PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 5, 2019

NEW ISSUE -- FULL BOOK-ENTRY

Insured Rating: S&P: "AA"
Underlying Rating: S&P: "A"
(See "MISCELLANEOUS – Ratings" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

$10,250,000*
MCFARLAND UNIFIED SCHOOL DISTRICT
(Kern County, California)
2019 General Obligation Refunding Bonds
(Federally Taxable)

Dated: Date of Delivery **Due: November 1, as shown on inside cover**

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this cover page and not otherwise defined shall have the meanings set forth herein.

The McFarland Unified School District (Kern County, California) 2019 General Obligation Refunding Bonds (the "Bonds"), are being issued by the McFarland Unified School District (the "District") to (i) advance refund a portion of the District's Prior Bonds (as defined herein) and (ii) pay the costs associated with the issuance of the Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of Kern County is empowered and obligated to annually levy such *ad valorem* property taxes upon all property subject to taxation by the District, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery and be payable semiannually on May and November 1 of each year, commencing November 1, 2019. The Bonds are issuable as fully registered bonds in denominations of $5,000 principal amount or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by The Bank of New York Mellon Trust Company, N.A., the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (as defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See "APPENDIX D – Book-Entry Only System" herein.

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

The Bonds are subject to optional and mandatory sinking fund redemption as further described herein.*

Maturity Schedule
(See inside front cover)

*The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed on for the District by Stradling, Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Underwriter by Kutak Rock LLP, Irvine, California. The Bonds, in book-entry form, will be available for delivery through the facilities of the Depository Trust Company in New York, New York on or about October 9, 2019.**

RAYMOND JAMES

The date of this Official Statement is: ____________, 2019

* Preliminary, subject to change.

MATURITY SCHEDULE*

Base CUSIP[1]: 580415

$___________________
MCFARLAND UNIFIED SCHOOL DISTRICT
(Kern County, California)
2019 General Obligation Refunding Bonds
(Federally Taxable)

$_____________ Serial Bonds

Maturity (November 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix[1]

$__________ - ___% Term Bonds due November 1, 20__; Yield: _____; CUSIP[1] Suffix:

* Preliminary, subject to change.
[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), 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 CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District, the Municipal Advisor nor the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Section 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "THE BONDS – Bond Insurance" and "APPENDIX G – Specimen Municipal Bond Insurance Policy."

MCFARLAND UNIFIED SCHOOL DISTRICT

District Administration

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

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
San Francisco, California

Municipal Advisor

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

Paying Agent

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

Escrow Agent

Wells Fargo Bank, National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

TABLE OF CONTENTS

Page

TABLE OF CONTENTS (cont'd)

$10,250,000*
MCFARLAND UNIFIED SCHOOL DISTRICT
(Kern County, California)
2019 General Obligation Refunding Bonds
(Federally Taxable)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of McFarland Unified School District (Kern County, California) 2019 General Obligation Refunding Bonds in the principal amount of $10,250,000* (the "Bonds").

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

The District

The McFarland Unified School District (the "District") is located in the northern part of Kern County (the "County"), serving the City of McFarland and unincorporated areas of the County. The District currently operates two elementary schools, one intermediate school, two high schools and one continuing school. For fiscal year 2019-20, the District's average daily attendance ("ADA") is projected to be 3,278 students, and taxable property within the District has a preliminary assessed valuation of $1,771,768,471.

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations, as well as the supervision of the District's other key personnel. Mr. Aaron Resendez is the current Superintendent of the District

See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and "DISTRICT FINANCIAL INFORMATION" and "MCFARLAND UNIFIED SCHOOL DISTRICT" herein for more information regarding the District generally. The District's audited financial statements for fiscal year ending June 30, 2018 are attached hereto as APPENDIX B and should be read in their entirety.

Purpose of Issue

The Bonds are being issued to (i) advance refund portions of the District's outstanding General Obligation Bonds, 2012 Election, 2012 Series A (the "2012 Bonds") and General Obligation Bonds, 2012 Election, 2013 Series A (the "2013 Bonds," and together with the 2012 Bonds, the "Prior Bonds"), and (ii) pay the costs associated with the issuance of the Bonds. The 2012 Bonds and 2013 Bonds to be refunded with proceeds of the Bonds are collectively referred to herein as the "Refunded Bonds."

---
* Preliminary, subject to change.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to a resolution adopted by the District Board on August 29, 2019 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of Kern County (the "County Board") is empowered and obligated to annually levy such *ad valorem* property taxes upon all property subject to taxation by the District, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. See "THE BONDS – Security and Sources of Payment" herein.

Description of the Bonds

Form, Registration and Denomination. The Bonds will only be issued in fully registered book-entry form (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover page hereof, under the book-entry only system maintained by DTC, and only through brokers and dealers who are or act through DTC Participants as described herein. See "APPENDIX D – Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution. See "THE BONDS – Registration, Transfer and Exchange of Bonds" herein.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bond Owners" or "Holders" of the Bonds (other than under the caption "TAX MATTERS", as well as in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Redemption.* The Bonds maturing on or after November 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on November 1, 20__ or on any date thereafter, as a whole or in part. Certain of the Bonds are also subject to mandatory sinking fund redemption, as further provided herein. See also "THE BONDS– Redemption" herein.

Payments. The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the initial date of delivery of the Bonds (the "Date of Delivery"), and be payable semiannually on each May and November 1 (each a "Bond Payment Date"), commencing November 1, 2019. Principal of the Bonds is payable on November 1 in the amounts and years as set forth on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by The

---
* Preliminary, subject to change.

Bank of New York Mellon Trust Company, N.A., the designated paying agent, registrar and transfer agent (the "Paying Agent") to DTC for subsequent disbursement through DTC Participants (as defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is exempt from State of California (the "State") personal income tax. See "TAX MATTERS" herein.

Considerations Regarding Bond Insurance

Concurrently with issuance of the Bonds, BAM (as defined herein) will issue its Policy (as defined herein) for the Bonds. The Policy unconditionally guarantees the payment of the principal of and interest on the Bonds that has become due for payment but that is unpaid. See "THE BONDS – Bond Insurance" and "APPENDIX G – Specimen Municipal Bond Insurance Policy" herein.

In the event of a default in the payment of principal or interest on the Bonds, when all or some becomes due, any Owner of a Bond may have a claim under the Policy. The Policy would not insure against redemption premium, if any, with respect to the Bonds. In the event that BAM is unable to make payment of principal or interest on Bonds as such payments become due under the Policy, the Bonds will be payable solely as otherwise described herein. In the event that BAM becomes obligated to make payments on the Bonds, no assurance can be given that such event would not adversely affect the market price of the Bonds or the marketability (liquidity) of the Bonds.

Neither the District nor the Underwriter will make an independent investigation of the claims paying ability of BAM, and no assurance or representation regarding the financial strength or projected financial strength thereof is being made by the District or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Bonds, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds, assuming that the Policy is not available, and the claims-paying ability of BAM through final maturity of the Bonds.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about October 9, 2019.*

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all property in the District subject to taxation thereby. For more complete information regarding the taxation of property within the District, and certain other considerations related thereto, see "TAX BASE FOR REPAYMENT OF BONDS" and "LIMITATION ON REMEDIES; BANKRUPTCY" herein

---

* Preliminary, subject to change.

Continuing Disclosure

The District will covenant for the benefit of Owners and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). These covenants have been made in order to assist Raymond James & Associates, Inc. (the "Underwriter") in complying with the Rule. The specific nature of the information to be made available and of the notices of enumerated events required to be provided are summarized in APPENDIX C attached hereto.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Isom Advisors a Division of Urban Futures, Inc., Walnut Creek, California, California is acting as Municipal Advisor to the District with respect to the Bonds. Kutak Rock LLP, Irvine, California is acting as counsel to the Underwriter for the Bonds. The Bank of New York Mellon Trust Company, N.A. is acting as Paying Agent for the Bonds. Wells Fargo Bank, National Association will act as Escrow Agent (the "Escrow Agent") for the Refunded Bonds. Causey Demgen & Moore P.C., Denver, Colorado is acting as verification agent for the Bonds. From to time, Bond Counsel represents the Underwriter on matters unrelated to the District or the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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 McFarland Unified School District, 601 Second Street, McFarland, California 93250, telephone: (661) 792-3081. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement does not constitute an offer to sell or 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 so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law, and pursuant to the Resolution.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The County Board is empowered and obligated to annually levy such *ad valorem* property taxes upon all property subject to taxation by the District, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish such a reserve, and the District can make no representation that the County will do so.

Ad valorem property taxes for the payment of the Bonds, when collected, will be deposited by the County into the Debt Service Fund (defined herein), which is segregated and held by the County and which is available for the payment of principal of and interest on the Bonds when due, and for no other purpose. Pursuant to the Resolution, the District has pledged amounts on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy an *ad valorem* property tax for the payment of the Bonds, and the County will maintain the Debt Service Fund, the Bonds are not a debt of the County. See "TAX BASE FOR REPAYMENT OF BONDS" herein.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds, as the same becomes due and payable, will be transferred by the County to the Paying

Agent which, in turn, shall pay such moneys to DTC to pay, as the case may be, the principal of and interest on the Bonds. DTC will thereupon make payment of principal of and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

The rate of the annual *ad valorem* property taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, fire, flood, wildfire, drought, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 2016 and payable, both principal and interest, from the proceeds of *ad valorem* taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIIIA of the State Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of the tax are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

Bond Insurance

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

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

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $525 million, $114 million and $411 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Beneficial Owners will not receive certificates representing their interests in the Bonds.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each May and November 1, commencing November 1, 2019. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2019, in which event it shall bear interest from its dated date. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof and mature on November 1 in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal of and redemption premiums, if any, payable on the Bonds will be payable upon maturity upon surrender at the principal office of the Paying Agent. The principal of, and interest, and redemption premiums, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered owner of the Bonds. See "APPENDIX D – Book-Entry Only System" herein.

