt, such as its general obligation bonds. If the District should become a debtor in a Chapter 9 proceeding, then it must propose a plan of adjustment of its debts. The plan may not become effective until confirmed by the bankruptcy court.

The court may not confirm a plan unless it finds, among other conditions, that the District is not prohibited by law from taking any action necessary to carry out the plan, and that the plan is fair, equitable, does not unfairly discriminate among creditors as a whole, is in the best interests of creditors, and is feasible. If the State law restriction on the levy and expenditure of *ad valorem* taxes is respected in a bankruptcy case, then *ad valorem* tax revenue levied by the County for prepayment of the Bonds could not be used by the District for any purpose under its plan other than to make payments on the Bonds and its other voted general obligation bonds. It is possible, however, that a bankruptcy court could conclude that the restriction is not required to be respected in a confirmed plan.

Statutory Lien. Pursuant to Senate Bill 222 (2015) ("SB 222") that became effective on January 1, 2016, all general obligation bonds issued by local agencies, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes. SB 222 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are issued. As a result, the lien on debt service taxes will continue to be valid with respect to post-petition receipts of debt service taxes, should the District become a Chapter 9 debtor. The automatic stay provisions of the Bankruptcy Code would apply, however, thereby preventing bondholders from enforcing their rights to payment from such taxes (with the result that any payments becoming due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed), except as described under "--Special Revenues" below. It is also possible that the bankruptcy court could approve an alternate use of such taxes, if the bondholders are afforded protection that the court determines to be adequate.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application by the County (or others with possession) of pledged *ad valorem* tax revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay, and bondholders may be able to compel their immediate use to pay debt service, subject to the matters discussed below, including a recent decision by the United States Court of Appeals for the First Circuit.

"Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* taxes for payment of the Bonds. The Bonds and the District's other general obligation bonds were approved at elections held on propositions that described the projects for which such bonds may be issued. As noted above, State law prohibits the use of the proceeds of the District's debt service tax for any purpose other than payment of its general obligation bonds, and the bond proceeds may only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payment of general obligation bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Even if the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, bondholders may not be able to compel that they be used to pay debt service during the pendency of a Chapter 9 proceeding. While the application of special revenues is exempt from the automatic stay by Section 922(d) of the Bankruptcy Code, the United States Court of Appeals for the First Circuit recently interpreted that section to exempt only voluntary applications by the debtor and voluntary applications by creditors or others of property in their possession, and not to exempt actions by creditors to compel an application by others. *In re: The Financial Oversight and Management Board for Puerto Rico,* 2019 WL 1349223 (1' Cir. 2019). An application has been filed for the First Circuit to review the decision *en banc.* If the interpretation is upheld and applied by courts in the Ninth Circuit and the State Superintendent (or State-appointed administrator) were to file a petition to initiate a Chapter 9 proceeding in respect of the District, the bondholders would be stayed from seeking to compel the application of pledged *ad valorem* taxes to pay debt service on the Bonds during the pendency of the proceeding (in either federal or state court), if the County failed to do so as required by State law or was instructed not to do so by the District. Even if bondholder action is not stayed, a bankruptcy court may lack authority or decline to compel the application of such tax revenue, which would leave bondholders with only state court remedies. Accordingly, even if the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues," a Chapter 9 proceeding could result in a substantial delay in the payment of debt service, if the County failed to apply pledged *ad valorem* taxes to pay debt service on the Bonds. The rating assigned to the Bonds by Fitch Ratings could be reduced if the First Circuit decision is upheld.

In addition, the Bankruptcy Code provides that any consensual lien on special revenues "derived" from a project or system is subject to necessary operating expenses of the project or system. This rule applies regardless of the provisions of transaction documents. If a bankruptcy court were to conclude that the District's tax collections are "derived" from a District project or system, then even if pledged *ad valorem* tax revenues are determined to be "special revenues," the court could determine that such revenues may not be ordered (by itself or a state court) to pay debt service to the extent that they are needed to pay necessary operating expenses of the District and its schools and may lawfully be applied for that purpose.

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

Amounts Held in County Treasury Pool. The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's Treasury Pool, as described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — General" and "APPENDIX F: THE KERN COUNTY TREASURY POOL." Should those investments suffer losses, there may be delays or reductions in payments on the Bonds.

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

Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate, dated June 5, 2019 (the "Continuing Disclosure Certificate"), the District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District not later than March 31 following the end of the District's Fiscal Year (which Fiscal Year presently ends on June 30) (the "Annual Report"), commencing with the report for Fiscal Year 2018-19, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of enumerated events, if any, will be filed by the District or its agent with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report and the notice of certain enumerated events is set forth in "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein. These covenants have been made in order to assist the Underwriter in complying with the Rule. To the District's best knowledge, in the preceding five years, the District has not failed to comply in all material respects with any previous undertakings with regard to the Rule.

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

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign a rating of "AA" to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the payment of principal of and interest on the Bonds when due will be issued by Insurer. See "BOND INSURANCE." In addition, S&P has assigned an underlying municipal bond rating of "A" to the Bonds. Such ratings reflect only the views of the rating agency, and any explanation of the significance of such ratings may be obtained at Standard & Poor's, a Division of McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, New York 10041. There can be no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a purchase price of $________ (reflecting an aggregate principal amount of $_________, plus a net issue premium of $_____________, less an Underwriter's discount of $__________). The purchase contract provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

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

FINANCIAL ADVISOR

Isom Advisors, A Division of Urban Futures Inc. (the "Financial Advisor") has been employed by the District to perform financial services in relation to the sale and delivery of the Bonds. The Financial Advisor will not participate in the underwriting of the Bonds. The Financial Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Fees charged by the Financial Advisor are contingent upon the sale of the Bonds.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds, and the District's certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. No litigation is pending and the District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Bonds or to pay the principal of and interest thereon.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. A copy of the Resolution is available upon request from the Superintendent, McFarland Unified School District, 601 Second Street, McFarland, California 93250.

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

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

MCFARLAND UNIFIED SCHOOL DISTRICT

By: ________________________________

Superintendent

APPENDIX A
FORM OF BOND COUNSEL OPINION

June ___, 2019

Board of Trustees
McFarland Unified School District

Re: $__________ McFarland Unified School District 2019 General Obligation Refunding Bonds (Bank Qualified)

Ladies and Gentlemen:

We have acted as bond counsel for the McFarland Unified School District, County of Kern, State of California (the "District"), in connection with the issuance by the District of $________ aggregate principal amount of the above-captioned bonds (the "Bonds"). The Bonds are issued pursuant to pertinent provisions of the Government Code of the State of California, as amended, and a resolution adopted by the Board of Trustees of the District on May 14, 2019 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

In our capacity as bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Certificate Pertaining to Arbitrage and Certain Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), delivered by the District in connection with the issuance of the Bonds and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion.

We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution.

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

1. The Bonds constitute valid and binding obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

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

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the District with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure by the District to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 5 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

4. Interest on the Bonds is exempt from California personal income taxes. We express no opinion regarding any other California tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than California.

5. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

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

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

This opinion is limited to the laws of the State of California and the federal laws of the United States.

Respectfully submitted,

Locke Lord LLP

APPENDIX B
THE MCFARLAND UNIFIED SCHOOL DISTRICT

The following information, concerning the operations and finances of the District is not intended to and does not suggest that the Bonds are secured by the general revenues or General Fund of the District, nor is the County obligated in any way with respect to the Bonds. The Bonds are general obligation bonds of the District, secured and payable solely from ad valorem property taxes collected against taxable properties within the boundaries of the District. Prospective purchasers of the Bonds should be aware that the following discussion of the District's financial condition, its fund balances, budgets and other obligations, is intended as general information only, and no implication is made the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for ad valorem property taxes collected by the County to pay debt service on the Bonds. Pursuant to Section 15241 of the Education Code, all tax revenues collected for payment of debt service on general obligation bonds, including the Bonds, must be deposited into the interest and sinking fund of the District maintained within the County Treasury Pool. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

Additionally, the following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the District, the Underwriter, or the Municipal Advisors. Prospective purchasers of the Bonds should be aware that a number of the tables below, which demonstrate historical income, employment, sales, and other figures, are not an accurate predictor of future trends, nor are they an entirely current report of economic circumstances as of the date of this Official Statement. The historical data displayed in this appendix is derived from a number of third party sources from data accumulated over time, and thus cannot be presented on a real-time basis.

GENERAL

The McFarland Unified School District is a unified school district of the State of California (the "State"). The District is located in the northern part of the County of Kern (the "County"). The District serves approximately 3,380 students enrolled in grades K-12. The District currently operates two elementary schools, one intermediate school, two high schools and one continuing school and employs approximately 327 teachers, administrators and classified personnel. The District has a 2018-19 assessed valuation of $1,710,215,507.

DISTRICT ORGANIZATION

The District is governed by a Board of Trustees (the "Board"). The Board consists of 5 members who are elected at-large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by an appointment by the majority vote of the remaining Board Members. The years in which the current terms for each member of the Board expire are set forth below:

BOARD OF TRUSTEES

Name	Office	Term Expires
Jim Beltran	President	December 2022
Angel Turrubiates	Vice President	December 2020
David Diaz	Clerk	December 2020
Eliseo M. Garza	Member	December 2020
Maria Lara	Member	December 2022

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District.

KEY PERSONNEL

The following is a listing of the key administrative personnel of the District:

Name	**Title**
S. Aaron Resendez	Superintendent
Ambelina Garcia-Duran	Deputy Superintendent/ Chief Business Officer

The Superintendent of the District is appointed by and reports to the Board of Trustees. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other District administrators.

Mr. S. Aaron Resendez, Superintendent: Mr. Resendez was appointed Superintendent of Schools for the McFarland Unified School District on May 2018. Prior to his tenure as Superintendent, Mr. Resendez served as Assistant Superintendent of Education Services. Mr. Resendez began his career in education in 1999. During his education career, Mr. Resendez has worked in various instructional and leadership roles, including Special Education Director, Site and District Administrator. Mr. Resendez holds California Education Specialist and Administrative Service Credentials.

Ms. Ambelina Garcia-Duran, Deputy Superintendent/Chief Business Officer: Ms. Garcia-Duran has been Deputy Superintendent/Chief Business Officer since 2010. Prior to becoming Deputy Superintendent, Ms. Garcia-Duran was the Controller for a National Homebuilder. She has over 25 years of accounting and managerial experience. Ms. Garcia-Duran received a degree in Business Administration/Accounting and a Master's in Business Administration from Bakersfield State University.

DISTRICT EMPLOYEES

The District employs approximately 175 full-time equivalent certificated academic professionals, 125 full-time equivalent classified employees, and 40 management/supervisor/confidential full-time equivalent employees. The certificated employees of the District have selected the California Teachers' Association — McFarland Teachers' Association ("MTA") as their exclusive bargaining agent. The classified employees have appointed the California School Employees Association ("CSEA"), Chapter 186 as their excusive bargaining agent. The District's contracts with certified and classified employees expire on June 30, 2019. The District is currently negotiating new contracts with MTA and CSEA.

DISTRICT INVESTMENTS

The Kern County Treasurer-Tax Collector (the "Treasurer") manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool. All money held in any of the funds or accounts established pursuant to the Resolution shall be held in the Treasury Pool and disbursed in accordance with the Resolution.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

For a further discussion of the Pooled Investment Fund, see "APPENDIX F - THE KERN COUNTY TREASURY POOL".

FINANCIAL STATEMENTS OF THE DISTRICT

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 fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District's financial statements follows. The District's audited financial statements for the 2017-18 fiscal year is attached hereto as APPENDIX C.

Prospective purchasers of the Bonds should be aware that none of the District's operating assets or funds are pledged to payment of principal of or interest on the Bonds, which are payable solely from the levy of an Ad valorem property tax on taxable property within the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" within the body of this Official Statement. The following general financial information regarding the District is provided as background only.

GENERAL FUND

The following table sets forth the District's audited financial results for the fiscal years indicated.