Annual Debt Service

The following table summarizes the debt service requirements of the District for the Bonds (assuming no optional redemptions):

Year Ending (November 1)	Outstanding Bonded Debt Service[(1)*]	Annual Principal Payment[(2)]	Annual Interest Payment[(2)]	Total Annual Debt Service
2019	$1,454,053.35			
2020	1,347,693.78			
2021	1,398,893.78			
2022	1,448,343.78			
2023	1,512,443.78			
2024	1,573,193.78			
2025	1,643,225.02			
2026	1,712,900.02			
2027	1,784,731.26			
2028	1,862,717.25			
2029	1,631,236.26			
2030	1,678,256.96			
2031	1,457,984.60			
2032	1,492,462.50			
2033	688,900.00			
2034	713,675.00			
2035	745,325.00			
2036	777,975.00			
2037	807,400.00			
2038	838,575.00			
2039	2,336,250.00			
Total	$28,906,236.12			

* Preliminary, subject to change.
(1) Does not include the Refunded Bonds.
(2) Interest payments on the Bonds will be made semiannually on May and November 1 of each year, commencing November 1, 2019.

See also "MCFARLAND UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds" herein for a schedule of the debt service requirements for all of the District's outstanding general obligation bonds.

Redemption

Optional Redemption.* The Bonds maturing on or before November 1, 20__ are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after November 1, 20__ may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on November 1, 20__ or on any date thereafter, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption.* The Bonds maturing on November 1, 20__ (the "Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on November 1 of each year, on and after November 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (November 1)	Principal Amount

(1) Maturity.

In the event that a portion of the Term Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 principal amount, in respect of the portion of such Term Bonds optionally redeemed

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption as directed by the District, and if not so directed, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that, with respect to redemption by lot, the portion of any Bond to be redeemed in part shall be in a principal amount of $5,000, or any integral multiple thereof.

Notice of Redemption. When optional redemption is authorized pursuant to the Resolution, upon written instruction from the District, the Paying Agent will give notice (a "Redemption Notice") of the redemption of the Bonds (or portions thereof). Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds 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 (if any) 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 portion of 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.

* Preliminary, subject to change.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services and (d) such Redemption Notice shall be given to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

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

A certificate of the Paying Agent to the effect that a Redemption Notice has been given as provided herein will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds.

Conditional Notice of Redemption. With respect to any notice of optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds (or portions thereof) shall be deemed to have been defeased as described in "—Defeasance" herein, such notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, and premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that, if such moneys shall not have been so received, said notice shall be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds shall not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice, to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received. In addition, the District has the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

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

Effect of Notice of Redemption. If notice of redemption is given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside as described in "—Defeasance" herein, the Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, moneys for the redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held in trust so as to be available therefor on such redemption date, and if a Redemption Notice thereof shall have been given as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and become payable. All money held for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and will be surrendered to the Paying Agent for cancellation.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolution.

In the event that the book-entry only system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

The principal of the Bonds and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the principal trust office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire transfer to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date.

Any Bond may be exchanged for Bonds of like series, tenor, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the designated corporate trust office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new bond or bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable Redemption Notice is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

> (a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which together with any amounts transferred from the Debt Service Fund, if any, is sufficient to pay all such Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date; or
>
> (b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with any amounts transferred from the Debt Service Fund, if any, and any other cash, if required, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date;

then, notwithstanding that any of such Bonds shall not have been surrendered for payment, all obligations of the District with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), and obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed by S&P Global Ratings ("S&P") or Moody's Investors Service ("Moody's") at least as high as direct and general obligations of the United States of America.

Application and Investment of Bond Proceeds

The proceeds of the Bonds will be used to (i) advance refund the Refunded Bonds, and (ii) pay certain costs associated with the issuance of the Bonds. The following table includes certain information about the specific maturities of the Refunded Bonds.

REFUNDED BONDS*
McFarland Unified School District
General Obligation Bonds, 2012 Election, 2012 Series A

Maturities to be Refunded (November 1)	CUSIP[(1)]	Original Principal Amount	Principal Amount to be Refunded	Redemption Date	Redemption Price (% of Par Amount)
2038	580415HU4	$3,255,000	$3,255,000	11/1/2022	100

REFUNDED BONDS*
McFarland Unified School District
General Obligation Bonds, 2012 Election, 2013 Series A

Maturities to be Refunded (November 1)	CUSIP[(1)]	Original Principal Amount	Principal Amount to be Refunded	Redemption Date	Redemption Price (% of Par Amount)
2033	580415JL2	$2,050,000	$2,050,000	11/1/2023	100
2038	580415JM0	3,375,000	3,375,000	11/1/2023	100

Note: CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), 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 CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District, the Municipal Advisor nor the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein.

The net proceeds from the sale of the Bonds shall be paid to the Escrow Agent, to the credit of the "McFarland Unified School District 2019 Refunding Bonds Escrow Fund" (the "Escrow Fund"). Pursuant to an escrow agreement (the "Escrow Agreement") by and between the District and the Escrow Agent, the amounts deposited in the Escrow Fund will be used to purchase certain direct and general obligations of the United States of America (the "Federal Securities"), the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the principal and redemption premium (if any) on the Refunded Bonds on their respective first available optional redemption dates, as described above, well as interest on the Refunded Bonds due on and before such dates.

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, if any, to pay principal of and interest on the Refunded Bonds, as described above will be verified by Causey Demgen & Moore P.C. as the Verification Agent. See "LEGAL MATTERS – Verification" herein. As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Verification Agent's computations, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* property taxes for payment of the Refunded Bonds will be terminated.

* Preliminary, subject to change.

Surplus moneys in the Escrow Fund, when received by the District from the sale of the Bonds or following the redemption of the Refunded Bonds, and *ad valorem* property taxes levies for the payment of the Bonds, shall be kept separate and apart in a debt service fund created by the Resolution (the "Debt Service Fund"), to be held by the County and used only for payment of principal of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Moneys in the Debt Service Fund are expected to be invested through the County's commingled investment pool. See "APPENDIX F - KERN COUNTY INVESTMENT POOL" attached hereto.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount	
Total Sources	
Uses of Funds	
Escrow Fund	
Costs of Issuance(1)	
Total Uses	

(1) Reflects the costs of issuance, including, but not limited to, legal fees, the underwriting discount, Municipal Advisory fees, printing costs, rating agency fees and the costs and fees of the Paying Agent, Escrow Agent and Verification Agent.

[REMAINDER OF PAGE LEFT BLANK]

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from* ad valorem property *taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.*

Ad Valorem **Property Taxation**

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as County, city and special district property taxes. Assessed valuations are the same for both District and County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Unsecured property comprises certain property not attached to land such as personal property or business property. Unsecured property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes on the secured roll are due in two installments, November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus a minimum $10 cost on the second installment, plus any additional amount determined by the County Treasurer. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a minimum $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is then subject to sale by the tax-collecting authority of the County.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also " – Tax Levies, Collections and Delinquencies" herein.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts (as defined herein) share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the county in which such property is located, except for public utility property which is assessed by the State Board of Equalization (the "SBE"). Assessed valuations are reported at 100% of the "full cash value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein. 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.

The following table represents a 10-year history of assessed valuations in the District, as of the date the equalized assessment tax roll is established in August of each year, excluding any exemptions granted after such date in each year.

ASSESSED VALUATIONS
Fiscal Years 2010-11 through 2019-20
McFarland Unified School District

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2010-11	$1,045,070,009	$411,487	$44,138,666	$1,089,620,162	--
2011-12	1,168,351,738	369,484	65,822,720	1,234,543,942	13.30%
2012-13	1,312,248,438	369,484	82,705,987	1,395,323,909	13.02
2013-14	1,362,464,711	369,484	74,639,107	1,437,473,302	3.02
2014-15	1,503,130,173	369,484	73,553,014	1,577,052,671	9.71
2015-16	1,334,700,382	369,484	73,363,403	1,408,433,269	(10.69)
2016-17	1,259,595,558	356,406	73,779,094	1,333,731,058	(5.30)
2017-18	1,438,208,906	356,406	46,205,638	1,484,770,950	11.32
2018-19	1,654,135,274	356,406	55,723,827	1,710,215,507	15.18
2019-20	1,716,194,528	356,406	55,217,537	1,771,768,471	3.60

Source: California Municipal Statistics, Inc. (fiscal years 2010-11 through 2018-19); County of Kern (fiscal year 2019-20).

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, fire, flood, wildfire or toxic contamination could cause a reduction in the assessed value of taxable property within the boundaries of the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with respect to the Bonds. See “THE BONDS – Security and Sources of Payment” herein.

Oil and Gas Properties. Approximately 29% of the District’s secured assessed valuation in fiscal year 2018-19 was derived from oil and gas properties. The assessed valuations of oil and gas properties are subject to fluctuation from year to year, in part to reflect current market conditions. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Oil and Gas Producing Properties” herein. In recent years, the District has experienced fluctuations in assessed value from oil and gas properties, with drops in assessed valuation in certain years resulting from lower oil prices. The following table shows six-year history of local secured assessed valuations in the District, broken down by the mineral roll local secured assessed valuation (which includes oil and gas properties), and the local secured assessed valuation, excluding the mineral roll.

CHANGES IN SECURED ASSESSED VALUATIONS
Fiscal Years 2014-15 through 2019-20
McFarland Unified School District

	Local Secured (Mineral Roll)	Change in AV	Local Secured (Excluding Mineral Roll)	Change in AV
2014-15	$612,804,348	--	$890,325,825	--
2015-16	396,442,471	(35.31)%	938,257,911	5.38%
2016-17	257,359,846	(35.08)	1,002,235,712	6.82
2017-18	355,501,340	38.13	1,082,707,566	8.03
2018-19	535,891,255	50.74	1,118,244,019	3.28
2019-20	521,482,475	(2.69)	1,194,712,053	6.84

Source: County Auditor-Controller.

The District cannot make any representation regarding the future price of oil, or what impact potential future declines may have on the value of taxable property within the District, or to what extent such declines could cause disruptions to economic activity within the boundaries of the District.

Appeals and Adjustments of Assessed Valuations. Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. 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" herein.

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.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA.

No assurance can be given that property tax appeals, actions by a county assessor, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities.