MCFARLAND UNIFIED SCHOOL DISTRICT
Summary of General Fund
Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Revenues					
LCFF Sources					
State Apportionment or State Aid	$15,803,209	$18,102,902	$21,664,989	$25,260,936	$25,182,534
Education Protection Account Funds	4,181,798	5,408,203	5,361,004	5,201,426	5,441,619
Local Sources	5,030,791	5,048,375	6,360,833	5,154,791	6,056,800
Federal Revenue	2,708,751	2,522,338	2,588,432	3,087,263	2,658,214
Other State Revenue	2,950,401	2,529,390	3,781,202	3,054,369	3,276,310
Other Local Revenue	1,944,473	2,296,533	2,010,868	2,158,885	2,279,333
Total Revenues	32,619,423	35,907,741	41,767,328	43,917,670	44,894,810
Expenditures:					
Instruction	19,450,078	19,714,614	19,558,963	22,299,880	21,794,569
Instruction – Related Services	4,310,489	4,478,881	4,497,275	4,771,743	5,180,914
Pupil Services	2,173,790	2,361,314	2,219,027	2,345,699	2,488,292
Ancillary Services	439,865	476,585	524,545	777,074	712,457
Community Services	300,969	299,365	231,561	239,783	247,005
General Administration	1,801,091	1,729,845	1,946,632	2,308,230	2,597,043
Plant Services	3,208,464	3,713,700	4,469,853	3,744,181	4,004,688
Other Outgo	1,129,274	903,725	956,371	981,652	1,278,885
Capital Outlay	—	—	1,575,211	495,809	3,805,431
Total Expenditures	32,814,020	33,678,029	35,979,438	37,964,051	42,109,284
Excess (Deficiency) of Revenues Over (Under) Expenditures	(194,597)	2,229,712	5,787,890	5,953,619	2,785,526
Other Financing Sources (Uses):					
Transfers In	—	—	—	—	—
Transfers Out	(307,104)	(730,000)	(4,391,665)	(1,917,887)	(5,001,536)
Total Other Financing Sources (Uses)	(307,104)	(730,000)	(4,391,665)	(1,917,887)	(5,001,536)
Net Change in Fund Balance	(564,701)	1,499,712	1,396,225	4,035,732	(2,216,010)
Fund Balance, July 1 [(1)]	10,322,594	9,757,894	11,257,605	12,653,831	16,689,563
Fund Balance, June 30 [(1)]	$9,757,893	$11,257,606	$12,653,830	$16,689,563	$14,473,553

[(1)] Beginning and ending balance may not match due to rounding.
Source: The District.

District Budget

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 file with the county superintendent of schools a tentative budget by July 1 in each fiscal year and an adopted budget by September 8 of each fiscal year. After approval of the adopted budget, the school district's administration may submit budget revisions for governing board approval.

School districts in California must also conduct a review of their budgets according to certain standards and criteria established by the State Department of Education. A written explanation must be provided for any element in the budget that does not meet the established standards and criteria. The district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the governing board for approval. The balanced budget requirement makes appropriations reductions necessary to offset any revenue shortfalls.

Furthermore, county superintendent of schools offices are required to review district budgets, complete the budget review checklist and conduct an analysis of any budget item that does not meet the established standards. A copy of the completed checklist, together with any comments or recommendations, must be provided to the district and its governing board by November 1. By November 30, every district must have an adopted and approved budget, or the county superintendent of schools will impose one.

The following table describes the District's General Fund Adopted Budgets for the fiscal years 2016-17 through 2018-19.

MCFARLAND UNIFIED SCHOOL DISTRICT
Approved Budgets Fiscal Years 2016-17 through 2018-19

	Fiscal Year 2016-17	**Fiscal Year 2017-18**	**Fiscal Year 2018-19**
REVENUES:			
LCFF Revenues	$35,266,985.00	$36,547,025.00	$39,129,917.00
Federal Revenues	2,477,538.00	2,752,997.00	2,957,743.00
Other State Revenues	1,447,340.00	2,877,900.00	4,070,284.00
Other Local Revenues	1,783,334.00	160,000.00	160,000.00
Total Revenues	$40,975,197.00	$42,337,922.00	$46,317,944.00
EXPENDITURES:			
Certificated Salary	$16,095,172.35	$16,931,882.97	$16,824,154.00
Classified Salary	5,416,822.04	5,374,737.78	5,428,294.00
Benefits	8,873,468.61	9,903,691.53	10,718,100.00
Supplies	5,496,794.90	2,944,781.39	4,880,570.00
Services	4,020,870.97	4,121,445.00	5,278,194.00
Capital Outlays	1,583,000.00	1,320,000.00	3,585,799.00
Other Outgo - excl. Indirect Costs Spec. Education)	891,216.95	1,011,771.00	1,358,232.00
Other Outgo - Indirect Costs	(75,402.33)	(111,363.02)	(113,016.00)
Transfers Out – Adult Education & Deferred Maintenance	673,312.33	712,056.88	500,000.00
Total Expenditures	$42,975,255.82	$42,209,003.53	$48,460,325.00
Excess (Deficiency) of Revenue	(2,000,058.82)	128,918.47	(2,142,381.00)
FUND BALANCE:			
Net Beginning General Fund Balance	$5,745,926.04	$10,888,251.81	$9,336,261.00
Ending General Fund Balance	$3,745,867.22	$11,017,170.28	$7,193,880.00

Source: The District.

PENSION PLANS

The following information on CalPERS and CalSTRS (as defined below) has been obtained from publicly available sources and has not been independently verified by the District, is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District, the Underwriters or the Municipal Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent losses on investments made by the retirement systems generally may have increased the unfunded actuarial accrued liabilities stated below.

The assets and liabilities of the funds administered by CalPERS and CalSTRS, as well as certain other retirement funds administered by the State, are included in the financial statements of the State for the year ended June 30, 2018, as fiduciary funds. Both CalPERS and CalSTRS have unfunded actuarial accrued liabilities in the tens of billions of dollars. The amount of unfunded actuarially accrued liability will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

CalSTRS and CalPERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275 and copies of the CalPERS annual financial report and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information presented in these reports is not incorporated by reference in this Official Statement.

CalSTRS. The District participates in the California State Teachers' Retirement System ("CalSTRS"). CalSTRS is a defined benefit plan that covers all full-time certificated employees and some classified employees, which are employees employed in a position that does not require a teaching credential from the State. CalSTRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "CalSTRS Defined Benefit Program"). The CalSTRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. CalSTRS is operated on a Statewide basis and, based on publicly available information, has substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.

As part of the 2014-15 State Budget, the Legislature enacted AB 1469 (Chapter 47, Statutes of 2014) ("AB 1469"), a comprehensive funding solution intended to eliminate the projected CalSTRS unfunded liability on the CalSTRS Defined Benefit Program by 2046. Under AB 1469, the funding plan began in Fiscal Year 2014-15 and will be phased in over several years. The employer contribution rate increased by 1.85% of covered payroll annually beginning July 1, 2015 and will continue to increase until the employer contribution rate is 19.10% of covered payroll. Beginning in Fiscal Year 2021-22 through Fiscal Year 2045-46, AB 1469 authorizes the CalSTRS Board to adjust the employer contribution up or down 1 percentage point each year, but no higher than 20.25% total and no lower than 8.25%, to eliminate the remaining unfunded obligation that existed on July 1, 2014.

In addition, the CalSTRS Board is authorized to modify the percentages paid by employers and employees for Fiscal Year 2021-22 and each fiscal year thereafter in order to eliminate CalSTRS' unfunded liability by June 30, 2046 based upon actuarial recommendations. The CalSTRS Board would also have the authority to reduce employer and State contributions if they are no longer necessary.

The actuarial assumptions and methods adopted by the CalSTRS Board for funding the CalSTRS Defined Benefit Program include: the "Entry Age Normal Cost Method", with the actuarial gains/losses and the unfunded actuarial obligation amortized over a closed period ending June 30, 2046, an assumed 7.25% investment rate of return (net of investment and administrative expenses) for Fiscal Year 2015-16 and a 7.00% investment rate of return (net of investment and administrative expenses) for Fiscal Year 2016-17, an assumed 3.00% interest on member accounts (based on the CalSTRS Board's short-term interest crediting policy), projected 3.50% general wage growth, of which 2.75% is due to inflation and 0.75% is due to expected gains in productivity, and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases.

In May 2018, CalSTRS released an update on the financial position of the pension system, including estimates of the unfunded liability and contribution rates required for districts, employees and the State. The May funding update reflected an estimated unfunded liability of $107.3 billion for the valuation period ending June 30, 2017.

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

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
CalSTRS (Defined Benefit Program)

Effective Date	K-14 school districts	District Projected Cumulative General Fund and Special Education Contribution Increase (in millions)
July 1, 2017	14.43%	$23.7
July 1, 2018	16.28	33.7
July 1, 2019	17.10	43.0
July 1, 2020	18.10	48.0

Source: AB 1469; the District.

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

The following sets forth the District's regular annual contributions to CalSTRS for Fiscal Years 2014-15 through 2017-18 and its estimated contribution for Fiscal Year 2018-19. Historically, the District has paid all required CalSTRS annual contributions.

MCFARLAND UNIFIED SCHOOL DISTRICT
Annual Regular CalSTRS Contributions
Fiscal Years 2014-15 through 2018-19

Fiscal Year	District Contributions
2014-15	$2,110,270
2015-16	1,497,845
2016-17	1,840,810
2017-18	2,235,050
2018-19(1)	2,005,722

(1) Estimated. 2nd Interim Projection.
Source: The District

CalPERS. The District also participates in the State Public Employees' Retirement System ("CalPERS"). CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS (the "CalPERS Board").

For Fiscal Year 2017-18, active plan miscellaneous members hired on or before December 31, 2012 will be required to contribute 7.0% of their monthly salary and those hired on or after January 1, 2013 are required to contribute 6.5% of their monthly salary. The required contribution rate is the difference between the actuarially determined rate and the contribution rate of employees. The actuarial methods and assumptions used for determining the rates are based on those adopted by CalPERS Board. School districts are currently required to contribute to CalPERS at an actuarially determined rate, which was 11.847%, 13.888% and 15.531% of eligible salary expenditures for fiscal years 2015-16, 2016-17 and 2017-18 respectively, and 18.062% of eligible salary expenditures for fiscal year 2018-19.

In February 2014, the CalPERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the CalPERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for Fiscal Year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

According to the CalPERS Schools Actuarial Valuation as of June 30, 2016, the funded ratio as of June 30, 2016 is approximately 71.9% on a market value of assets basis, as compared to the funded ratio of 77.5% reported in the Actuarial Valuation as of June 30, 2015. The funded ratio, on a market value basis, as of June 30, 2014, June 30, 2013, June 30, 2012, June 30, 2011 and June 30, 2010 was 86.6%, 80.5%, 75.5%, 78.7% and 69.5%. On December 21, 2016, the CalPERS Board voted to lower the CalPERS discount rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in Fiscal Year 2017-18, 7.25% in Fiscal Year 2018-19 and 7.00% in Fiscal Year 2019-20. The new discount rates went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. The change in the assumed rate of return is expected to result in increases in the District's normal costs and unfunded actuarial liabilities.

The following table sets forth the District's annual contributions to CalPERS for Fiscal Years 2014-15 through 2017-18 and the estimated contribution for Fiscal Year 2018-19. Historically, the District has paid all required CalPERS annual contributions.

MCFARLAND UNIFIED SCHOOL DISTRICT
Annual CalPERS Regular Contributions
Fiscal Years 2014-15 through 2018-19

Fiscal Year	District Contributions
2014-15	$540,790
2015-16	615,524
2016-17	695,649
2017-18	873,667
2018-19(1)	713,887

(1) Estimated. 2019 2nd Interim Projection.
Source: The District

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "Reform Act" or "PEPRA") into law on September 12, 2012. The Reform Act affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the "Implementation Date"). As it pertains to CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age, increasing the eligibility for the 2% "age factor" (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

The Reform Act also implements certain other changes to CalPERS and CalSTRS including the following:

(a) all new participants enrolled in CalPERS and CalSTRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary,

(b) CalSTRS and CalPERS are both required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for CalSTRS members who retire with 25 years of service), and (c) "pensionable compensation" is capped for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for CalSTRS and CalPERS members not participating in social security.

Governmental Accounting Standards Board. In June 2012, the Governmental Accounting Standards Board ("GASB") approved two related statements that change how State and local governments report and account for the pension benefits provided to their employees. Statement No. 67, "Financial Reporting for Pension Plans," addresses financial reporting for state and local government pension plans and Statement No. 68, "Accounting and Financial Reporting for Pensions," establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions and are designed to improve the reporting of pension information while increasing the transparency, consistency, and comparability of pension information across governments. The Statements relate only to accounting and financial reporting and do not extend to how governments approach pension plan funding. Governments will now report a pension liability on the face of their financial statements. At present, the difference between a government's total pension obligation and assets available for benefits - often called the unfunded liability - is disclosed in notes, but does not appear on the face of the financial statements. Statement No. 67 will take effect for pension plans in Fiscal Years ended June 30, 2014 or later. Statement No. 68 will take effect for employers and governmental non-employer contributing entities in Fiscal Years ended June 30, 2015 or later. The District began reporting its CalSTRS obligations in its audited financial statements for Fiscal Year ended June 30, 2015. See "APPENDIX C: - AUDITED FINANCIAL STATEMENTS FOR THE DISTRICT FOR THE YEAR ENDED JUNE 30, 2018."

POST-EMPLOYMENT BENEFITS

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement will require public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 ("GASB 45") is effective for the District for the fiscal year ended June 30, 2009.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, i.e., age and years with the District. The District provides Health & Welfare Benefits to qualified eligible employees who retire from the District after attaining age 55 with at least fifteen years of service to the District. Such qualified employees will receive post-retirement health care benefits until age 65. Expenditures for post-employment benefits are currently recognized on a pay-as-you-go basis, as premiums are paid. During Fiscal Year 2017-18, expenditures of $305,694 were recognized for retirees' healthcare benefits.