Assessed Valuation by Jurisdiction. The following table shows the District's assessed valuation by jurisdiction for fiscal year 2018-19. Information relating to the District's assessed valuation for fiscal year 2019-20 is not currently available in the format shown in the table below.

ASSESSED VALUATION AND PARCELS BY JURISDICTION
Fiscal Year 2018-19
McFarland Unified School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% ofJurisdiction 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.

Assessed Valuation by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2018-19. As shown below, over 78% of the 2018-19 assessed valuation in the District constituted non-residential property. Information relating to the District's assessed valuation for fiscal year 2019-20 is not currently available in the format shown in the table below.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19
McFarland Unified School District

Non-Residential:	2018-19 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
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%

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

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2018-19 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District. Information relating to the District's assessed valuation for fiscal year 2019-20 is not currently available in the format shown in the table below.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2018-19
McFarland Unified School District

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	2,407	$314,734,313	$130,758	$116,454

2018-19 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.

Tax Levies, Collections and Delinquencies

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

SECURED TAX CHARGES AND DELINQUENCIES[1]
Fiscal Years 2013-14 through 2017-18
McFarland Unified School District

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

Under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in State Revenue and Taxation Code Section 4701 *et seq.*, each participating local agency levying property taxes, including community college districts, receives from the county or counties in which it is located the amount of uncollected secured property taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the applicable county or counties receive(s) and retain(s) delinquent payments, penalties and interest as collected that would have been due to the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the applicable county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the applicable county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%. The Teeter Plan applies to the 1% general purpose secured property tax levy. Whether or not the Teeter Plan is also applied to other tax levies for local agencies, such as the secured property tax levy for general obligation bonds of a local agency, varies by county.

The County Board has approved the implementation of the Teeter Plan. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions for which the County acts as the tax-levying or tax-collecting agency. The secured *ad valorem* property tax to be levied by the County to pay the principal of and interest on the Bonds will be subject to the Teeter Plan, beginning in the first year of such levy. If the Teeter Plan remains in effect during the term of the Bonds, the District will receive 100% of the *ad valorem* property tax levied within the County to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a "TRA") within the District during the five-year fiscal year period from 2014-15 to 2018-19. Information relating to fiscal year 2019-20 is not currently available in the format shown in the table below.

SUMMARY OF *AD VALOREM* TAX RATES (TRA 2410)
Fiscal Years 2014-15 through 2018-19
McFarland Unified School District

	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%

Source: California Municipal Statistics, Inc.

[REMAINDER OF PAGE LEFT BLANK]

Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2018-19 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. Information relating to the District's assessed valuation for fiscal year 2019-20 is not currently available in the format shown in the table below.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2018-19
McFarland Unified School District

	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) Fiscal year 2018-19 local secured assessed valuation: $33,542,999,774.
Source: California Municipal Statistics, Inc.

Concentration of Ownership. Ownership of property in the District is highly concentrated, with the twenty largest local secured tax payers accounting for 52% 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" herein.

Approximately 29% of the District's secured assessed valuation in fiscal year 2018-19 was derived from oil and gas properties. See "— Assessed Valuations – Oil and Gas Properties." The 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 SBE 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. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Oil and Gas Producing Properties." Consequently, the assessed valuation of oil and gas producing properties may be subject to more fluctuations in assessed values than other types of property.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., effective as of August 30, 2019 for debt outstanding as of September 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING DEBT

2019-20 Assessed Valuation: $1,771,768,471

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable[1]**	**Debt 9/1/19**
Kern Community College District School Facilities Improvement District No. 1	1.922%	$1,449,765
Kern Community College District Safety, Repair & Improvement District	1.934	2,476,508
McFarland Unified School District	**100.000**	**25,664,907**[2]
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$29,591,180
OVERLAPPING GENERAL FUND DEBT:		
Kern County General Fund Obligations	1.867%	$1,709,535
Kern County Pension Obligation Bonds	1.867	3,358,013
Kern County Board of Education Certificates of Participation	1.867	674,267
Kern Community College District Certificates of Participation	1.736	500,402
Kern Community College District Pension Obligation Bonds	1.736	1,332,467
City of Delano General Fund Obligations	0.024	4,505
City of McFarland General Fund Obligations	100.000	5,294,700
TOTAL OVERLAPPING GENERAL FUND DEBT		$12,873,889
OVERLAPPING TAX INCREMENT DEBT:		
Successor Agencies to Delano Redevelopment Agency	1.116%	$120,974
TOTAL OVERLAPPING TAX INCREMENT DEBT		$120,974
COMBINED TOTAL DEBT		$42,586,043[3]

Ratios to 2019-20 Assessed Valuation:

Direct Debt ($25,664,907).. 1.45%
Total Direct and Overlapping Tax and Assessment Debt.................... 1.67%
Combined Total Debt 2.40%

Ratios to Redevelopment Incremental Valuation ($94,726,025):

Total Overlapping Tax Increment Debt... 0.13%

---

(1) 2018-19 ratios.
(2) Excludes the Bonds described herein and includes the Refunded Bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds will be payable solely from the proceeds of an ad valorem *property tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the 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 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 District to levy taxes for payment of the Bonds.*

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 "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

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, 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) 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 fifty-five percent or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIIIA requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Split Roll Property Tax Ballot Measure. On October 15, 2018, a proposed ballot initiative became eligible for the November 2020 Statewide ballot (the "2020 Ballot Measure"). If approved by a majority of voters casting a ballot at the November 2020 Statewide election, the 2020 Ballot Measure would amend Article XIIIA such that the "full cash value" of commercial and industrial real property that is not zoned for commercial agricultural production, for each lien date, would be equal to the fair market value of that property. If passed, the 2020 Ballot Measure would not affect the "full cash value" of residential property or real property used for commercial agricultural production, which would continue to be subject to annual increases not to exceed 2%. After compensating the State General Fund for resulting reductions in State personal income tax and corporate tax revenues, and compensating cities, counties and special districts for the cost of implementing the 2020 Ballot Measure, approximately 40% of the remaining additional tax revenues generated as a result of the 2020 Ballot Measure would be deposited into a fund created pursuant to the 2020 Ballot Measure called the Local School and Community College Property Tax Fund, with such funds being used to supplement, and not replace, existing funding school districts and community college districts receive under the State's constitutional minimum funding requirement. The District cannot predict whether the 2020 Ballot Measure will appear on the Statewide ballot at the November 2020 election or, if it does, whether the 2020 Ballot Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of the 2020 Ballot Measure will have on District revenues or the assessed valuation of real property in the District.

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 relevant 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 XIIIA.

Oil and Gas Producing Properties

On June 29, 1979, the State Board of Equalization adopted Rule 468 ("Rule 468") to establish valuation principles for oil and gas interests. The right to remove petroleum and natural gas from the earth is considered a taxable real property interest. Rule 468 provides that increases in recoverable amounts of such minerals caused by changed physical or economic conditions constitute additions to such a property interest and that a reduction in recoverable amounts of minerals caused by production or changes in the expectation of future production capabilities constitute a reduction in the interest.

Rule 468 provides that the unique nature of oil and gas mineral property interests requires the application of specialized appraisal techniques designed to satisfy the requirements of Article XIIIA.

Rule 468 uses an appraisal unit valuation consisting of four components: (i) proved reserves, (ii) wells, casings and parts thereof, (iii) land (and other mineral interests), and (iv) improvements.

The market value of an oil and gas mineral property interest is determined by estimating the value of the volumes of proved reserves. Proved reserves are those which geological and engineering information indicate with reasonable certainty to be recoverable in the future, taking into account reasonably projected physical and economic conditions. Present and projected economic conditions are determined by reference to all economic factors considered by knowledgeable and informed persons engaged in the operation and buying or selling of such properties, e.g. capitalization rates, product prices and operation expenses.

Rule 468 provides that the base year value of the property is estimated as of lien date 1975 or as of the date a change in ownership occurs subsequent to lien date 1975. Newly constructed improvements and additions in reserves are valued as of the lien date of the year for which the roll is being prepared. Improvements removed from the site are deducted from taxable value. The base year values are determined using factual market data such as prices and expenses ordinarily considered by knowledgeable and informed persons engaged in the operation, buying, and selling of oil, gas and other mineral-producing properties and the production therefrom. Once determined, a base year value may be increased no more than 2% per year. However, the base year reserve values must be adjusted annually for the value of depleted reserves caused by production or changes in the expectation of future production and additions to reserves established in a given year by discovery, construction or improvements, or changes in economic conditions.

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. See "DISTRICT FINANCIAL INFORMATION" herein.

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 to mean the percentage change in California 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 average daily attendance ("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 fifty percent 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" herein.

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.

Article XIIIC and Article XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

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-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of the 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 district 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 Limit Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

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

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: (i) all appropriations for "qualified capital outlay projects" as defined by the State Legislature, and (ii) 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 the State per capital 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" (also referred to as a "maintenance factor") to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another State-wide 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 California Constitution previously limited property taxes to 1 percent 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 school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for a high school or elementary 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. See "-Article XIIIA of the California Constitution" herein.

Proposition 1A and Proposition 22

On November 2, 2004, California 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. See also "DISTRICT FINANCIAL INFORMATION – Dissolution of Redevelopment Agencies" herein.

Jarvis vs. Connell

On May 29, 2002, the California 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 of California). 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 California 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 California Supreme Court upheld the holding of the Court of Appeal, stating that the 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 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 55

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, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased 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 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 – Proposition 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 schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

On November 4, 2014, 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.

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

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

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

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

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 22, 26, 30, 39, 98 and 55 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.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds will be payable solely from the proceeds of an ad valorem property *tax which is required to be levied by the County in an amount sufficient for the payment thereof.*

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on uniform system of funding grants assigned to certain grade spans. See "—Local Control Funding Formula" herein.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as part of the fiscal year 2013-14 State budget, established the system for funding school districts, charter schools and county offices of education. Certain provisions of AB 97 were amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91").

The primary component of AB 97 was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. During the implementation period of the LCFF, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. During the implementation period of the LCFF, Base Grants were required to be adjusted annually for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the 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. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such district's percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

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 2018-19, and budgeted figures for fiscal year 2019-20.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2019-20
McFarland Unified School District

	Average Daily Attendance[1]					Enrollment	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment[2]	% of EL/LI Enrollment[3]
2013-14	1,149	778	456	809	3,193	3,370	86.6%
2014-15	1,139	820	473	842	3,276	3,469	90.8
2015-16	1,177	830	501	857	3,365	3,544	92.0
2016-17	1,159	836	483	899	3,379	3,547	90.8
2017-18	1,107	839	518	921	3,386	3,556	92.2
2018-19	1,075	767	540	930	3,311	3,454	92.2
2019-20[4]	1,064	759	534	920	3,278	3,525	90.0

(1) Except for fiscal year 2019-20, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four week period of instruction beginning on the first day of school for a particular school district.
(2) Fiscal year 2012-13 enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS"). Fiscal years 2013-14 through 2018-19 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education.
(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. 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 has been 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.
(4) Projected.
Source: McFarland Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of COLAs in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementation period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, yields a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts.

Certain school districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not qualify as a basic aid district.

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs covering a three-year period were required to be adopted beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a State agency created by the LCFF and charged with assisting school districts to achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Revenue Sources

The federal government provides funding for several school district programs, including specialized programs such as Every Student Succeeds Act, special education programs, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, the District receives additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services and developer fees.

Budget Process

State Budgeting Requirements. The District is required by provisions of the Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets' ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a LCAP, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reporting. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

Within the past five years, the District has not submitted, nor has the county superintendent of schools assigned, a "qualified" or "negative" certification to District interim financial reports.

Budgeting Trends. The District's general fund adopted budgets for fiscal years 2015-16 through 2019-20, audited actuals for fiscal years 2015-16 through 2017-18, and estimated results for fiscal year 2018-19 are set forth on the following page.

GENERAL FUND BUDGETING
Fiscal Years 2015-16 through 2019-20
McFarland Unified School District

	Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20
REVENUES:	**Budgeted[1]**	**Audited[1]**	**Budgeted[1]**	**Audited[1]**	**Budgeted[1]**	**Audited[1]**	**Budgeted[2]**	**Estimated[3]**	**Budget[3]**
LCFF Sources	$32,444,431	$33,386,826	$35,266,985	$35,617,153	$36,547,025	$36,680,953	$39,129,917	$39,532,858	$39,879,795
Federal sources	2,576,130	2,588,432	2,477,538	3,087,263	2,752,997	2,658,214	2,957,743	4,234,232	3,101,814
Other State sources	805,566	3,781,202	1,512,851	3,054,369	2,877,900	3,276,310	4,070,284	4,232,824	1,617,642
Other local sources	1,740,613	2,010,868	1,783,334	2,158,885	163,900	2,279,333	160,000	319,949	1,854,557
TOTAL REVENUES	37,566,740	41,767,328	41,040,708	43,917,670	42,341,822	44,894,810	46,317,944	48,319,861	46,453,808
EXPENDITURES:									
Certificated salaries	15,346,373	14,862,811	16,133,208	15,232,575	16,931,883	16,051,767	16,824,154	17,579,123	17,821,953
Classified salaries	4,735,731	4,700,205	5,443,995	4,812,247	5,401,523	5,244,114	5,428,294	5,592,509	5,851,942
Employee benefits	7,982,952	7,636,652	8,889,007	8,339,965	9,914,058	9,146,644	10,718,100	10,338,675	11,076,846
Books and supplies	3,951,718	2,323,838	5,497,295	4,320,632	2,944,781	2,602,066	4,880,570	4,868,118	3,815,517
Services and other operating expenditures	4,691,898	4,014,846	4,022,871	3,865,297	4,121,445	4,098,342	5,278,194	5,626,448	4,886,045
Capital outlay	1,360,000	1,575,211	1,583,000	495,809	1,320,000	3,805,431	3,585,799	5,213,063	4,515,000
Other Outgo	1,294,657	950,721	891,217	976,002	1,011,771	1,273,235	1,358,232	1,258,232	1,243,499
Direct Support/Indirect Costs	(83,993)	(84,846)	(75,402)	(78,476)	(111,363)	(112,315)	(113,016)	(128,933)	(128,452)
TOTAL EXPENDITURES	39,279,336	35,979,438	42,385,191	37,964,051	41,534,098	42,109,284	47,960,325	50,347,234	49,082,351
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,712,596)	5,787,890	(1,344,483)	5,953,619	807,724	2,785,526	(1,642,381)	(2,027,373)	(2,628,543)
OTHER FINANCING SOURCES (USES)									
Operating Transfers In	--	--	17,736	--	--	--	--	--	--
Operating Transfers Out	(991,638)	(4,391,665)	(673,312)	(1,917,887)	(712,057)	(5,001,536)	(500,000)	(500,000)	(733,703)
TOTAL OTHER FINANCING SOURCES (USES)	(991,638)	(4,391,665)	(655,576)	(1,917,887)	(712,057)	(5,001,536)	(500,000)	(500,000)	(733,703)
NET CHANGE IN FUND BALANCE	(2,704,234)	1,396,225	(2,000,059)	4,035,732	95,667	(2,216,010)	(2,142,381)	(2,527,373)	(3,362,246)
AS OF JULY 1 - AUDITED	11,257,605	11,257,605	12,653,832	12,653,831	16,689,564	16,689,563	13,583,925	13,583,925	11,056,551
ENDING BALANCE - JUNE 30	$8,553,371	$12,653,830	$10,653,773	$16,689,563	$16,785,231	$14,473,553	$11,441,544	$11,056,551	$7,694,305

(1) From the District's Audited Financial Statements for fiscal years 2015-16 through 2017-18, respectively.
(2) From the District's second interim financial report for fiscal year 2018-19.
(3) From the District's Original Adopted Budget for fiscal year 2019-20.
Source: McFarland Unified School District

Comparative Financial Statements

The District's audited financial statements for the year ended June 30, 2018 are attached hereto as APPENDIX B. The table on the following page reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2013-14 through 2017-18.

AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2013-14 through 2017-18
McFarland Unified School District

	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	$15,803,209	$18,102,902	$21,664,989	$25,260,936	$25,182,534
Education Protection Account	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 sources	2,708,751	2,522,338	2,588,432	3,087,263	2,658,214
Other State sources	2,950,401	2,529,390	3,781,202	3,054,369	3,276,310
Other local sources	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)					
Operating Transfers In	--	--	--	--	--
Operating Transfers Out	(370,104)	(730,000)	(4,391,665)	(1,917,887)	(5,001,536)
TOTAL OTHER FINANCING SOURCES (USES)	(370,104)	(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	10,322,594	9,757,894	11,257,605	12,653,831	16,689,563
Prior Period Adjustments	--	--	--	--	--
RESTATED FUND BALANCE, JULY 1	10,322,594	9,757,894	11,257,605	12,653,831	16,689,563
FUND BALANCE, JUNE 30	$9,757,893	$11,257,606	$12,653,830	$16,689,563	$14,473,553

Source: McFarland Unified School District.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County in an amount sufficient for the payment thereof.*

2019-20 Budget. On June 27, 2019, the Governor signed into law the State budget for fiscal year 2019-20 (the "2019-20 Budget"). The following information is drawn from the State Department of Finance's summary of the 2019-20 Budget.

For fiscal year 2018-19, the 2019-20 Budget projects total general fund revenues and transfers of \$138 billion and total expenditures of \$142.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$20.7 billion, including \$5.4 billion in the traditional general fund reserve, \$14.4 billion in the BSA and \$900 million in the Safety Net Reserve Fund for the CalWORKs and Medi-Cal programs. For fiscal year 2019-20, the 2019-20 Budget projects total general fund revenues and transfers of \$143.8 billion and authorizes expenditures of \$147.8 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$18.8 billion, including \$1.4 billion in the traditional general fund reserve, \$16.5 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The 2019-20 Budget also authorizes a deposit to the PSSSA of \$376.5 million in order to comply with Proposition 2. The amount is below the threshold required to trigger certain maximum local reserve levels for school districts created by State legislation approved in 2014 (and amended in 2017). See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 – SB 858; SB 751."

For fiscal year 2019-20, the Budget sets the minimum funding guarantee at \$81.1 billion. With respect to K-12 education, ongoing per-pupil spending is set at \$11,993. Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$1.9 billion in Proposition 98 funding for the LCFF, reflecting a 3.26% COLA. For fiscal year 2019-20, the adjusted Base Grants are as follows: (i) \$8,503 for grades K-3, (ii) \$7,818 for grades 4-6, (iii) \$8,050 for grades 7-8, and (iv) \$9,572 for grades 9-12. See also "—State Funding of Education – Local Control Funding Formula" herein.

- *Settle-Up Payment* – An increase of \$686.6 million for K-14 school districts to pay the balance of past-year Proposition 98 funding owed through fiscal year 2017-18.

- *Special Education* – \$645.3 million in ongoing Proposition 98 funding for special education. Specifically, the 2019-20 Budget allocates (i) \$152.6 million to provide all special education local area plans at least the Statewide target rate for base special education funding, and (ii) \$492.7 million in special education funding, to be allocated to school districts based on the number of children between three to five years of age and with exceptional needs that are being served.

- *Pension Costs* – A \$3.15 billion payment from non-Proposition 98 funds to CalSTRS and CalPERS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$850 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. With these payments, CalSTRS employer contributions will be reduced from 18.13% to 17.1% in fiscal year 2019-20, and from 19.1% to 18.4% in fiscal year 2020-21. The CalPERS employer contribution will be reduced from 20.7% to 19.7% in fiscal year 2019-20, and the projected CalPERS employer contribution is expected to be reduced from 23.6% to 22.9 % in fiscal year 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability. See also "MCFARLAND UNIFIED SCHOOL DISTRICT – Retirement Programs" herein.

- *After School Programs* - $50 million in ongoing Proposition 98 funding to provide an increase of approximately 8.3% to the per-pupil daily rate for after school education and safety programs.