Based on an actuarial study by Total Compensation Systems, Inc., dated June 30, 2017, the District's actuarial liability for District paid retiree benefits as of June 30, 2018 was $12,410,077. The District's annual actuarially required contribution for the fiscal year 2017-18 was $533,510.

The funded status and funding progress is as follows:

Total OPEB Liability	$	11,935,541
Plan Fiduciary Net Position		—
District's Net OPEB Liability	$	11,935,541
Plan Fiduciary Net Position as a percentage of the total OPEB Liability		—
Covered-employee Payroll	$	22,069,961
Districts Net OPEB Liability as a percentage of covered payroll		54.08%

Source: The District

CERTAIN EXISTING OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 235,308	$ --	$ --	$ 235,308	$ --
General obligation bonds	1,719,838	--	(25,000)	1,694,838	25,000
General obligation bonds	660,000	--	(220,000)	440,000	220,000
General obligation bonds	954,761	--	(50,000)	904,761	50,000
General obligation bonds	3,390,000	--	(370,000)	3,020,000	390,000
General obligation bonds	5,080,000	--	(35,000)	5,045,000	45,000
General obligation bonds	7,085,000	--	--	7,085,000	--
General obligation bonds	5,265,000	--	(60,000)	5,205,000	85,000
General obligation bonds	2,970,000	--	--	2,970,000	--
Note – Land Purchase	--	2,372,700	--	2,372,700	244,680
Compensated absences	56,826	--	(10,846)	45,980	--
Accreted Interest	868,151	91,915	--	960,066	--
Total governmental activities	$28,284,484	$2,464,615	$(770,846)	$29,978,653	$1,059,680

Source: The District

Insurance

The District maintains insurance with SISC II of the County, with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and workers' compensation as the District believes are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for insured claims are adequate.

Following are the multilevel coverage amounts:

Limit Per occurrence	Deductible
Liability Coverage	
Limit Per occurrence	Deductible
$1,750,000	$1,000
Liability Excess Coverage	
Limit Per occurrence	Deductible
$50,000,000	$1,750,000
Real & Personal Property Coverage	
Limit Per occurrence	Deductible
$250,000	$2,500
Property Excess Coverage	
Limit Per occurrence	Deductible
$150,000,000	$250,000

Workers compensation insurance is obtained through SISC I.

Source: The District.

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

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MCFARLAND UNIFIED SCHOOL DISTRICT
COUNTY OF KERN
MCFARLAND, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

Introductory Section

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

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Financial Section

Scott Erwin CPA
ACCOUNTING • AUDIT • ADVISORY
Scott Erwin CPA Inc.
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Independent Auditor's Report

To the Board of Trustees
McFarland Unified School District
McFarland, 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 McFarland 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 McFarland 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 McFarland 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 McFarland 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 McFarland 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 McFarland Unified School District's (MUSD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Overall, Governmental Wide revenues were $51,998,404.
- Total Governmental Wide expenses were $51,104,695.
- Debt service amounted to $1,894,849 or about 4.0% of total governmental fund expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – 1) management's discussion and analysis (this section), 2) the basic financial statements, and 3) required supplementary information. The basic financial statements include two types of statements, which present different views of the District:

- The first two statements are district-wide financial statements that provide a statement of the District's position and a statement of the activities.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail that the District-wide status
- The governmental funds tell how basic services like regular and special education were financed in the short term as well as what remains for the future.
- Fiduciary Funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. For MUSD these are student body funds for each of the schools.

The Financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's *net position* and changes in it. Net position is the difference between assets and liabilities, one way to measure the District's financial health, or *financial position.* Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

Governmental activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $6,851,665 for the fiscal year ended June 30, 2018. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1
McFarland Unified School District
Statement of Net Position

	6/30/2018	6/30/2017
Assets		
Current and Other Assets	$ 31,576,588	$ 28,455,440
Capital Assets	53,298,801	50,117,387
Total Assets	$ 84,875,389	$ 78,572,827
Deferred Outflows of Resources	$ 2,735,801	$ 4,532,948
Liabilities		
Long-Term Liabilities	$ 77,032,194	$ 74,241,079
Other Liabilities	2,496,331	2,419,434
Total Liabilities	$ 79,528,525	$ 76,660,513
Deferred Inflows of Resources	$ 1,231,000	$ 793,000
Net Position		
Net Investment In Capital Assets	$ 24,234,279	$ 21,889,329
Restricted	3,399,773	726,033
Unrestricted	(20,782,387)	(16,963,100)
Total Net Position	$ 6,851,665	$ 5,652,262

The deficit of $20,782,387 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today*, including all of our non-capital liabilities, such as Bonds, the Net Pension Liability, Other Post Employment Benefits, or Compensated Absences, as examples, we would have a deficit of 20,782,387.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 11. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2
McFarland Unified School District
Change in Net Position

	6/30/2018	6/30/2017
Net Position Beginning Balance	$ 5,652,262	$ 8,274,971
Revenue		
General Revenues	$ 45,616,117	$ 45,261,733
Operating Grants & Contributions	6,380,624	5,871,335
Charges for Services	1,663	35,732
Total Revenue	$ 51,998,404	$ 51,168,800
Expenses		
Instruction	$ 30,374,229	$ 39,366,941
Instruction-Related Services	5,092,247	4,772,511
Pupil Services	4,704,136	4,449,508
Ancilliary Services	730,698	766,187
Community Services	295,286	219,357
General Administration	2,291,404	5,655,667
Plant Services	2,401,998	4,667,719
Other Outgo	3,682,239	981,652
Interest on Long-Term Obligations	1,226,764	2,052,076
Total Expenses	$ 50,799,001	$ 62,931,618
Change in Net Position	$ 1,199,403	$ (11,762,818)
Prior Period Adjustment	$ -	$ 9,140,109
End of Year Net Position	$ 6,851,665	$ 5,652,262

Governmental Activities

As reported in the *Statement of Activities* on page 11, the cost of all of our governmental activities this year was $50,799,001. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $45,616,117 because the cost was paid by those who benefited from the programs ($1,663) or by other governments and organizations who subsidized certain programs with grants and contributions ($6,380,624). We paid for the remaining "public benefit" portion of our governmental activities with taxes, State funds and other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's nine largest functions, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3
McFarland Unified School District
Statement of Activities

	Total Cost of Services	Net Cost of Services	Difference
Government Activities			
Instruction	$ 30,374,229	$ (28,099,269)	$ 2,274,960
Instruction-Related Services	5,092,247	(4,578,875)	513,372
Pupil Services	4,704,136	(2,275,995)	2,428,141
Ancilliary Services	730,698	(666,678)	64,020
Community Services	295,286	(273,067)	22,219
General Administration	2,291,404	(1,941,762)	349,642
Plant Services	2,401,998	(1,672,065)	729,933
Other Outgo	3,682,239	(3,682,239)	-
Interest on Long-Term Obligations	1,226,764	(1,226,764)	-
Total Expenses	$ 50,799,001	$ (44,416,714)	$ 6,382,287

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $29,080,257. This is an increase of $3,044,252 from last year's balance of $26,036,005.

The fund balance in the General Fund decreased $2,216,010 to $14,473,553. This decrease is primarily due to transfers to the Capital Outlay Projects fund and the Deferred Maintenance fund.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $53,298,801 in a broad range of capital assets, including land, buildings, furniture and equipment. Table 4 shows fiscal year 2017-2018 and 2016-2017 balances.

Table 4
McFarland Unified School District
Capital Assets

	6/30/2018	6/30/2017
Land	$ 4,559,169	$ 2,182,465
Land Improvements, Net	11,543,227	11,920,042
Buildings, Net	33,852,638	34,668,072
Equipment, Net	1,439,440	1,148,208
Work in Progress	1,904,327	198,600
Total Assets	$ 53,298,801	$ 50,117,387

Long-Term Debt

At the end of this year, the District had $77,032,194 in long-term debt outstanding versus $74,241,079 last year. Table 5 summarizes these debts and compares them to June 30, 2017.

Table 5
McFarland Unified School District
Outstanding Long-Term Debt

	6/30/2018	6/30/2017
General Obligation Bonds	$ 26,599,907	$ 27,359,907
Net Pension Liability	35,118,000	30,634,000
Net OPEB Obiligation	11,935,541	15,322,196
Notes Payble	2,372,700	-
Accreted Bond Interest	960,066	868,150
Compensated Absences	45,980	56,826
Total Assets	$ 77,032,194	$ 74,241,079

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Ambelina Garcia Duran, Deputy Superintendent / CBO, at McFarland Unified School District, 601 Second Street, McFarland, California, 93250, or by e-mail at amgarcia@mcfarland.k12.ca.us.

Basic Financial Statements

MCFARLAND UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
ASSETS:		
Cash in County Treasury	$	29,106,854
Cash in Revolving Fund		17,500
Accounts Receivable		2,399,806
Stores Inventories		51,778
Prepaid Expenses		650
Capital Assets:		
Land		4,559,169
Land Improvements, Net		11,543,227
Buildings, Net		33,852,638
Equipment, Net		1,439,440
Work in Progress		1,904,327
Total Assets		84,875,389
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Expenses		2,735,801
Total Deferred Outflows of Resources		2,735,801
LIABILITIES:		
Accounts Payable		2,088,463
Unearned Revenue		407,868
Noncurrent Liabilities:		
Net Pension Liability		35,118,000
Other Postemployment Benefit Obligation		11,935,541
Due within one year		1,059,680
Due in more than one year		28,918,973
Total Liabilities		79,528,525
DEFERRED INFLOWS OF RESOURCES:		
Deferred Revenues		1,231,000
Total Deferred Inflows of Resources		1,231,000
NET POSITION:		
Net Investment in Capital Assets		24,234,279
Restricted For:		
Federal and State Programs		2,098,441
Capital Projects		316,626
Other Purposes		984,706
Unrestricted		(20,782,387)
Total Net Position	$	6,851,665

The accompanying notes are an integral part of this statement.

MCFARLAND UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
PRIMARY GOVERNMENT:				
Governmental Activities:				
Instruction	$ 30,374,229	$ 916	$ 2,274,044	$ (28,099,269)
Instruction-Related Services	5,092,247	203	513,169	(4,578,875)
Pupil Services	4,704,136	97	2,428,044	(2,275,995)
Ancillary Services	730,698	28	63,992	(666,678)
Community Services	295,286	10	22,209	(273,067)
General Administration	2,291,404	103	349,539	(1,941,762)
Plant Services	2,401,998	306	729,627	(1,672,065)
Other Outgo	3,682,239	--	--	(3,682,239)
Interest on Long-Term Obligations	1,226,764	--	--	(1,226,764)
Total Governmental Activities	50,799,001	1,663	6,380,624	(44,416,714)
Total Primary Government	$ 50,799,001	$ 1,663	$ 6,380,624	(44,416,714)
General Revenues:				
LCFF Sources				36,680,953
Federal Revenues				181,778
State Revenues				4,335,684
Local Revenues				4,417,702
Total General Revenues				45,616,117
Change in Net Position				1,199,403
Net Position - Beginning				5,652,262
Net Position - Ending				$ 6,851,665

The accompanying notes are an integral part of this statement.

MCFARLAND UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	$ 15,078,762	$ 9,504,040	$ 4,524,052	$ 29,106,854
Cash in Revolving Fund	15,000	--	2,500	17,500
Accounts Receivable	1,817,981	22,318	559,507	2,399,806
Due from Other Funds	13,164	--	--	13,164
Stores Inventories	--	--	51,778	51,778
Prepaid Expenditures	650	--	--	650
Total Assets	16,925,557	9,526,358	5,137,837	31,589,752
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 2,044,136	$ --	$ 44,327	$ 2,088,463
Due to Other Funds	--	--	13,164	13,164
Unearned Revenue	407,868	--	--	407,868
Total Liabilities	2,452,004	--	57,491	2,509,495
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	15,000	--	2,500	17,500
Stores Inventories	--	--	51,777	51,777
Prepaid Items	650	--	--	650
Restricted Fund Balances	740,962	--	2,658,811	3,399,773
Committed Fund Balances	--	9,526,358	--	9,526,358
Assigned Fund Balances	505,261	--	2,367,258	2,872,519
Unassigned:				
Reserve for Economic Uncertainty	13,211,680	--	--	13,211,680
Total Fund Balance	14,473,553	9,526,358	5,080,346	29,080,257
Total Liabilities and Fund Balances	$ 16,925,557	$ 9,526,358	$ 5,137,837	$ 31,589,752

The accompanying notes are an integral part of this statement.

MCFARLAND 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	$ 29,080,257
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.	53,298,801
Payables for bond principal which are not due in the current period are not reported in the funds.	(26,599,907)
Payables for notes which are not due in the current period are not reported in the funds.	(2,372,700)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(45,980)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(35,118,000)
Deferred Resource Inflows related to the pension plans are not reported in the funds.	(1,231,000)
Deferred Resource Outflows related to the pension plans are not reported in the funds.	2,430,107
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(960,066)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(11,935,541)
Deferred Resource Outflows related to the OPEB plans are not reported in the funds.	305,694
Net position of governmental activities - Statement of Net Position	$ 6,851,665

The accompanying notes are an integral part of this statement.

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

	General Fund	Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 25,182,534	$ --	$ --	$ 25,182,534
Education Protection Account Funds	5,441,619	--	--	5,441,619
Local Sources	6,056,800	--	--	6,056,800
Federal Revenue	2,658,214	--	2,200,064	4,858,278
Other State Revenue	3,276,310	--	191,498	3,467,808
Other Local Revenue	2,279,333	70,947	2,069,085	4,419,365
Total Revenues	44,894,810	70,947	4,460,647	49,426,404
Expenditures:				
Current:				
Instruction	21,794,569	--	--	21,794,569
Instruction - Related Services	5,180,914	--	--	5,180,914
Pupil Services	2,488,292	--	2,131,333	4,619,625
Ancillary Services	712,457	--	--	712,457
Community Services	247,005	--	--	247,005
General Administration	2,597,043	--	118,207	2,715,250
Plant Services	4,004,688	55,321	9,108	4,069,117
Other Outgo	1,278,885	--	30,654	1,309,539
Capital Outlay	3,805,431	--	33,396	3,838,827
Debt Service:				
Principal	--	--	760,000	760,000
Interest	--	--	1,134,849	1,134,849
Total Expenditures	42,109,284	55,321	4,217,547	46,382,152
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,785,526	15,626	243,100	3,044,252
Other Financing Sources (Uses):				
Transfers In	--	4,500,000	501,536	5,001,536
Transfers Out	(5,001,536)	--	--	(5,001,536)
Total Other Financing Sources (Uses)	(5,001,536)	4,500,000	501,536	--
Net Change in Fund Balance	(2,216,010)	4,515,626	744,636	3,044,252
Fund Balance, July 1	16,689,563	5,010,732	4,335,710	26,036,005
Fund Balance, June 30	$ 14,473,553	$ 9,526,358	$ 5,080,346	$ 29,080,257

The accompanying notes are an integral part of this statement.

MCFARLAND 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	$	3,044,252
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		5,168,252
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,986,840)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		760,000
The accretion of interest on capital appreciation bonds is not reported in the funds.		(91,915)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		10,846
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.		(2,372,700)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.		2,572,000
The District's share of the unrecognized deferred inflows and outflows for pension plans was amortized.		(2,669,841)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(6,927,000)
The District's share of the unrecognized deferred inflows and outflows for OPEB plans was amortized.		305,694
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.		3,386,655
Change in net position of governmental activities - Statement of Activities	$	1,199,403

The accompanying notes are an integral part of this statement.

MCFARLAND UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds
ASSETS:	
Cash in County Treasury	$ 1,396,915
Cash on Hand and in Banks	237,851
Total Assets	1,634,766
LIABILITIES:	
Due to Student Groups/Other Agencies	$ 1,634,766
Total Liabilities	1,634,766
NET POSITION:	
Total Net Position	$ --

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

McFarland 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.

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.

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).

The District reports the following non-major governmental funds:

Child Development Fund. This fund is used to account separately for federal, state, and local revenues to operate child development programs.

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).

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (Education Code sections 17620-17626).

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

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.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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.

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. Inventories of the General Fund are immaterial and have been omitted from these statements.

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

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 Outlay Fund	Other Governmental Funds	Total
LCFF Sources	$ --	$ --	$ --	$ --
Federal Government	1,227,043	--	509,123	1,736,166
Other State Revenue	285,609	--	38,247	323,856
Other Local Revenue	305,329	22,318	12,138	339,785
Totals	$ 1,817,981	$ 22,318	$ 559,508	$ 2,399,807

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 remobes 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 stimpluated by the governing board or by an official or body to which the governing board delegates 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 of 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. Deferred Inflows and Deferred Outflows of Resources as of June 30, 2018, consists of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
CalSTRS	$ 1,556,440	$ 1,116,000
CalPERS	873,667	115,000
Other Post Employment Benefits	305,694	--
Totals	$ 2,735,801	$ 1,231,000

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 guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and 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 Accoutning 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

The District did not exceeded appropriations for the current year.

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 ($29,106,854 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 $29,106,854. 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 ($0 as of June 30, 2018) and in the revolving fund ($17,500) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

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	$ 2,182,465	$ 2,376,704	$ --	$ 4,559,169
Work in progress	198,600	2,791,548	(1,085,821)	1,904,327
Total capital assets not being depreciated	2,381,065	5,168,252	(1,085,821)	6,463,496
Capital assets being depreciated:				
Buildings	45,605,725	90,209	--	45,695,934
Improvements	17,946,237	472,783	--	18,419,020
Equipment	5,452,211	522,829	--	5,975,040
Total capital assets being depreciated	69,004,173	1,085,821	--	70,089,994
Less accumulated depreciation for:				
Buildings	(10,937,653)	--	(905,643)	(11,843,296)
Improvements	(6,026,194)	--	(849,599)	(6,875,793)
Equipment	(4,304,002)	--	(231,598)	(4,535,600)
Total accumulated depreciation	(21,267,849)	--	(1,986,840)	(23,254,689)
Total capital assets being depreciated, net	47,736,324	1,085,821	(1,986,840)	46,835,305
Governmental activities capital assets, net	$ 50,117,389	$ 6,254,073	$ (3,072,661)	$ 53,298,801

Depreciation was charged to functions as follows:

Instruction	$ 1,430,527
School Site Administration	35,990
Transportation	49,486
Food Service	14,949
General Administration	24,787
Plant Services	431,101
	$ 1,986,840

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	$ 13,164	Supplement other funds sources
	Total	$ 13,164	

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	Child Development	$	1,536	Supplement other funds sources
General fund	Deferred Maintenance		500,000	Supplement other funds sources
General fund	SR Capital Outlay Projects		4,500,000	Supplement other funds sources
	Total	$	5,001,536	

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	$ 235,308	$ --	$ --	$ 235,308	$ --
General obligation bonds	1,719,838	--	(25,000)	1,694,838	25,000
General obligation bonds	660,000	--	(220,000)	440,000	220,000
General obligation bonds	954,761	--	(50,000)	904,761	50,000
General obligation bonds	3,390,000	--	(370,000)	3,020,000	390,000
General obligation bonds	5,080,000	--	(35,000)	5,045,000	45,000
General obligation bonds	7,085,000	--	--	7,085,000	--
General obligation bonds	5,265,000	--	(60,000)	5,205,000	85,000
General obligation bonds	2,970,000	--	--	2,970,000	--
Note - Land Purchase	--	2,372,700	--	2,372,700	244,680
Compensated absences *	56,826	--	(10,846)	45,980	--
Accreted Interest	868,151	91,915	--	960,066	--
Total governmental activities	$ 28,284,884	$ 2,464,615	$ (770,846)	$ 29,978,653	$ 1,059,680

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General, Child Development, Cafeteria

2. Debt Service Requirements

Payment schedule for $5,285,308 General Obligation Bonds, Election of 2004, Series 2004-A consisting of $5,050,000 current interest bonds, with interest from 2.5% to 4.85%, and $235,308 capital appreciation bonds, with interest at 10%. Bonds totaling $3,815,000 were refunded in 2012-13.

Year Ending June 30,	Principal	Interest	Total
2026	$ 65,577	$ 464,423	$ 530,000
2027	60,604	479,396	540,000
2028	56,499	498,501	555,000
2029	52,628	517,372	570,000
Total	$ 235,308	$ 1,959,692	$ 2,195,000

Payment schedule for General Obligation Bonds of $1,799,838, consisting of $1,735,000 current interest bonds with interest from 4.0% to 4.57% and $64,838 capital appreciation bonds, with interest at 12%. Election 2004 B:

Year Ending June 30,	Principal	Interest	Total
2019	$ 25,000	$ 66,806	$ 91,806
2020	30,000	65,806	95,806
2021	35,000	64,606	99,606
2022	40,000	63,206	103,206
2023	45,000	61,606	106,606
2024	50,000	59,806	109,806
2025	60,000	57,806	117,806
2026	60,000	55,408	115,408
2027	70,000	53,006	123,006
2028	75,000	50,119	125,119
2029	80,000	47,025	127,025
2030	45,621	653,104	698,725
2031	384,217	334,508	718,725
2032	695,000	28,669	723,669
Total	$ 1,694,838	$ 1,661,481	$ 3,356,319

Payment schedule for $2,970,000 Refunding General Obligation Bond 2008, with interest from 2.25% to 4.0%:

Year Ending June 30,	Principal	Interest	Total
2019	$ 220,000	$ 13,200	$ 233,200
2020	220,000	4,400	224,400
Total	$ 440,000	$ 17,600	$ 457,600

Payment schedule for $1,214,761 General Obligation Bonds, with interest from 3% to 4%. Election of 2004, Series 2008C:

Year Ending June 30,	Principal	Interest	Total
2019	$ 55,000	$ 27,000	$ 82,000
2020	55,000	24,800	79,800
2021	60,000	22,600	82,600
2022	65,000	20,200	85,200
2023	65,000	17,600	82,600
2024	65,000	15,000	80,000
2025	70,000	12,400	82,400
2026	75,000	9,600	84,600
2027	80,000	6,600	86,600
2028	85,000	3,400	88,400
2029	20,170	69,547	89,717
2030	21,924	82,944	104,868
2031	20,170	83,581	103,751
2032	21,047	95,363	116,410
2033	146,450	688,549	834,999
Total	$ 904,761	$ 1,179,184	$ 2,083,945

Payment schedule for $4,400,000 of 2012 General Obligation Refunding Bonds, with interest from 2% to 3.125%:

Year Ending June 30,	Principal	Interest	Total
2019	$ 390,000	$ 95,869	$ 485,869
2020	415,000	81,844	496,844
2021	390,000	69,769	459,769
2022	415,000	55,619	470,619
2023	440,000	38,519	478,519
2024	475,000	22,594	497,594
2025	495,000	7,734	502,734
Total	$ 3,020,000	$ 371,948	$ 3,391,948

Payment schedule for $5,105,000 General Obligation Bonds, 2012 Election 2013 Series A, with interest from 2% to 5%:

Year Ending June 30,	Principal	Interest	Total
2019	$ 45,000	$ 219,594	$ 264,594
2020	55,000	218,094	273,094
2021	70,000	216,218	286,218
2022	85,000	213,894	298,894
2023	100,000	210,618	310,618
2024	115,000	206,894	321,894
2025	130,000	203,218	333,218
2026	150,000	199,019	349,019
2027	165,000	194,294	359,294
2028	185,000	188,928	373,928
2029	205,000	182,578	387,578
2030	230,000	175,238	405,238
2031	255,000	167,053	422,053
2032	280,000	155,750	435,750
2033	310,000	141,000	451,000
2034	345,000	124,625	469,625
2035	380,000	106,500	486,500
2036	420,000	86,500	506,500
2037	460,000	64,500	524,500
2038	505,000	40,375	545,375
2039	555,000	13,875	568,875
Total	$ 5,045,000	$ 3,328,765	$ 8,373,765

Payment schedule for $7,400,000 General Obligation Bonds, 2012 Election 2013 Series B, with interest from 2% to 5%:

Year Ending June 30,	Principal	Interest	Total
2019	$ --	$ 330,469	$ 330,469
2020	--	330,469	330,469
2021	100,000	328,469	428,469
2022	105,000	324,369	429,369
2023	130,000	319,019	449,019
2024	155,000	311,894	466,894
2025	180,000	305,319	485,319
2026	205,000	299,544	504,544
2027	235,000	292,797	527,797
2028	260,000	284,900	544,900
2029	290,000	275,962	565,962
2030	325,000	263,125	588,125
2031	365,000	245,875	610,875
2032	405,000	226,625	631,625
2033	455,000	205,125	660,125
2034	500,000	181,250	681,250
2035	555,000	154,875	709,875
2036	610,000	125,750	735,750
2037	670,000	93,750	763,750
2038	735,000	58,625	793,625
2039	805,000	20,125	825,125
Total	$ 7,085,000	$ 4,978,336	$ 12,063,336

Payment schedule for $5,300,000 General Obligation Bonds, 2012 Election, 2014 Series A, with interest from 4% to 5.5%:

Year Ending June 30,	Principal	Interest	Total
2019	$ 85,000	$ 230,213	$ 315,213
2020	110,000	226,313	336,313
2021	60,000	222,913	282,913
2022	85,000	220,012	305,012
2023	95,000	216,413	311,413
2024	115,000	212,212	327,212
2025	135,000	207,212	342,212
2026	150,000	202,262	352,262
2027	170,000	197,462	367,462
2028	190,000	191,825	381,825
2029	215,000	185,244	400,244
2030	235,000	177,637	412,637
2031	260,000	168,975	428,975
2032	290,000	159,169	449,169
2033	315,000	148,006	463,006
2034	350,000	135,538	485,538
2035	380,000	118,525	498,525
2036	420,000	96,525	516,525
2037	465,000	72,187	537,187
2038	515,000	45,237	560,237
2039	565,000	15,537	580,537
Total	$ 5,205,000	$ 3,449,417	$ 8,654,417

Payment schedule for $3,000,000 General Obligation Bonds, 2012 Election, 2014 Series B, with interest from 2% to 5%:

Year Ending June 30,	Principal	Interest	Total
2018	$ --	$ 143,625	$ 143,625
2019	--	143,625	143,625
2020	--	143,625	143,625
2021	--	143,625	143,625
2022	--	143,625	143,625
2023	--	143,625	143,625
2024	--	143,625	143,625
2025	--	143,625	143,625
2026	5,000	143,538	148,538
2027	5,000	143,362	148,362
2028	15,000	143,013	158,013
2029	20,000	142,400	162,400
2030	25,000	141,613	166,613
2031	35,000	140,562	175,562
2032	40,000	139,250	179,250
2033	50,000	137,675	187,675
2034	60,000	135,750	195,750
2035	70,000	133,475	203,475
2036	85,000	130,125	215,125
2037	100,000	125,500	225,500
2038	110,000	120,250	230,250
2039	125,000	114,375	239,375
2040	2,225,000	55,625	2,280,625
Total	$ 2,970,000	$ 3,095,513	$ 6,065,513

3 Note Payable

The District entered into a Note Payable contract with a private party for the purchase of land for a potential future school site or district facility. The note has a five year term with and interest rate of 5.5%.