- *Teacher Support* - $43.8 million in one-time non-Proposition 98 funding to provide training and resources for classroom educators and paraprofessionals, to build capacity in key State priorities. The 2019-20 Budget also includes $89.8 in one-time, non-Proposition 98 funding to provide up to 4,487 grants for students enrolled in professional teacher preparation programs who commit to working in a high-need field at a priority school for at least four years.

- *Broadband Infrastructure* - $7.5 million in one-time, non-Proposition 98 funding for broadband infrastructure improvements at local educational agencies.

- *Full-Day Kindergarten* - $300 million in one-time, non-Proposition 98 funding to finance construction or retrofit of facilities to support full-day kindergarten programs.

- *Wildfire-Related Cost Adjustments* – An increase of $2 million in one-time Proposition 98 funding to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by wildfires which occurred in 2017 and 2018. The 2019-20 Budget also holds both school districts and charter schools impacted by wildfires in 2018 harmless in terms of State funding for two years.

- *Proposition 51* – The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative approved at the November 8, 2016 election that authorizes the sale and issuance of $9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities. The 2019-20 Budget allocates $1.5 billion of such bond funds for K-12 school facility projects.

For additional information regarding the 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

MCFARLAND UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's operating budget are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds will be payable solely from the proceeds of an ad valorem property *tax which is required to be levied by the County in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources for Payment" herein.*

Introduction

The District is located in the northern part of the County, serving the City of McFarland and unincorporated areas of the County. The District currently operates two elementary schools, one intermediate school, two high schools and one continuing school. For fiscal year 2019-20, the District's average daily attendance ("ADA") is projected to be 3,278 students, and taxable property within the District has an assessed valuation of $1,771,768,471.

Administration

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their term expires, are listed below:

BOARD OF TRUSTEES
McFarland Unified School District

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

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Aaron Resendez is the Superintendent of the District. Brief biographies of the Superintendent and the Deputy Superintendent/Chief Business Officer:

Aaron Resendez, Superintendent. Mr. Resendez was appointed Superintendent of Schools for 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 received his bachelor's degree in social science from the California State University, Fresno. He also holds a California Education Specialist and Administrative Service Credentials from Point Loma Nazarene University.

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 the California State University, Bakersfield.

Labor Relations

The District currently employs approximately 177 full-time equivalent certificated employees and 129 full-time equivalent classified employees. The District also employs 41 management employees. District employees, except management and some part-time employees, are represented by four bargaining units as noted below:

MCFARLAND UNIFIED SCHOOL DISTRICT
District Employees

Labor Organization	Number of Employees in Organization	Contract Expiration Date
McFarland Teachers' Association (CTA)	177	6/30/2019[1]
CSEA, Chapter 186	129	6/30/2021

(1) The District is currently in the process of completing negotiations with the McFarland Teachers' Association for a new contract.

Source: McFarland Unified School District.

Retirement Programs

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS 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 and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate for employees hired after the Implementation Date (defined below) will be 10.205%.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase-in period in accordance with the following schedule:

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

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21. The remainder of the payment not committed for the reduction in employer contribution rates described above, is required to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. See also, "DISTRICT FINANCIAL INFORMATION – State Budget Measures" herein.

The District's contributions to STRS were $1,497,845 in fiscal year 2015-16, $1,840,810 in fiscal year 2016-17, $2,235,050 in fiscal year 2017-18 and $2,574,137 in fiscal year 2018-19. The District has budgeted $2,929,888 for its contribution to STRS for fiscal year 2019-20.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19 and 7.828% for fiscal year 2019-20. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures for fiscal year 2018-19, and will be 20.733% of eligible salary expenditures in fiscal year 2019-20. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2018-19 and will be 7% in fiscal year 2019-20, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See "—California Public Employees' Pension Reform Act of 2013" herein.

Pursuant to SB 90, the State Legislature appropriated $144 million for fiscal year 2019-20 and $100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated $660 million to be applied toward certain unfunded liabilities for K-14 school district employers. See also, "DISTRICT FINANCIAL INFORMATION – State Budget Measures" herein.

The District's contributions to PERS were $615,524 in fiscal year 2015-16, $695,649 in fiscal year 2016-17, $873,667 in fiscal year 2017-18 and $1,044,850 in fiscal year 2018-19. The District has budgeted $1,466,578 for its contribution to PERS for fiscal year 2019-20.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) [(1)]
Fiscal Years 2010-11 through 2017-18

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[(2)]	Unfunded Liability (MVA)[(2)]	Value of Trust Assets (AVA)[(3)]	Unfunded Liability (AVA)[(3)]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[(3)]	Unfunded Liability (AVA)[(3)]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[(4)]	--[(4)]
2014-15	73,325	56,814	16,511	--[(4)]	--[(4)]
2015-16	77,544	55,785	21,759	--[(4)]	--[(4)]
2016-17	84,416	60,865	23,551	--[(4)]	--[(4)]
2017-18[(5)]	92,071	64,846	27,225	--[(4)]	--[(4)]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.

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

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed and actuarial asset gains recognized from the current and prior years, the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2018 (the "2018 STRS Actuarial Valuation") reports that the unfunded actuarial obligation decreased by $109 million since the 2017 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 64.0% over such time period.

According to the 2018 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies include a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. 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.

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

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled 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. Similarly, for non-safety PERS 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 increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS 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 (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

As of June 30, 2018, the District reported its proportionate shares of the net pension liabilities for the STRS and PERS programs to be $25,324,000 and $9,794,000, respectively. See also "See "APPENDIX B – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note H" attached hereto.

Other Post-Employment Benefits

Plan Description. The District administers a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides healthcare benefits (the "Benefits") to certain retirees and their covered dependents. Certificated, classified and management employees are eligible to retire and receive District-paid benefits after attaining age 55 (if hired on or before June 1, 2015) or age 58 (if hired after June 1, 2015), and after 15 years of service within the District. Benefits are paid until retirees become eligible for Medicare. As of June 30, 2019, there were 26 active retirees in the Plan receiving Benefits, and 303 active employees not receiving Benefits.

Funding Policy. The District currently finances the Benefits on a pay-as-you-go basis to cover the cost of current insurance premiums. For fiscal years 2015-16 through 2018-19, the District realized expenditures for the Benefits equal to $321,525, $311,818, $305,694 and $393,447. The District has budgeted expenditures for the Benefits in fiscal year 2019-20 equal to $423,223.

Accrued Liability. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 74") and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The most recent actuarial study (the "Study"), concluded that, as of June 30, 2018, the Total OPEB Liability (the "TOL") with respect to such benefits, was $11,935,541, the Fiduciary Net Position ("FNP") was $0, and the Net OPEB Liability ("NOL") to be $11,935,541. The TOL is the amount of the actuarial present value of projected benefits payments attributable to employees' past service based on the actuarial cost method used. The FNP are the net assets (liability) of the qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the FNP. The TOE is the annual change in the District's NOL, with deferred recognition provided for certain items. For more information regarding the District's other post-employment benefit liability, see "APPENDIX B –2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note J" attached hereto for more information.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB Statement No. 74 replaces GASB Statement Nos. 43 and 57, and GASB Statement No. 75 replaces GASB Statement No. 45.

Most of GASB Statement No. 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the NOL, to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB Statement No. 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the TOL, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future FNP is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for employer fiscal years beginning after June 15, 2017. The District will first recognize GASB No. 74 and GASB No. 75 in their financial statements for fiscal year 2017-18.

Risk Management

The District is exposed to various risks of loss related to property, general liability, workers' compensation and employee benefits. These risks are addressed through a combination of commercial insurance and participation in certain public entity risk pools.

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

SICS provide property and liability insurance coverage, health and welfare benefits coverage, and workers compensation insurance coverage. SISC governed by a board consisting of a representative from each member district. The governing board controls the operations of SISC independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in SISC.

Settled claims have not exceeded available insurance coverage in the past three fiscal years. Based upon prior claims experience, the District believes that it has adequate insurance coverage.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the fiscal year ended June 30, 2018 is shown below:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
General obligation bonds	$235,308	--	--	$235,308
General obligation bonds	1,719,838	--	$25,000	1,694,838
General obligation bonds	660,000	--	220,000	440,000
General obligation bonds	954,761	--	50,000	904,761
General obligation bonds	3,390,000	--	370,000	3,020,000
General obligation bonds	5,080,000	--	35,000	5,045,000
General obligation bonds	7,085,000	--	--	7,085,000
General obligation bonds	5,265,000	--	60,000	5,205,000
General obligation bonds	2,970,000	--	--	2,970,000
Note – land purchase	--	2,372,700	--	2,372,700
Compensated absences	56,826	--	10,846	45,980
Accreted interest	868,151	91,915	--	960,066
Total	$28,284,884	$2,464,615	770,846	$29,978,653

Source: McFarland Unified School District.

Land Purchase Note. The District entered into a note payable contract with a private lender for the purchase of land for a future District facility. The note has a five year term, bearing interest at a rate of 5.5%. Future payments with respect to the Note are shown below.

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

Source: McFarland Unified School District.

General Obligation Bonds. The following table summarizes the outstanding prior bond issuances of the District, not including the Bonds.

SUMMARY OF OUTSTANDING BONDED DEBT
McFarland Unified School District

Issuance	Initial Principal Amount	Principal Outstanding(1)	Date of Delivery
General Obligation Bonds, Election of 2004, Series 2004A	$5,285,308.20	$235,308.20	6/2/2004
General Obligation Bonds, Election of 2004, Series 2006B	1,799,837.65	64,837.65	12/21/2006
General Obligation Bonds, Election of 2004, Series 2008C	1,214,760.90	224,760.90	4/17/2008
2008 General Obligation Refunding Bonds	2,970,000.00	220,000.00	8/30/2012
2012 General Obligation Refunding Bonds	4,400,000.00	2,630,000.00	8/30/2012
General Obligation Bonds, 2012 Election, 2012 Series A(2)	5,105,000.00	5,000,000.00	12/27/2012
General Obligation Bonds, 2012 Election, 2013 Series A(2)	7,408,000.00	7,085,000.00	1/24/2013
General Obligation Bonds, 2012 Election, 2014 Series A	5,300,000.00	5,120,000.00	5/15/2014
General Obligation Bonds, 2012 Election, 2014 Series B	3,000,000.00	2,970,000.00	11/18/2014
2019 General Obligation Refunding Bonds	2,110,000.00	2,110,000.00	6/13/2019

(1) As of August 2, 2019.
(2) Includes the principal amount of the Refunded Bonds.
Source: McFarland Unified School District.