Payment schedule for the $1,372,000 note payable, with interest at 5.5%:

Year Ending June 30,	Principal	Interest	Total
2019	244,680	69,392	314,072
2020	258,482	55,590	314,072
2021	273,063	41,009	314,072
2022	288,466	25,606	314,072
2023	308,009	9,335	317,344
Total	$ 1,372,700	$ 200,932	$ 1,573,632

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.

The District participates in a joint venture under a joint powers agreement (JPA) with the Partners in Nutrition Cooperative (PinCo). PinCo ensures that member districts receive quality products at lowest prices, provides districts with storage of food items until needed, and does not charge hidden fees for these services. 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.

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	$ 25,324,000	$ 1,556,440	$ 1,116,000	$ 2,572,000
CalPERS	9,794,000	873,667	115,000	1,780,436
Total	$ 35,118,000	$ 2,430,107	$ 1,231,000	$ 4,352,436

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	
	Before	On or After
Hire Date	Jan. 1, 2013	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	
	Before	On or After
Hire Date	Jan. 1, 2013	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 using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above.

CalPERS

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

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. Contribution reported each fiscal year are based on the contribution 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 the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	7.126%	$ 851,407
2017	5.400%	$ 539,970
2018	8.395%	$ 678,610

d. Contributions Recognized

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

	CalSTRS	CalPERS	Total
Contributions - Employer	$ 1,556,440	$ 873,667	$ 2,430,107
Contributions - State On Behalf Payments	678,610	--	678,610
Total Contributions	$ 2,235,050	$ 873,667	$ 3,108,717

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	$ 25,324,000
CalPERS	9,794,000
Total Net Pension Liability	$ 35,118,000

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	0.0278%	0.0411%
Proportion June 30, 2018	0.0274%	0.0410%
Change - Increase (Decrease)	-0.0004%	-0.0001%

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	$ 9,281,274	$ 2,745,674	$ 12,026,948

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	$ 2,430,107	$ --
Differences between actual and expected experience	--	--
Changes in assumptions	--	--
Change in employer's proportion and differences between	--	(1,231,000)
the employer's contributions and the employer's	--	--
proportionate share of contributions	--	--
Net difference between projected and actual earnings on plan investments	--	--
Total	$ 2,430,107	$ (1,231,000)

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	$ 2,430,107	$ (307,750)	$ 2,122,357
2019	--	(307,750)	(307,750)
2020	--	(307,750)	(307,750)
2021	--	(307,750)	(307,750)
2022	--	--	--
Thereafter	--	--	--
Total	$ 2,430,107	$ (1,231,000)	$ 1,199,107

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	6.00%	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	$ 37,195,251	$ 14,406,799
Current Discount Rate	7.10%	7.15%
Net Pension Liability	$ 25,324,000	$ 9,794,000
1% Increase	8.10%	8.15%
Net Pension Liability	$ 15,694,874	$ 5,968,219

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. SISC DEFINED BENEFIT PLAN

1. General Information About the Defined Benefit Plan

a. Plan Description

The SISC Defined Benefit Plan (SDBP) (the Plan) is administered by SISC. Plan membership consists of part-time employees of public schools and offices of education in the State of California. SDBP issues a publicly available report that includes a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on their website.

b. Benefits Provided

Benefits are designed to be paid out as a monthly lifetime benefit after reaching age 65 or later. Participants may choose to cash-out the full value of their benefits after retirement or termination of employment with participating employers. Lump sum distributions from the Plan occur only once per year. A participant who has attained at least age 62 by the end of the Plan year but has not incurred a termination of employment may be eligible to receive a distribution of the present value of the participant's vested accrued benefit in the form of a lump sum payment only. Participants are not required to retire and receive benefits once they attain age 65.

The Plan document and the Internal Revenue Service requires that participants begin to receive benefit payments, also known as the required minimum distribution, when they reach age 70 1/2 and are no longer working. If the present value of the benefit at age 70 1/2 is greater than $5,000, participants will be given the option between an annual lump sum payment or monthly life annuity payments. The annual benefit is calculated as 1.5% of the highest three consecutive calendar years of pay. Credited service begins upon the date of enrollment in the Plan. All employment with a participating employer is counted as credited service as long as the participant worked for the employer, received compensation during the calendar year, and was covered by the Plan. The maximum service amount a participant can earn is 30 years.

c. Contributions

Per the State of California Public Employees' Pension Reform Act of 2013 (PEPRA), plan members entering the Plan after December 31, 2012 are required to contribute one-half of the normal cost of the Plan. For the year ended December 31, 2016, new Plan members were required to contribute 1.6% of their annual pay. The participating employer's contractually required contribution rates for the year ended December 31, 2016 was 4.4% of annual payroll. This is less the amount contributed by new members, actuarially determined as an amount that, when combined with Plan member contributions, is expected to finance the costs of benefits earned by Plan members during the year, with an additional amount to finance any unfunded accrued liability. In addition, the administrative costs of the Plan are financed by employers through an adjustment of 0.3% to the actuarially determined rate.

Contractually required employer contributions for the year ended December 31, 2016, including reported contribution adjustments and suspended payroll information, are used as the basis for determining each employer's proportion of total contribution. Contributions of school employers were grouped by their respective School Districts. The total Plan contributions are determined through an SDBP annual actuarial valuation process. Contractually required employer contributions were determined by multiplying the employer's contribution rate by the annual benefit compensation (payroll) for the fiscal year.

For fiscal year end December 31, 2018, the District's Actual Employer Contribution was $13,416, which calculates to a total Plan Employer Allocation Percentage of 0.52% .

2. Summary of Significant Accounting and Reporting Policies

a. Basis of Presentation and Basis of Accounting

Employers participating in the Plan are required to report pension information in their financial statements for fiscal period beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The accompanying schedule was prepared in accordance with the US Generally Accepted Accounting Principles as applicable to governmental organizations.

b. Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

c. Use of Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make significant estimates and assumptions that affected the reported amounts during the reporting period. Actual amounts could differ from those estimates.

3. District Total Net Pension Liability

Due to materiality thresholds, GASB 68 was not implemented by the District for this retirement plan. The Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources listed below are not reflected in these financial statements.

Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
$ 20,055	20,954	$ 32,482

J. 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, Classified, and Management employees are eligible to retire and receive District-paid benefits after attaining age 55 (if hired on or before 7/1/2015) or age 58 (if hired after 7/1/2015), and having at least 15 years of service with the District. District-paid benefits end at "Medicare" age.

Board Members are not eligible for District-paid retiree health benefits.

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	23
Inactive employees entitled to but not yet receiving benefit payments	--
Active employees	306
Total number of participants	329

2. Contributions

The contribution requirements of the Plan are established by the District's Board of Trustees. the required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District's Board of Trustees. For the fiscal year eneded June 30, 2018 the District contributed $305,694 to the plan, of which $305,694 was current premiums and $0 was used to fund the 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	$	11,935,541
Plan Fiduciary Net Position		-
District's Net OPEB Liability	$	11,935,541
Plan Fiduciary Net Position as a percentage of the toal OPEB Liability		--
Covered-employee Payroll	$	22,069,961
District's Net OPEB Liability as a percentage of covered payroll		54.08%

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	3.50%
Inflation Rate	2.80%
Healthcare Trend Rates	4.00%
Investment Rate of Return	0.00%
Mortality Rates	RP-2014 Employee Mortality
Retirees Share of Costs	0.00%

6. Discount Rate

The discount rate used to measure the total OPEB liability was 4%. 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.

The discount rate used was based on "Municipal Bond Buyer 20 Year 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 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB Liability	$ 12,857,992	$ 11,935,541	$ 11,082,054

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 3.00%	Rate 4.00%	1% Increase 5.00%
Total OPEB Liability	$ 11,248,042	$ 11,935,541	$ 12,523,139

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 $305,694. 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	$ 305,694

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.

K. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

The District has property tax appeals with an estimated tax liability including accrued interest of $1,396,915 as of June 30, 2018. The District has impounded $1,396,915 to cover this contingent liability at June 30, 2019.

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.

L. Subsequent Events

No subsequent events have been noted as of the report date.

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.

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

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 36,547,025	$ 25,182,534	$ 25,182,534	$ --
Education Protection Account Funds	--	5,441,619	5,441,619	--
Local Sources	--	6,056,800	6,056,800	--
Federal Revenue	2,752,997	2,658,214	2,658,214	--
Other State Revenue	2,877,900	3,276,310	3,276,310	--
Other Local Revenue	163,900	2,279,333	2,279,333	--
Total Revenues	42,341,822	44,894,810	44,894,810	--
Expenditures:				
Current:				
Certificated Salaries	16,931,883	16,051,767	16,051,767	--
Classified Salaries	5,401,523	5,244,114	5,244,114	--
Employee Benefits	9,914,058	9,146,644	9,146,644	--
Books And Supplies	2,944,781	2,602,066	2,602,066	--
Services And Other Operating Expenditures	4,121,445	4,098,342	4,098,342	--
Other Outgo	1,011,771	1,273,235	1,273,235	--
Direct Support/Indirect Costs	(111,363)	(112,315)	(112,315)	--
Capital Outlay	1,320,000	3,805,431	3,805,431	--
Total Expenditures	41,534,098	42,109,284	42,109,284	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	807,724	2,785,526	2,785,526	--
Other Financing Sources (Uses):				
Transfers Out	(712,057)	(5,001,536)	(5,001,536)	--
Total Other Financing Sources (Uses)	(712,057)	(5,001,536)	(5,001,536)	--
Net Change in Fund Balance	95,667	(2,216,010)	(2,216,010)	--
Fund Balance, July 1	16,689,564	16,689,563	16,689,563	--
Fund Balance, June 30	$ 16,785,231	$ 14,473,553	$ 14,473,553	$ --

MCFARLAND 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)	0.0274%	0.0280%	0.0310%	0.2900%
District's proportionate share of the net pension liability (asset)	$ 17,635,080	$ 15,909,198	$ 8,548,711	$ 6,339,742
State's proportionate share of the net pension liability (asset) associated with the District	7,688,920	6,603,802	11,259,589	10,678,258
Total	$ 25,324,000	$ 22,513,000	$ 19,808,300	$ 17,018,000
District's covered-employee payroll	$ 16,051,722	$ 15,232,573	$ 14,872,507	$ 15,050,100
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	109.86%	104.44%	57.48%	42.12%
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.

MCFARLAND UNIFIED SCHOOL DISTRICT

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

	Fiscal Year			
	2018	2017	2016	2015
Contractually required contribution	$ 2,235,050	$ 1,840,810	$ 1,497,845	$ 2,110,270
Contributions in relation to the contractually required contribution	(2,235,050)	(1,840,810)	(1,497,845)	(2,110,270)
Contribution deficiency (excess)	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 16,051,772	$ 15,232,573	$ 14,872,507	$ 15,050,100
Contributions as a percentage of covered-employee payroll	13.92%	12.08%	10.07%	14.02%

* 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.

MCFARLAND 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)	0.041%	0.041%	0.040%	0.042%
District's proportionate share of the net pension liability (asset)	$ 9,794,000	$ 8,121,000	$ 6,139,000	$ 4,734,000
District's covered-employee payroll	$ 6,018,189	$ 5,566,232	$ 5,515,131	$ 5,045,535
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	162.74%	145.90%	111.31%	93.83%
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 compiled, this schedule provides the information only for those years for which information is available.

MCFARLAND 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	$ 873,667	$ 695,649	$ 615,524	$ 540,790
Contributions in relation to the contractually required contribution	(873,667)	(695,649)	(615,524)	(540,790)
Contribution deficiency (excess)	$ --	$ --	$ --	$ --
District's covered-employee payroll	$ 6,018,189	$ 5,566,232	$ 5,515,131	$ 5,045,535
Contributions as a percentage of covered-employee payroll	14.52%	12.50%	11.16%	10.72%

* 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.

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

	Year Ended		
	2018	2017	2016
District's proportion of the collective net OPEB liability	100.000%	100.000%	100.000%
District's proportionate share of the collective net OPEB liability	$ 11,935,541	$ 15,322,196	$ 2,816,177
Total	$ 11,935,541	$ 15,322,196	$ 2,816,177
District's covered-employee payroll	$ 22,069,961	$ 20,798,805	$ 18,470,695
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	184.91%	57.39%	82.95%

* 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.

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

	Fiscal Year		
	2018	2017	2016
Statutorily or contractually required District contribution	$ 533,510	$ 967,106	$ 967,106
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	305,694	311,818	321,525
Contribution deficiency (excess)	$ 227,816	$ 655,288	$ 645,581
District's covered-employee payroll	$ 22,069,961	$ 20,798,805	$ 18,470,695
Contributions as a percentage of covered-employee payroll	1.39%	1.50%	1.74%

* 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.

MCFARLAND 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	2017	2016
Total OPEB liability:			
Service cost	$ --	$ --	$ --
Interest	--	--	--
Changes of benefit terms	--	--	--
Differences between expected and actual experience	--	--	--
Changes of assumptions or other inputs	(3,386,655)	15,322,196	--
Benefit payments	--	--	--
Net change in total OPEB liability	(3,386,655)	15,322,196	--
Total OPEB liability - beginning	15,322,196	2,816,177	--
Total OPEB liability - ending(a)	$ 11,935,541	$ 15,322,196	$ 2,816,177
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)	$ 11,935,541	$ 15,322,196	$ 2,816,177
Plan Fiduciary Net Posistion as a percentage of the total liability	--	--	--
Covered-employee payroll	$ 22,069,961	$ 20,798,805	$ 18,470,695
Total Net OPEB liability as a percentage of covered-employee payroll	54.08%	73.67%	15.25%

* 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.

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See
ASSETS:				
Cash in County Treasury	$ 1,567,977	$ 1,739,080	$ 1,216,995	$ 4,524,052
Cash in Revolving Fund	2,500	--	--	2,500
Accounts Receivable	554,598	--	4,909	559,507
Stores Inventories	51,778	--	--	51,778
Total Assets	2,176,853	1,739,080	1,221,904	5,137,837
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 44,327	$ --	$ --	$ 44,327
Due to Other Funds	13,164	--	--	13,164
Total Liabilities	57,491	--	--	57,491
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	2,500	--	--	2,500
Stores Inventories	51,777	--	--	51,777
Restricted Fund Balances	603,105	1,739,080	316,626	2,658,811
Assigned Fund Balances	1,461,980	--	905,278	2,367,258
Total Fund Balance	2,119,362	1,739,080	1,221,904	5,080,346
Total Liabilities and Fund Balances	$ 2,176,853	$ 1,739,080	$ 1,221,904	$ 5,137,837

MCFARLAND 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 Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds (See
Revenues:				
Federal Revenue	$ 2,200,064	$ --	$ --	$ 2,200,064
Other State Revenue	184,633	6,865	--	191,498
Other Local Revenue	64,690	1,724,511	279,884	2,069,085
Total Revenues	2,449,387	1,731,376	279,884	4,460,647
Expenditures:				
Current:				
Pupil Services	2,131,333	--	--	2,131,333
General Administration	112,315	--	5,892	118,207
Plant Services	8,010	--	1,098	9,108
Other Outgo	30,654	--	--	30,654
Capital Outlay	--	--	33,396	33,396
Debt Service:				
Principal	--	760,000	--	760,000
Interest	--	1,134,849	--	1,134,849
Total Expenditures	2,282,312	1,894,849	40,386	4,217,547
Excess (Deficiency) of Revenues Over (Under) Expenditures	167,075	(163,473)	239,498	243,100
Other Financing Sources (Uses):				
Transfers In	501,536	--	--	501,536
Total Other Financing Sources (Uses)	501,536	--	--	501,536
Net Change in Fund Balance	668,611	(163,473)	239,498	744,636
Fund Balance, July 1	1,450,751	1,902,553	982,406	4,335,710
Fund Balance, June 30	$ 2,119,362	$ 1,739,080	$ 1,221,904	$ 5,080,346

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
ASSETS:				
Cash in County Treasury	$ 77	$ 110,574	$ 1,457,326	$ 1,567,977
Cash in Revolving Fund	--	2,500	--	2,500
Accounts Receivable	--	550,021	4,577	554,598
Stores Inventories	--	51,778	--	51,778
Total Assets	77	714,873	1,461,903	2,176,853
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ --	$ 44,327	$ --	$ 44,327
Due to Other Funds	--	13,164	--	13,164
Total Liabilities	--	57,491	--	57,491
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	--	2,500	--	2,500
Stores Inventories	--	51,777	--	51,777
Restricted Fund Balances	--	603,105	--	603,105
Assigned Fund Balances	77	--	1,461,903	1,461,980
Total Fund Balance	77	657,382	1,461,903	2,119,362
Total Liabilities and Fund Balances	$ 77	$ 714,873	$ 1,461,903	$ 2,176,853

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

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds
Revenues:				
Federal Revenue	$ --	$ 2,200,064	$ --	$ 2,200,064
Other State Revenue	--	184,633	--	184,633
Other Local Revenue	155	49,953	14,582	64,690
Total Revenues	155	2,434,650	14,582	2,449,387
Expenditures:				
Current:				
Pupil Services	--	2,131,333	--	2,131,333
General Administration	--	112,315	--	112,315
Plant Services	--	8,010	--	8,010
Other Outgo	30,654	--	--	30,654
Total Expenditures	30,654	2,251,658	--	2,282,312
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,499)	182,992	14,582	167,075
Other Financing Sources (Uses):				
Transfers In	1,536	--	500,000	501,536
Total Other Financing Sources (Uses)	1,536	--	500,000	501,536
Net Change in Fund Balance	(28,963)	182,992	514,582	668,611
Fund Balance, July 1	29,040	474,390	947,321	1,450,751
Fund Balance, June 30	$ 77	$ 657,382	$ 1,461,903	$ 2,119,362

MCFARLAND UNIFIED SCHOOL DISTRICT
CHILD DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 153	$ 153	$ --
Total Revenues	153	153	--
Expenditures:			
Other Outgo	30,654	30,654	--
Total Expenditures	30,654	30,654	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,499)	(30,499)	--
Other Financing Sources (Uses):			
Transfers In	1,536	1,536	--
Total Other Financing Sources (Uses)	1,536	1,536	--
Net Change in Fund Balance	(28,963)	(28,963)	--
Fund Balance, July 1	29,040	29,040	--
Fund Balance, June 30	$ 77	$ 77	$ --

MCFARLAND 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	$ 2,200,064	$ 2,200,064	$ --
Other State Revenue	184,633	184,633	--
Other Local Revenue	49,953	49,953	--
Total Revenues	2,434,650	2,434,650	--
Expenditures:			
Current:			
Classified Salaries	774,083	774,083	--
Employee Benefits	362,031	362,031	--
Books And Supplies	926,090	926,090	--
Services And Other Operating Expenditures	77,139	77,139	--
Direct Support/Indirect Costs	112,315	112,315	--
Total Expenditures	2,251,658	2,251,658	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	182,992	182,992	--
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	182,992	182,992	--
Fund Balance, July 1	474,390	474,390	--
Fund Balance, June 30	$ 657,382	$ 657,382	$ --

MCFARLAND UNIFIED SCHOOL DISTRICT

DEFERRED MAINTENANCE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 14,582	$ 14,582	$ --
Total Revenues	14,582	14,582	--
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,582	14,582	--
Other Financing Sources (Uses):			
Transfers In	500,000	500,000	--
Total Other Financing Sources (Uses)	500,000	500,000	--
Net Change in Fund Balance	514,582	514,582	--
Fund Balance, July 1	947,321	947,321	--
Fund Balance, June 30	$ 1,461,903	$ 1,461,903	$ --

MCFARLAND 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 State Revenue	$ --	$ 6,865	$ 6,865
Other Local Revenue	--	1,724,511	1,724,511
Total Revenues	--	1,731,376	1,731,376
Expenditures:			
Debt Service:			
Principal	--	760,000	(760,000)
Interest	--	1,134,849	(1,134,849)
Total Expenditures	--	1,894,849	(1,894,849)
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	(163,473)	(163,473)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	--	(163,473)	(163,473)
Fund Balance, July 1	--	1,902,553	1,902,553
Fund Balance, June 30	$ --	$ 1,739,080	$ 1,739,080

MCFARLAND UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds
ASSETS:				
Cash in County Treasury	$ 315,301	$ 901,341	$ 353	$ 1,216,995
Accounts Receivable	1,325	3,583	1	4,909
Total Assets	316,626	904,924	354	1,221,904
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Total Liabilities	--	--	--	--
Fund Balance:				
Restricted Fund Balances	$ 316,626	$ --	$ --	$ 316,626
Assigned Fund Balances	--	904,924	354	905,278
Total Fund Balance	316,626	904,924	354	1,221,904
Total Liabilities and Fund Balances	$ 316,626	$ 904,924	$ 354	$ 1,221,904

MCFARLAND UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Other Local Revenue	$ 4,730	$ 275,149	$ 5	$ 279,884
Total Revenues	4,730	275,149	5	279,884
Expenditures:				
Current:				
General Administration	--	5,892	--	5,892
Plant Services	1,098	--	--	1,098
Capital Outlay	33,396	--	--	33,396
Total Expenditures	34,494	5,892	--	40,386
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,764)	269,257	5	239,498
Net Change in Fund Balance	(29,764)	269,257	5	239,498
Fund Balance, July 1	346,390	635,667	349	982,406
Fund Balance, June 30	$ 316,626	$ 904,924	$ 354	$ 1,221,904

MCFARLAND 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	$ 4,730	$ 4,730	$ --
Total Revenues	4,730	4,730	--
Expenditures:			
Current:			
Services And Other Operating Expenditures	1,098	1,098	--
Capital Outlay	33,396	33,396	--
Total Expenditures	34,494	34,494	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,764)	(29,764)	--
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	(29,764)	(29,764)	--
Fund Balance, July 1	346,390	346,390	--
Fund Balance, June 30	$ 316,626	$ 316,626	$ --

MCFARLAND 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	$ 275,149	$ 275,149	$ --
Total Revenues	275,149	275,149	--
Expenditures:			
Current:			
Services And Other Operating Expenditures	5,892	5,892	--
Total Expenditures	5,892	5,892	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	269,257	269,257	--
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	269,257	269,257	--
Fund Balance, July 1	635,667	635,667	--
Fund Balance, June 30	$ 904,924	$ 904,924	$ --

MCFARLAND 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	$ 5	$ 5	$ --
Total Revenues	5	5	--
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	5	5	--
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	5	5	--
Fund Balance, July 1	349	349	--
Fund Balance, June 30	$ 354	$ 354	$ --

MCFARLAND UNIFIED SCHOOL DISTRICT

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 70,947	$ 70,947	$ --
Total Revenues	70,947	70,947	--
Expenditures:			
Current:			
Services And Other Operating Expenditures	55,321	55,321	--
Total Expenditures	55,321	55,321	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,626	15,626	--
Other Financing Sources (Uses):			
Transfers In	4,500,000	4,500,000	--
Total Other Financing Sources (Uses)	4,500,000	4,500,000	--
Net Change in Fund Balance	4,515,626	4,515,626	--
Fund Balance, July 1	5,010,732	5,010,732	--
Fund Balance, June 30	$ 9,526,358	$ 9,526,358	$ --

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

	Impound Funds	Kern Avenue School ASB Funds	McFarland Middle School ASB Funds
ASSETS:			
Cash in County Treasury	$ 1,396,915	$ --	$ --
Cash on Hand and in Banks	--	24,324	36,063
Total Assets	1,396,915	24,324	36,063
LIABILITIES:			
Due to Student Groups/Other Agencies	$ 1,396,915	$ 24,324	$ 36,063
Total Liabilities	1,396,915	24,324	36,063
NET POSITION:			
Total Net Position	$ --	$ --	$ --

Browning Road Elementary ASB Funds	McFarland High School ASB Funds	Horizon Elementary Student Body	San Joaquin ASB Funds	Total Agency Funds
$ --	$ --	$ --	$ --	$ 1,396,915
3,656	146,120	22,539	5,149	237,851
3,656	146,120	22,539	5,149	1,634,766
$ 3,656	$ 146,120	$ 22,539	$ 5,149	$ 1,634,766
3,656	146,120	22,539	5,149	1,634,766
$ --	$ --	$ --	$ --	$ --

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.