[REMAINDER OF PAGE LEFT BLANK]

The following table shows the combined debt service schedule with respect to the total outstanding general obligation debt of the District, including the Bonds and assuming no further optional redemptions.

TOTAL OUTSTANDING BONDED DEBT*
McFarland Unified School District

Period Ending (Nov. 1)	Election of 2004 Series 2004A	Election of 2004 Series 2004B	2008 Refunding Bonds	Election of 2004 Series 2008C	2012 Refunding Bonds	2012 Election, 2012 Series A[(1)]	2012 Election 2013 Series A[(1)]	2012 Election 2014 Series A	2012 Election 2014 Series B	2019 Refunding Bonds	The Bonds
2019	--	--	$228,800.00	--	$503,068.76	$83,084.38	$29,609.38	$338,512.50	$143,625.00	$127,353.33	
2020	--	--	--	--	465,618.76	124,518.76	159,218.76	284,112.50	143,625.00	170,600.00	
2021	--	--	--	--	478,918.76	137,418.76	160,218.76	306,712.50	143,625.00	172,000.00	
2022	--	--	--	--	487,318.76	149,868.76	181,018.76	313,312.50	143,625.00	173,200.00	
2023	--	--	--	--	504,718.76	160,868.76	199,518.76	329,512.50	143,625.00	174,200.00	
2024	--	--	--	--	510,468.76	172,418.76	216,768.76	344,912.50	143,625.00	185,000.00	
2025	$530,000.00	--	--	--	--	188,518.76	236,368.76	354,512.50	148,625.00	185,200.00	
2026	540,000.00	--	--	--	--	199,018.76	260,218.76	370,012.50	148,450.00	195,200.00	
2027	555,000.00	--	--	--	--	214,068.76	277,875.00	384,912.50	158,275.00	194,600.00	
2028	570,000.00	--	--	$89,717.25	--	228,287.50	299,425.00	403,737.50	162,750.00	108,800.00	
2029	--	$655,000.00	--	104,867.50	--	246,368.76	--	416,750.00	167,050.00	41,200.00	
2030	--	310,000.00	--	103,750.70	--	263,606.26	--	433,525.00	176,175.00	391,200.00	
2031	--	--	--	116,409.60	--	--	--	454,425.00	179,950.00	707,200.00	
2032	--	--	--	835,000.00	--	--	--	468,912.50	188,550.00	--	
2033	--	--	--	--	--	--	--	492,100.00	196,800.00	--	
2034	--	--	--	--	--	--	--	508,975.00	204,700.00	--	
2035	--	--	--	--	--	--	--	528,075.00	217,250.00	--	
2036	--	--	--	--	--	--	--	549,975.00	228,000.00	--	
2037	--	--	--	--	--	--	--	574,400.00	233,000.00	--	
2038	--	--	--	--	--	--	--	596,075.00	242,500.00	--	
2039	--	--	--	--	--	--	--	--	2,336,250.00	--	
Total	$2,195,000.00	$965,000.00	$228,800.00	$1,249,745.05	$2,950,112.56	$2,168,046.98	$2,020,240.70	$8,453,462.50	$5,850,075.00	$2,825,753.33	

* Preliminary, subject to change.
(1) Does not include debt service on the Refunded Bonds.
Source: Municipal Advisor.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Owner of a Bond will increase the Owner's basis in the Bond. Owners of Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Bonds.

The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Owner of a Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the Owner of a Bond realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. The Owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

The federal tax and State of California personal income tax discussion set forth above with respect to the Bonds is included for general information only and may not be applicable depending upon a Owner's particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

A copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX A.

LIMITATION ON REMEDIES; BANKRUPTCY

General

State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed thereby, 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 school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

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, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a chapter 9 bankruptcy case, 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, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, 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.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Security and Sources of Payment" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues

If the *ad valorem* property 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 in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* property tax revenues should not be subject to the automatic stay. "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. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the proceeds general obligation bonds can only be used to finance 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* property tax revenues collected for the payments of general obligation bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's pooled investment fund, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX F – KERN COUNTY INVESTMENT POOL" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely 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. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights

The proposed form of the approving 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. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (the District's fiscal year ends on June 30), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and notices of certain enumerated events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of certain enumerated events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. Within the past five years, the District has not failed to make timely filings of annual reports and notices of listed events required by prior undertakings entered into pursuant to the Rule.

Absence of Material Litigation

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

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Bond Counsel. A copy of the proposed form of such legal opinion are attached to this Official Statement as APPENDIX A.

Verification

Upon delivery of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to (a) the adequacy of the maturing principal of and interest on the Federal Securities in the Escrow Fund, together with any moneys held therein as cash, to pay the redemption price of and interest on the Refunded Bonds and (b) the computations of yield of the Bonds and the Federal Securities in the Escrow Fund which support Bond Counsel's opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes.

MISCELLANEOUS

Ratings

The Bonds are expected to be assigned a rating of "AA" by S&P, based upon the issuance of the Policy by BAM at the time of delivery of the Bonds. The Bonds have also been assigned an underlying rating of "A" by S&P. The ratings reflect only the views of S&P, and any explanation of the significance of such rating should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in S&P's judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any ratings changes on the Bonds. See the caption "LEGAL MATTERS – Continuing Disclosure" below and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to the website of S&P, and official media outlets, for the most current ratings changes with respect to the Bonds after the initial issuance thereof.

Financial Statements

The District's audited financial statements with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Scott Erwin CPA (the "Auditor") dated December 1, 2018, are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

The Bonds are being purchased by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of $____________, which is equal to the initial principal amount of the Bonds of $____________ and less the Underwriter's discount of $____________.

The Purchase Contract for the Bonds 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 said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, the Escrow Agreement and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended only as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners, beneficial or otherwise, of any of the Bonds. This Official Statement and the delivery thereof have been duly approved and authorized by the District.

MCFARLAND UNIFIED SCHOOL DISTRICT

By ____

Aaron Resendez
Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

_____________, 2019

Board of Trustees
McFarland Unified School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $____________ McFarland Unified School District (Kern County, California) 2019 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution (the "Resolution") of the Board of Trustees of the McFarland Unified School District (the "District").

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

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

5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

6. The amount by which a Bond owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the

owner of Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as expressly set forth in paragraphs (3), (4), (5) and (6), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting 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 and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

APPENDIX B

2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

TABLE OF CONTENTS

TABLE OF CONTENTS

Financial Section

Scott Erwin CPA
ACCOUNTING • AUDIT • ADVISORY

Scott Erwin CPA Inc.
2100 E Street • Bakersfield, CA 93301-3808
Office: 661-327-4511 • Fax: 661-327-4509 • info@scotterwincpa.com
www.ScottErwinCPA.com

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

11. New Accounting Pronouncements

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

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

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

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

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

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

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

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

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

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

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

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

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

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of 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			Variance with Final Budget Positive
	Original	Final	Actual	(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.

MCFARLAND UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE - UNAUDITED
JUNE 30, 2018

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.

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2018

General Fund	Budget 2019 (see note 1)	2018	2017	2016
Revenues and other financial sources	$ 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

	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)
	$ --	$ --

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

No charter schools are chartered by McFarland Unified School District.

Charter Schools	Included In Audit?
None	N/A

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through 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

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

Scott Erwin CPA
ACCOUNTING • AUDIT • ADVISORY

Scott Erwin CPA Inc.

2100 E Street • Bakersfield, CA 93301-3808
Office: 661-327-4511 • Fax: 661-327-4509 • info@scotterwincpa.com
www.ScottErwinCPA.com

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

Scott Erwin CPA
ACCOUNTING • AUDIT • ADVISORY

Scott Erwin CPA Inc.
2100 E Street • Bakersfield, CA 93301-3808
Office: 661-327-4511 • Fax: 661-327-4509 • info@scotterwincpa.com
www.ScottErwinCPA.com

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 C

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 $_____________ of the District's 2019 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District adopted on August 29, 2019 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

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

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

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Sections 5(a) or (b) of this Disclosure Certificate.

"Official Statement" means the official statement dated as of September __, 2019 and relating the primary offering and sale of the Bonds.

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

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, which shall be due no later than March 31, 2020, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 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 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

SECTION 4. Content and Form of Annual Reports.

(a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) State funding received by the District for the last completed fiscal year;

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(e) assessed valuation of taxable property within the District for the current fiscal year; and

(f) secured *ad valorem* property tax levy collections and delinquencies within the District for the last completed fiscal year, to the extent the County of Kern disenrolls the Teeter Plan.

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

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

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

10. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any

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

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled Bond calls

4. unless described under Section 5(a)(5) above material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. 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.

7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

8. Incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days' written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. 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 and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this

Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. 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 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____________, 2019

MCFARLAND UNIFIED SCHOOL DISTRICT

By ____

Deputy Superintendent/Chief Business Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: MCFARLAND UNIFIED SCHOOL DISTRICT

Name of Bond Issue: 2019 General Obligation Refunding Bonds (Federally Taxable)

Date of Issuance: September __, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

MCFARLAND UNIFIED SCHOOL DISTRICT

By ______[form only; no signature required]_________

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

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 Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or 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 Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, 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 certificate will be issued for each maturity of each series of the Bonds, each 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," and together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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 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).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF MCFARLAND AND KERN COUNTY

The following information concerning the City of McFarland (the "City"), and Kern County (the "County") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District, Bond Counsel, the Underwriter or the Municipal Advisor.

General

The City of McFarland. The City is a general law city, which was incorporated in July 1957. The City was named after James Boyd McFarland, who along with William Laird, established the townsite in 1909. The City is located in Kern County approximately 25 miles north of the City of Bakersfield. In 1950, Highway 99, the major corridor of the Central Valley, was constructed, which ended up dividing the town into an east side and west side. McFarland is a thriving community deeply rooted in agriculture. Cotton, sugar beets, potatoes, almonds and roses are some of the leading enterprises. A citrus processing plant, an almond hulling facility, and a winery further serve the area's agriculture and economic interests. The City is governed by the council-manager form of municipal government. Four of the five City Council members are elected to four-year terms in alternate slates of two every two years. The Mayor is elected at large for a four-year term. The City Manager is appointed by the City Council.