The McFarland Unified School District is a K-12 district located in McFarland, California, in the southern part of the San Joaquin Valley. It is located approximately 26 miles north of Bakersfield on Highway 99. The District is comprised of three K-5 elementary schools, one 6-8 middle school, one high school and a continuation/independent studies adult education school. Enrollment is approximately 3,600 and is increasing 3-4% each year. McFarland Unified School District operates on a traditional school year schedule

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

Governing Board

Name	Office	Term and Term Expiration
Jim Beltran	President	December 2018
Angel Turrubiates	Vice-President	December 2020
David Arguello	Clerk	December 2018
David Diaz	Member	December 2020
Eliseo Garza	Member	December 2020

Administration

Samuel A. Resendez
Superintendent Designee

Ambelina Garcia Duran
Deputy Superintendent / CBO

Vacant
Assistant Superintendent,
Educational Services

Dr. Valerie Park
Chief Academic Officer

MCFARLAND 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	1,107	N/A	1,107	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
TK/K-3 Totals	1,107	N/A	1,107	N/A
Grades 4-6:				
Regular ADA	839	N/A	838	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 4-6 Totals	839	N/A	838	N/A
Grades 7 and 8:				
Regular ADA	518	N/A	516	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 7 and 8 Totals	518	N/A	516	N/A
Grades 9-12:				
Regular ADA	922	N/A	917	N/A
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 9-12 Totals	922	N/A	917	N/A
ADA Totals	3,386	N/A	3,379	N/A

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.

MCFARLAND 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	--	55,350	180	--	Complied
Kindergarten	36,000	--	55,350	180	--	Complied
Grade 1	50,400	--	56,670	180	--	Complied
Grade 2	50,400	--	56,670	180	--	Complied
Grade 3	50,400	--	56,670	180	--	Complied
Grade 4	54,000	--	58,680	180	--	Complied
Grade 5	54,000	--	58,680	180	--	Complied
Grade 6	54,000	--	64,393	180	--	Complied
Grade 7	54,000	--	64,393	180	--	Complied
Grade 8	54,000	--	64,393	180	--	Complied
Grade 9	64,800	--	65,300	180	--	Complied
Grade 10	64,800	--	65,300	180	--	Complied
Grade 11	64,800	--	65,300	180	--	Complied
Grade 12	64,800	--	65,300	180	--	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.

General Fund	Budget 2019 (see note 1)	2018	2017	2016
Revenues and other financial sources	$ 46,322,344	$ 44,894,810	$ 43,917,670	$ 41,767,328
Expenditures	47,960,325	42,109,284	37,964,051	35,979,438
Other uses and transfers out	500,000	5,001,536	1,917,887	4,391,665
Total outgo	48,460,325	47,110,820	39,881,938	40,371,103
Change in fund balance (deficit)	(2,137,981)	(2,216,010)	4,035,732	1,396,225
Ending fund balance	$ 12,335,572	$ 14,473,553	$ 16,689,562	$ 12,653,830
Available reserves (see note 2)	$ 10,975,969	$ 12,804,099	$ 13,292,778	$ 11,469,621
Available reserves as a percentage of total outgo (see note 3)	22.6%	27.2%	33.3%	28.4%
Total long-term debt	$ 75,972,514	$ 77,032,194	$ 74,241,079	$ 56,913,491
Average daily attendance at P-2	3,387	3,386	3,379	3,365

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 $1,819,723 (14.38%) over the past two years. The fiscal year 2018-2019 budget projects a decrease of $2,137,981 (-14.77%). For a district of this size, the State recommends available reserves of at least three percent of total general fund expenditures, transfers out and other uses (total outgo).

The District has enjoyed operating surpluses for two of the past three years, but projects a deficit during the 2018-2019 fiscal year. Total long-term debt has increased by $20,118,703 over the past two years.

Average daily attendance has increased by 21 over the past two years. A increase of 1 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.

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

	General Fund	Adult Education Fund
June 30, 2018, annual financial and budget report fund balances	$ 13,583,925	$ 359,362
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Cash in County Treasury	989,639	(461,591)
Accounts Receivable	4,263	(2,045)
Due to/from Other Funds		
Accounts Payable	(104,274)	104,274
Rounding		
Net adjustments and reclassifications	889,628	(359,362)
June 30, 2018, audited financial statement fund balances	$ 14,473,553	$ --

	Non-Current Liabilities
June 30, 2018, annual financial and budget report total liabilities	$ 39,539,320
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net Pension Liability	35,118,000
Note Payable	2,372,700
Compensated Absences	2,174
Rounding	
Net adjustments and reclassifications	37,492,874
June 30, 2018, audited financial statement total liabilities	$ 77,032,194

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.

Non-Capital Outlay Fund	Post Employment Benefits Fund
$ 407,581	$ 122,686
(405,876)	(122,172)
(1,705)	(513)
	(1)
(407,581)	(122,686)
$ --	$ --

No charter schools are chartered by McFarland Unified School District.

Charter Schools	Included In Audit?
None	N/A

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 State Department of Education:				
Child Nutrition: School Programs - Breakfast Needy	10.553	13526	$ --	$ 444,339
Child Nutrition: School Programs - Lunch	10.555	13391	--	1,451,840
Total Passed Through State Department of Education			--	1,896,179
Total U. S. Department of Agriculture			--	1,896,179
Total Child Nutrition Cluster			--	1,896,179
FOREST SERVICE SCHOOLS AND ROADS CLUSTER:				
U. S. Department of Agriculture				
Direct Program:				
Forest Reserve Funds	10.665	10044	--	117,296
Total U. S. Department of Agriculture			--	117,296
Total Forest Service Schools and Roads Cluster			--	117,296
MEDICAID CLUSTER:				
U. S. Department of Health and Human Services				
Passed Through California Department of Health Services:				
Medi-Cal Billing Option	93.778	10013	--	83,982
Total U. S. Department of Health and Human Services			--	83,982
Total Medicaid Cluster			--	83,982
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	--	532,974
Special Ed: IDEA Preschool Local Entitlement	84.027	13682	--	51,961
Special Ed: IDEA Preschool Grants	84.173	13430	--	12,656
Total Passed Through California Department of Education			--	597,591
Total U. S. Department of Education			--	597,591
Total Special Education (IDEA) Cluster			--	597,591
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	--	1,478,871
ESSA (ESEA): Title I, Migrant Ed Summer Program	84.011	10005	--	41,558
NCLB: Title I, Part C, Migrant Ed	84.011	14326	--	178,055
NCLB: Title I, Part C, Even Start Migrant Ed	84.011	14768	--	12,773
Carl Perkins Career and Technical Education	84.048	14894	--	41,343
NCLB: Title III, Limited English Proficient Student Program	84.365	14346	--	11,067
NCLB: Title II, Part A, Teacher Quality	84.367	14341	--	95,677
Total Passed Through California Department of Education			--	1,859,344
Total U. S. Department of Education			--	1,859,344
U. S. Department of Agriculture				
Passed Through Department of Health and Human Resources:				
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	--	64,482
Passed Through State Department of Education:				
Child Nutrition: Child Care Food Program	10.558	13393	--	239,404
Total U. S. Department of Agriculture			--	303,886
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ --	$ 4,858,278

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 McFarland 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.

McFarland 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 has adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the district.

Retiree Information

A total of one employee has retired in exchange for the additional two years of service credit.

			Retired Employee		Replacement Employee (IF APPLICABLE)	
Position Vacated	Age	Service Credit	Salary*	Benefits	Salary*	Benefits
Teacher	70	35	$ 97,018	N/A	$ 73,201	N/A
Teacher	59	38	120,368	N/A	73,201	N/A
Teacher	60	29	124,576	N/A	73,201	N/A
Teacher	65	11	117,191	N/A	73,201	N/A
Teacher	61	33	119,954	N/A	73,201	N/A
Teacher	60	30	129,589	N/A	73,201	N/A
Teacher	61	35	94,784	N/A	73,201	N/A
Teacher	64	25	122,776	N/A	73,201	N/A
Teacher	63	26	123,361	N/A	73,201	N/A
Teacher	65	18	109,605	N/A	73,201	N/A
Totals			$ 1,159,222	N/A	$ 732,010	N/A

*Annual Salary

Additional Costs

As a result of this early retirement incentive program, the district expects to incur additional costs. The breakdown in additonal costs is presented below:

Retirement costs	$ 478,632
Postretirement health benefit costs	--
Administrative costs	2,900
Total additional costs	$ 481,532

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
McFarland Unified School District
McFarland, 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 McFarland Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise McFarland 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 McFarland 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 McFarland Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the McFarland 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 McFarland 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
McFarland Unified School District
McFarland, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the McFarland 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 McFarland Unified School District's major federal programs for the year ended June 30, 2018. McFarland 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 McFarland 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 McFarland 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 McFarland Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the McFarland 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 McFarland 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 McFarland 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 McFarland 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
McFarland Unified School District
McFarland, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the McFarland Unified School District's (the District) 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, McFarland 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

McFarland Unified School District's Response to Findings

McFarland Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. McFarland 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.

Respectfully submitted,

Scott Erwin CPA

SCOTT ERWIN CPA INC
Bakersfield, CA
December 1, 2018

Findings and Recommendations Section

MCFARLAND 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 Report
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 Report
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
10.553	Child Nutrition: School Programs - Breakfast Needy
10.555	Child Nutrition:School Programs - Lunch
10.558	Child Nutrition: Child Care Food Program
10.582	Child Nutrition: Fresh Fruit and Vegetable Program

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 - RATIO OF ADMINISTRATIVE EMPLOYEES TO TEACHERS - CODE 40000

Criteria or Specific Requirement
If the number of administrative employees per hundred teachers exceeded the allowable ratio set forth in Education Code section 41402, state in a finding the number of excess administrative employees and the associated penalty, as set forth in Education Code section 41404.

Condition
The District's calculation of the CDE Ratio of Administrative Employees to Teachers determines that the maximum number of administrators should be 13. The actual number of Administrators were found to be 15.

Effect
The District has not met the Ed Code requirement for the maximum number of administrators.

Cause
During the Fiscal Year 2017-18 the salary allocations for the District's four Learning Directors were originally bugeted as being fundied 50% TItle I and 50% LCAP. Due to an FMP review, the FY 17-18 salaries allocated to Title I were not allowable expenditures. No time accounting logs were done on a daily basis and the job description of the Learning Directors did not fit the criteria to provide a direct service to the students. The FY 17-18 salaries for the Learning Directors were funded 100% by LCAP.

Questioned Costs
None

Recommendation
The District should review this requirement and take corrective action to meet the Education Code requirement for District Administrators.

Corrective Action Plan
The District has taken action in correcting this finding by revising the job description of Learning Directors to include direct support to students and requiring the Learning Directors to complete daily time accounting logs since they are multi funded positions. The administration worked with the California Department of Education to approve the new job descriptions. Currently FY 18-19 salaries for the four Learning Directors are funded 50% Tilte I and 50% LCAP.

FINDING 2018-02 - SCHOOL ACCOUNTABILITY REPORT CARD - CODE 72000

Criteria or Specific Requirement
Verify that the School Accountability Report Card (SARC) is consistent with Facility Inspection Tool (FIT) reports, as required by Education Code section 33126(b)(8).

Condition
The SARC reports for three schools did not match the FIT reports' "Overall Facility Rating." One School was over reported (i.e. "Exemplary" was reported when it FIT indicated "Good") and two schools were under reported (i.e. "Good" when should have been "Exemplary").

Effect
The Overall Facility Rating information for three of the six sites in the District's SARC's were no consistent with the FIT reports and therefor not reported correctly.

Cause
The SARCs for each school site are completed by the principal and submitted to the school board for approval after certified data becomes available, generally in December. The most recent FIT for each site are completed in the summer and they become a working document. When the SARCs in question were completed, the principals based information on what they believed to be current FIT information which may have included repairs that may have been made or needed to be made after the last FIT was completed.

Questioned Costs
None

Recommendation
The District should ensure that the FIT report is accurately presented in future SARC reports.

Corrective Action Plan
All FIT will be uploaded by the District Facilities Coordinator to a Google Team drive when completed. Updated reports will be easily accessible for site administrators to follow when data is needed as in this case for SARC reporting. In addition, district personnel will be assigned to review SARCs before they are submitted for board approval.

MCFARLAND 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 the year ended June 30, 2017.		

APPENDIX D
PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the McFarland Unified School District (the "District") in connection with the issuance of $_________ aggregate principal amount of the McFarland Unified School District General Obligation Refunding Bonds (Bank Qualified) (the "Bonds"). The Bonds are being issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the of the California Government Code (commencing with Sections 53550 and 53580, respectively) and other applicable laws and regulations of the State of California (the "State"), and pursuant to a resolution adopted by the Board of Trustees of the District on May 14, 2019 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Agreement. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bondholders (defined below) and in order to assist the underwriter for the Bonds (the "Underwriter") in complying with Rule 15c2-12, as amended (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

"Bondholder" or "Holder" means any holder of the Bonds and any registered or beneficial owner of the Bonds so long as they are immobilized with DTC.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent of the District (or otherwise by the District), which Agent has evidenced its acceptance in writing.

"Listed Event" shall mean any of the events listed in Section 6 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at http://emma.msrb.org, or any other entity designated or authorized by the Securities and Exchange Commission ("S.E.C.") to receive reports pursuant to the Rule.

SECTION 3. Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated May 30, 2019 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than nine months after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2019, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District or its Dissemination Agent is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice in a timely manner to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, upon receipt from the District:

(i) provide an Annual Report received by it to the MSRB as provided herein; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding Fiscal Year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding Fiscal Year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) the average daily attendance in the District schools on an aggregate basis;

(ii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding Fiscal Year;

(iii) description of amount of general fund revenues and expenditures which have been budgeted for the current Fiscal Year, together with audited actual budget figures for the preceding Fiscal Year;

(iv) prior Fiscal Year total secured property tax levy and collections, showing current collections as a percent of the total levy; and

(v) current Fiscal Year assessed valuation of taxable properties in the District, including assessed valuation of the top twenty properties, or if not available at the time of filing the Annual Report, for the preceding Fiscal Year.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) 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 Bonds, or other material events affecting the tax status of the Bonds.

(vii) Modifications to rights of the Bondholders, if material.

(viii) Bond calls, if material, and tender offers.

(ix) Defeasances.

(x) Release, substitution or sale of property securing repayment of the Bonds, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar event of the District.*

(xiii) 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.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect Bondholders, if material.†

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.†

(b) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

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* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any 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 (ii) 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.

† For purposes of this event, the term “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” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent of the District or his or her designee may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the District. Any subsequent Dissemination Agent shall be paid compensation by the District for its services hereunder in accordance with the schedule of fees of the Dissemination Agent provided to the District. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section 8 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of such party, and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the District to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 10. Additional Information. If the District chooses to include any information from any document 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 to include it in any future disclosure or notice of occurrence of a Listed Event.

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.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder 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. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Assignment. The District shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the District under this Disclosure Certificate that would have been obligations of the transferee under the Rule, as amended as of the date of this Disclosure Certificate.

SECTION 14. Governing Law. This Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Date: June __, 2019

MCFARLAND UNIFIED SCHOOL DISTRICT

By: ______________________________
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: McFarland Unified School District

Name of Issue: $________ 2019 General Obligation Refunding Bonds (Bank Qualified)

Date of Issuance: June __, 2019

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Issue as required by Section 4(a) of the Continuing Disclosure Certificate dated June __, 2019. The Issuer anticipates that the Annual Report will be filed by [DATE].

Dated: ______________________________

[ISSUER/DISSEMINATION AGENT]

By: ______________________________________

APPENDIX E
BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (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) prepayment 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 Official Statement. 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.

General

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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"). Standard & Poor's has rated DTC "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 set forth on such website is not incorporated herein by reference.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial

Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, 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 the 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 the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

APPENDIX F
THE KERN COUNTY TREASURY POOL

This section provides a general description of the County of Kern, California (the "County") investment policy and current portfolio holdings ("County Pool"). The information set forth under this appendix relating to the County Pool has been obtained from the website of the Treasurer, and is believed to be reliable but is not guaranteed as to accuracy or completeness. The County's Board of Supervisors (the "Board") makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the Kern County Treasurer – Tax Collector, 1115 Truxtun Avenue, Bakersfield, California 93301, Telephone (661) 868-3490.

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

Funds held by the County in the County Pool are invested in accordance with the Treasurer's statement of investment policy, as authorized by Section 53630 of the State Government Code. This pooled investment fund consists primarily of operating funds of the County and local agencies, including other school districts, cities and special districts. State law requires that all moneys of the county, school districts, and certain special districts be held by the respective county's treasurer.

The Board annually approves the Treasurer's statement of investment policy, with the current investment policy approved on December 4, 2018. Based on this policy, the County Pool's investment objectives are to safeguard investment principal, maintain liquidity, and achieve a reasonable rate of return or yield. To achieve its objectives, the County Pool invests all of its assets in various types of money market instruments. The County Pool limits its investments to those instruments that are specifically enumerated within California Government Code Section 53635, as may be amended from time to time, and as further restricted by the County Pool's investment policy.

The following tables present information with respect to the County Pool as of March 31, 2019. As described above, a wide range of investments is authorized under State law and the Investment Policy. Therefore, there can be no assurance that the investments in the County Pool will not vary significantly from the investments described below. In addition, the value of various investments in the County Pool will fluctuate on a daily basis as a result of several factors, including generally prevailing interest rates and other economic conditions. For further information concerning County investments, access the County's website: http://www.kcttc.co.kern.ca.us, which website is not incorporated herein by reference.

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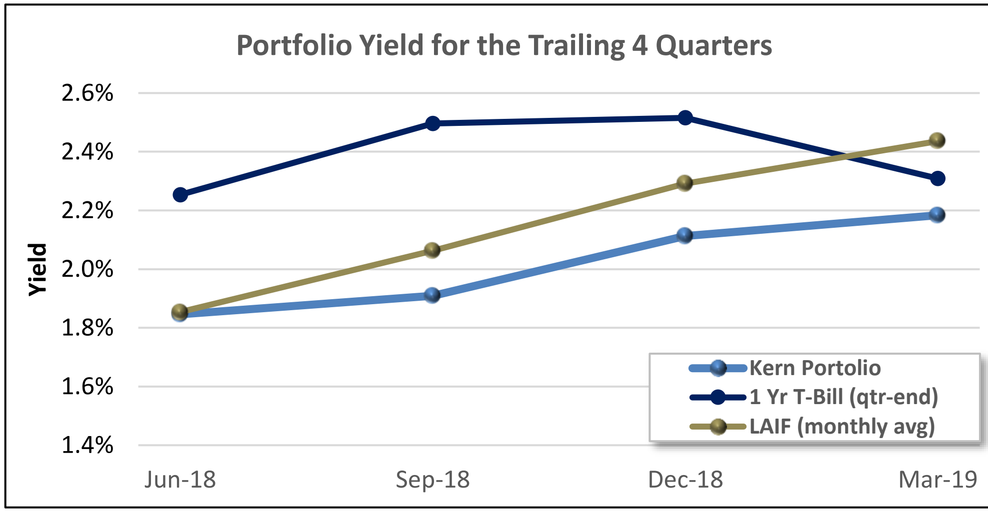
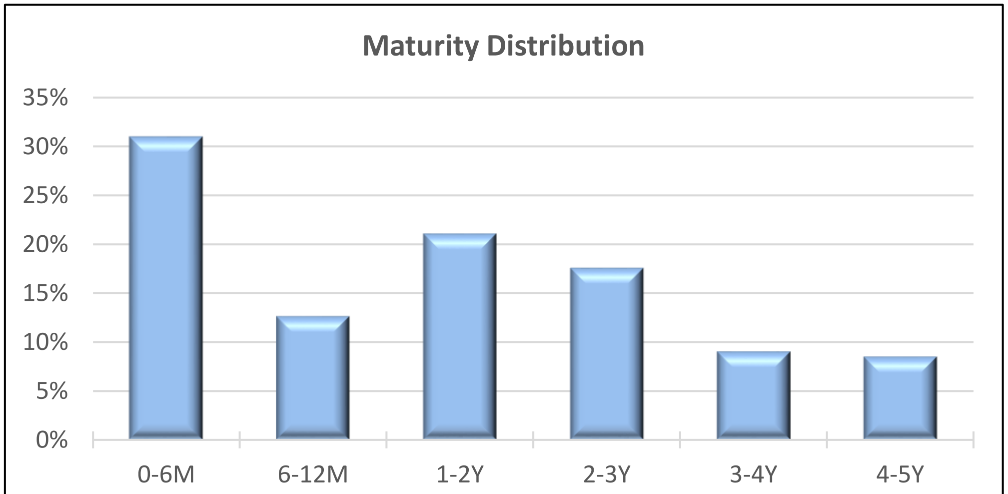
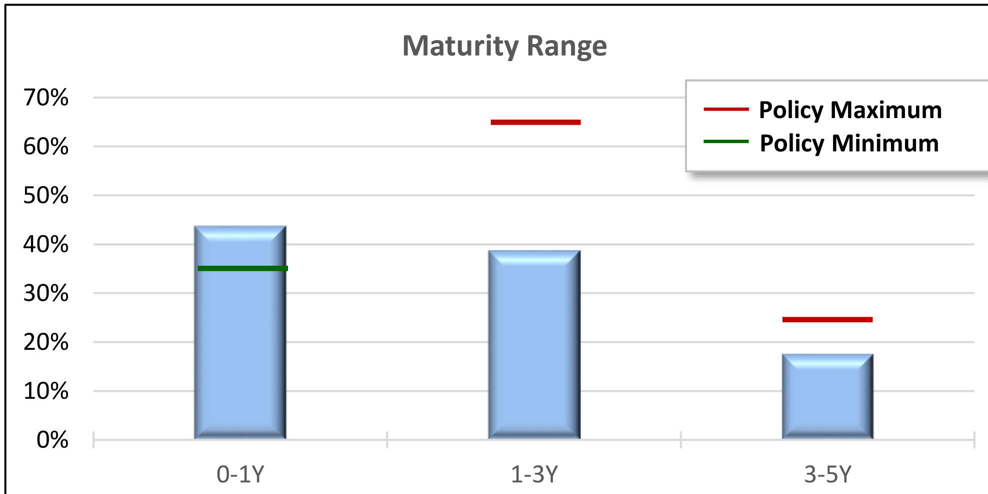
Kern County Treasurer's Pooled Cash
Portfolio Summary
3/31/2019

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







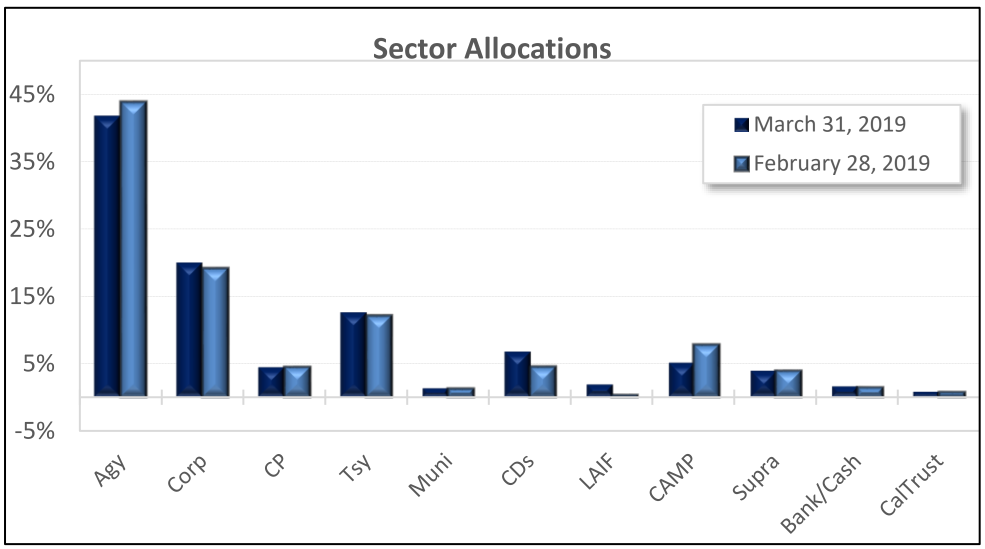
*The County Treasurer believes the Treasury Investment Pool contains sufficient cash flow from liquid and maturing securities, bank deposits, and incoming cash to meet the next six months of expected expenditures.

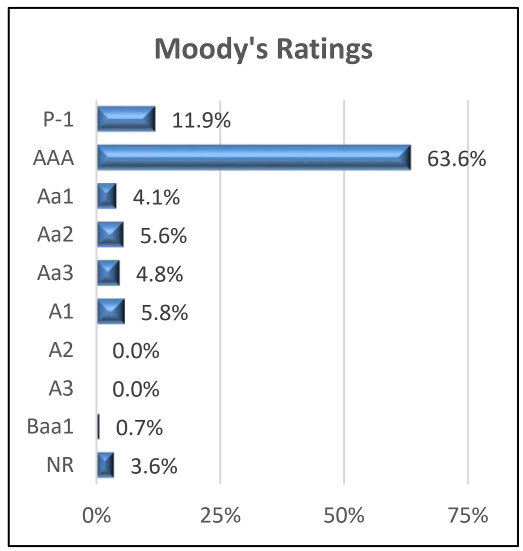
Kern County Treasurer's Pooled Cash

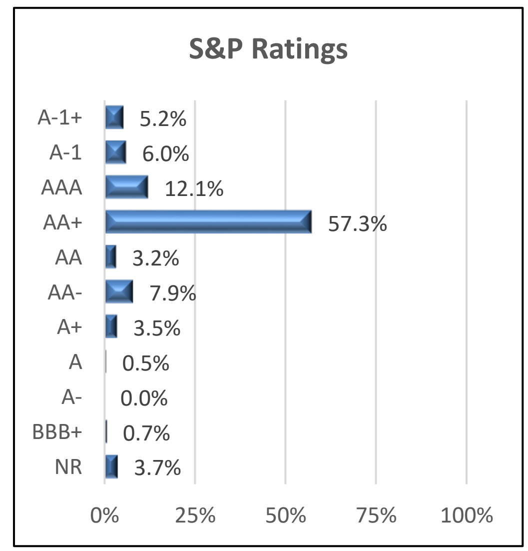
Portfolio Summary

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

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Federal Agency Issues - 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

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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**	

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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
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
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

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
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

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
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
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
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 G
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