Kern County. The County is located approximately 100 miles north of Los Angeles County and spans the southern end of the Central Valley. The County is the third largest county in State, covering 8,073 square miles ranging west to the southern slope of the Coast Ranges, east beyond the southern slope of the eastern Sierra Nevada into the Mojave Desert, north to Kings, Tulare and Inyo Counties, and south to Los Angeles County. The county's economy is heavily linked to agriculture and to petroleum extraction. There is also a strong aviation, space, and military presence, such as Edwards Air Force Base, the China Lake Naval Air Weapons Station, and the Mojave Air and Space Port. The City of Bakersfield is the largest city in the County and became the county seat in 1874. An elected five-member Board of Supervisors serves as the County's governing body.

[REMAINDER OF PAGE LEFT BLANK]

Population

The following table shows historical population figures for the City, the County, and the State from 2010 through 2019.

POPULATION ESTIMATES
2010 through 2019
City of McFarland, Kern County and State of California

Year[1]	City of McFarland	Kern County	State of California
2010[2]	12,707	839,631	37,253,956
2011	12,732	847,237	37,594,781
2012	12,407	856,092	37,971,427
2013	12,652	865,688	38,321,459
2014	13,716	872,936	38,622,301
2015	14,135	881,167	38,952,462
2016	14,541	886,695	39,214,803
2017	14,880	896,031	39,504,609
2018	15,171	906,563	39,740,508
2019	15,242	916,464	39,927,315

[1] Except where otherwise noted, as of January 1.
[2] As of April 1.
Source: California Department of Finance.

Income

The following table shows per capita personal income for the County, the State, and the United States for 2008 through 2017.

PER CAPITA PERSONAL INCOME
2008 through 2017
Kern County, State of California, and United States

Year	Kern County	State of California	United States
2008	$29,526	$43,895	$40,904
2009	28,917	42,050	39,284
2010	31,022	43,609	40,545
2011	32,690	46,145	42,727
2012	34,464	48,751	44,582
2013	35,153	49,173	44,826
2014	37,331	52,237	47,025
2015	37,968	55,679	48,940
2016	37,844	57,497	49,831
2017	38,560	59,796	51,640

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2014 through 2018 for the City, the County, and the State.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
2014 through 2018
City of McFarland, Kern County and State of California

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (%)
2014	City of McFarland	5,400	4,500	900	16.1
	Kern County	392,500	351,700	40,800	10.4
	State of California	18,714,700	17,310,900	1,403,800	7.5
2015	City of McFarland	5,500	4,600	900	15.8
	Kern County	390,300	350,500	39,900	10.2
	State of California	18,851,100	17,681,800	1,169,200	6.2
2016	City of McFarland	5,200	4,400	800	15.3
	Kern County	388,300	348,000	40,300	10.4
	State of California	19,044,500	18,002,800	1,041,700	5.5
2017	City of McFarland	5,500	4,800	700	12.0
	Kern County	384,800	349,500	35,300	9.2
	State of California	19,205,300	18,285,500	919,800	4.8
2018	City of McFarland	5,500	4,900	600	10.5
	Kern County	387,000	356,100	30,900	8.0
	State of California	19,398,200	18,582,800	815,400	4.2

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, 2018.

Industry

The City and the County are included in the Bakersfield Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the past five years.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
McFarland MSA
2014 through 2018

	2014	2015	2016	2017	2018
Total Farm	60,100	59,300	62,700	62,100	61,900
Mining and Logging	12,900	11,400	9,000	8,600	9,300
Construction	18,200	16,500	14,500	14,900	16,100
Manufacturing	14,600	14,200	13,500	13,400	13,200
Wholesale Trade	8,700	8,300	8,100	8,200	8,300
Retail Trade	30,300	31,500	32,100	32,000	32,000
Transportation, Warehousing & Utilities	10,500	10,900	11,000	11,500	13,300
Information	2,400	2,700	2,200	2,000	2,000
Financial Activities	8,200	8,000	7,800	7,700	7,600
Professional and Business Services	27,100	26,800	26,500	26,100	26,900
Education and Health Services	32,600	33,400	34,800	36,400	37,800
Leisure and Hospitality	23,700	25,000	25,500	25,900	26,600
Other Services	7,800	7,700	7,700	7,700	7,900
Government	59,700	61,500	63,800	65,200	65,800
Total All Industries	316,600	317,200	319,100	321,800	328,800

Note: May not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2018 Benchmark.

Principal Employers

The following tables show the principal employers in the County by number of employees.

PRINCIPAL EMPLOYERS
2018
Kern County

Company	Employees
Edwards Air Force Base	9,353
County of Kern	7,402
China Lake Naval Air Weapons Station	7,000
Grimmway Enterprises	3,700
Dignity Health	3,296
Adventist Health McFarland	2,718
Bolthouse Farms	2,250
Kern Medical	1,800
City of McFarland	1,600
Sun World International	1,600

Source: County of Kern, State of California 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2018.

Agriculture

Agricultural-related industries are a major source of employment in the County. The County's agriculture commodities grossed $7,254,168,000 in 2017. The leading farm commodities in the County for 2017 are listed below.

TOP COMMODITIES
2017
Kern County

Rank	Commodity	Value
1.	Grapes (all)	$1,747,529,000
2.	Almonds (including by-products)	1,261,738,000
3.	Citrus (fresh and processing)	942,926,000
4.	Milk (market and manufacturing)	618,845,000
5.	Pistachios	555,524,000
6.	Carrots (fresh and processing)	424,432,000
7.	Cattle & Calves	318,019,000
8.	Potatoes (fresh and processing)	296,508,000
9.	Alfalfa	101,200,000
10.	Apiary	93,493,000
11.	Cherries	88,430,000
12.	Nursery (fruit and nut trees and vines)	83,074,000
13.	Cotton (includes processed cotton)	74,394,000
15.	Tomato (fresh and processing)	67,433,000
16.	Garlic (fresh and processing)	63,051,000
17.	Onion (fresh and processing)	60,902,000
18.	Pomegranates (fresh and processing)	60,633,000
19.	Eggs and egg products	41,409,000
20.	Watermelon	40,587,000

Source: Kern County Department of Agriculture and Measurement Standards, 2017 Kern County Agricultural Crop Report.

Commercial Activity

Summaries of recent annual taxable sales for the City and County are shown in the following tables.

ANNUAL TAXABLE SALES
City of McFarland
2015 through 2018
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2015	64	$21,312	95	$34,365
2016	72	23,113	105	33,908
2017	76	24,419	108	31,394
2018[1]	67	26,802	102	33,947

[1] Preliminary, subject to change.
Note: Data for 2014 is not available for the City.
Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.

ANNUAL TAXABLE SALES
Kern County
2014 through 2018
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2014	11,519	$8,589,322	16,336	$15,722,694
2015	11,929	8,622,475	18,244	14,394,758
2016	12,141	8,638,096	18,628	13,957,115
2017	12,253	9,104,669	18,743	13,967,392
2018[1]	12,558	9,690,294	19,612	15,096,153

(1) Preliminary, subject to change.
Source: *Taxable Sales in California, California State Board of Equalization for 2014.*
Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-18. Some previously reported data has been revised by the CDTFA.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the years 2014 through 2018 for the City and County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
City of McFarland
2014 through 2018
(Dollars in Thousands)

Valuation	2014	2015	2016	2017	2018
Residential	$7,450	$6,766	$2,749	$5,456	$9,418
Non-Residential	1,686	1,390	757	1,096	515
Total	$9,136	$8,156	$3,506	$6,552	$9,933
Units					
Single Family	67	65	22	32	40
Multiple Family	0	0	0	0	68
Total	67	65	22	32	108

Note: Totals may not add to sum due to rounding.
Source: *Construction Industry Research Board.*

BUILDING PERMITS AND VALUATIONS
Kern County
2014 through 2018
(Dollars in Thousands)

Valuation	2014	2015	2016	2017	2018
Residential	$528,516	$552,696	$532,529	$443,194	$499,650
Non-Residential	960,918	919,751	343,670	370,695	570,621
Total	$1,489,434	$1,472,447	$876,199	$813,889	$1,070,271
Units					
Single Family	2,047	2,184	2,181	1,844	1,894
Multi Family	380	270	66	10	346
Total	2,427	2,454	2,247	1,854	2,240

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

KERN COUNTY INVESTMENT POOL

The following information concerning the Kern County Investment Pool (the "Investment Pool") has been provided by the Treasurer and Tax Collector (the "Treasurer") of Kern County (the "County"), and has not been confirmed or verified by the District or the Underwriter. The District and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of 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 Investment Pool will not vary significantly from the values described herein. Finally, neither the District nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer's website at https://www.kcttc.co.kern.ca.us/; however, the information presented on such website is not incorporated herein by any reference.

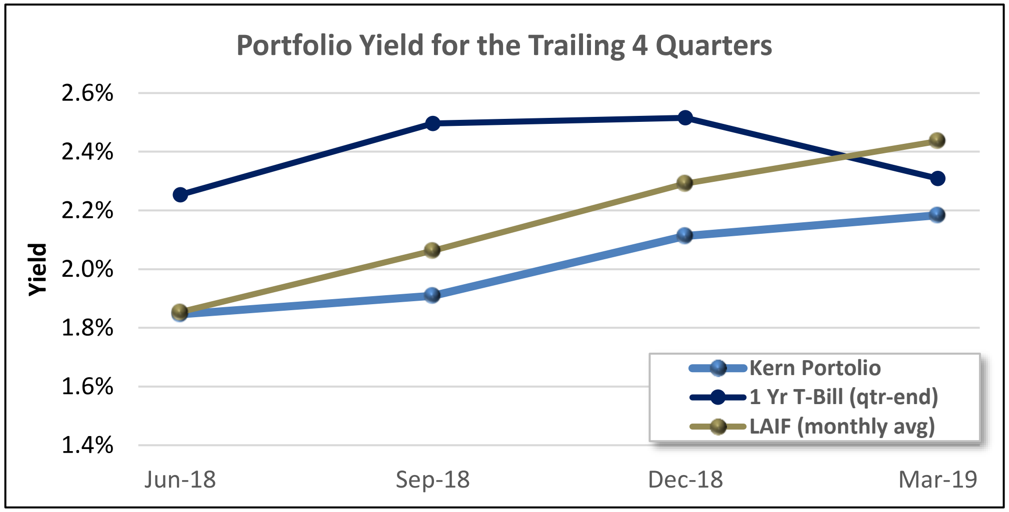
[THIS PAGE INTENTIONALLY LEFT BLANK]

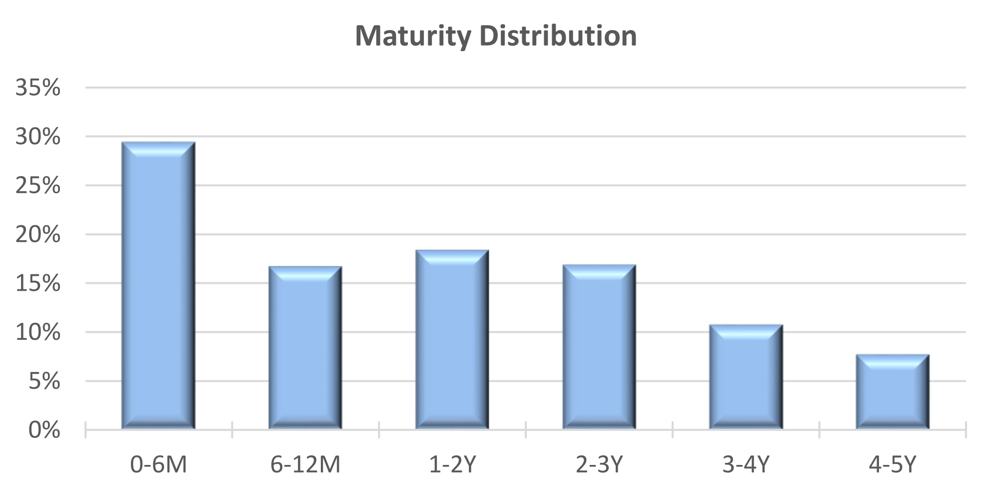
Kern County Treasurer's Pooled Cash

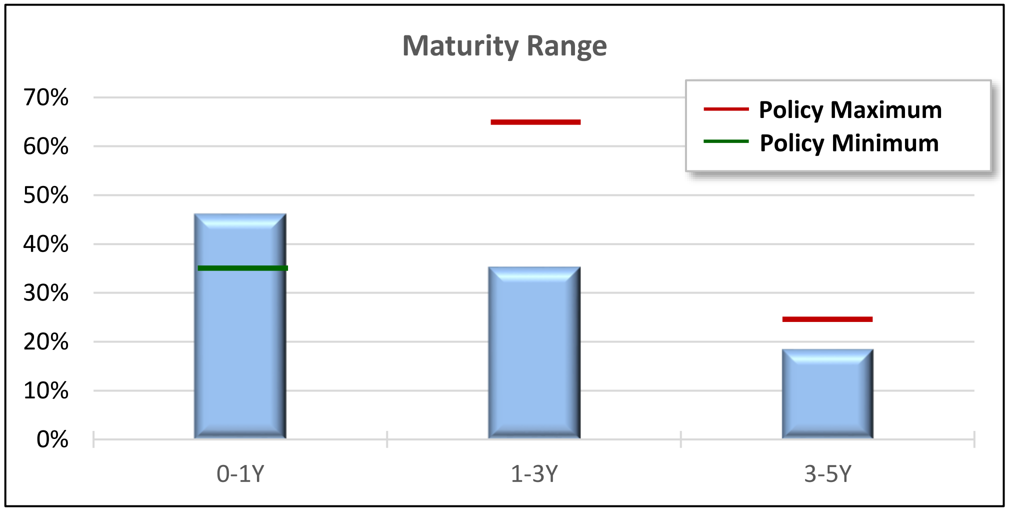
Portfolio Summary

6/30/2019

Total Market Value	$ 3,443,286,663
Yield to Maturity at Cost	2.23%
Yield to Maturity at Market	2.15%
Effective Duration	1.43
Weighted Average Years to Maturity	1.59



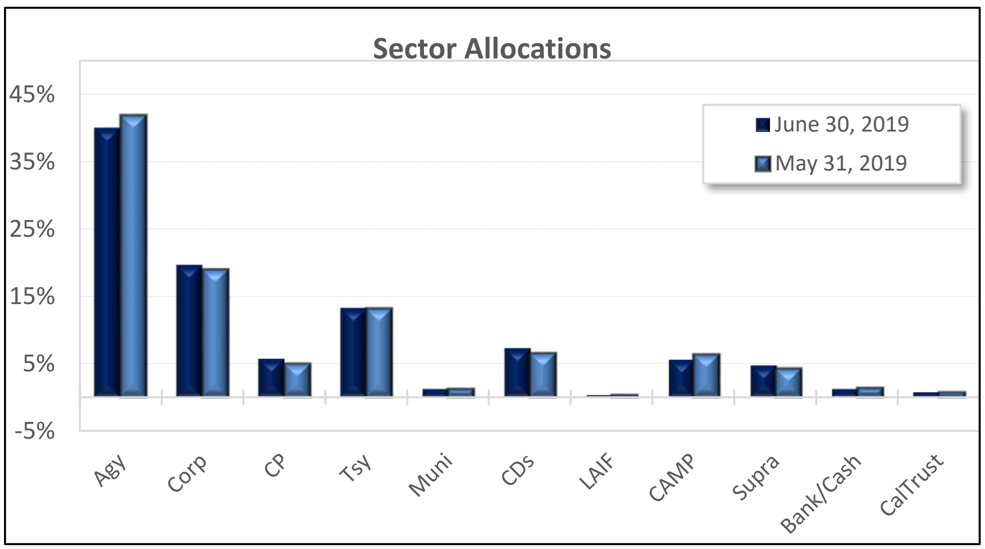


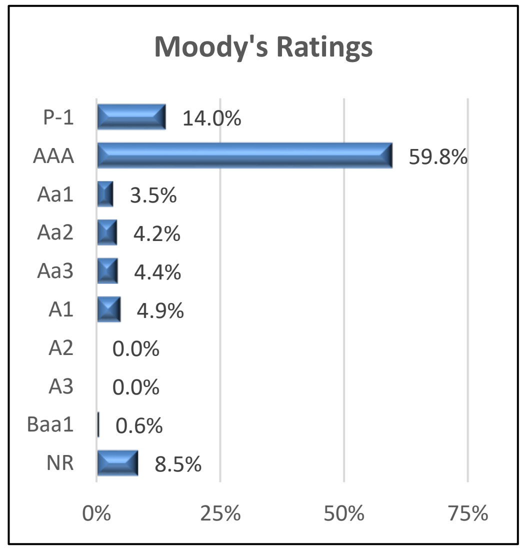


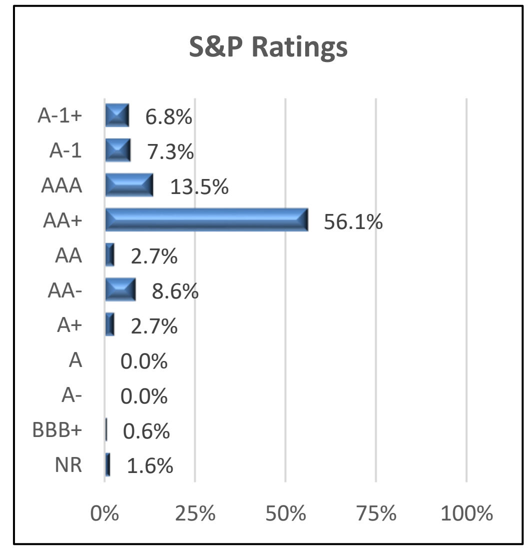
*The County Treasurer believes the Treasury Investment Pool contains sufficient cash flow from liquid and maturing securities, bank deposits, and incoming cash to meet the next six months of expected expenditures.

Kern County Treasurer's Pooled Cash
Portfolio Summary
6/30/2019

Sector	Par Amount	Original Cost	Market Value	Original Yield	% of Total Assets	Policy Limit Rating	Days to Maturity
Local Agency Investment Fund	11,928,815	11,928,815	11,928,815	2.39%	0.35%	$65 Million	1
California Asset Management Program	191,062,171	191,062,171	191,062,171	2.45%	5.55%	10%	1
CalTRUST	25,290,600	25,290,600	25,290,600	2.39%	0.73%	10%	1
U.S. Treasuries	461,000,000	454,946,289	460,247,190	2.14%	13.37%	100%	600
Federal Agencies	1,369,412,000	1,368,259,416	1,376,374,988	1.99%	39.97%	75%	661
Municipal Bonds	42,000,000	42,323,890	43,509,470	2.85%	1.26%	10%	1,199
Supranationals	161,175,000	162,600,488	163,286,210	1.93%	4.74%	10%	825
Negotiable CDs	250,000,000	250,000,000	250,169,106	2.63%	7.27%	30%	105
Commercial Paper	200,000,000	197,088,396	198,496,164	2.73%	5.76%	40%	71
Corporate Notes	673,685,000	674,028,470	680,616,633	2.44%	19.77%	30%	830
Total Securities	3,385,553,585	3,377,528,533	3,400,981,345	2.23%	98.77%		581
Total Cash	42,305,318	42,305,318	42,305,318		1.23%		
Total Assets	3,427,858,903	3,419,833,851	3,443,286,663		100.00%		







Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
June 30, 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			103,781.74	103,781.74	103,781.74	0.001	Aaa	AAA	0.001	
539995217	419	Local Agency Investment Fund			11,825,032.76	11,825,032.76	11,825,032.76	2.410			2.410	
		Subtotal and Average	**11,933,370.70**		**11,928,814.50**	**11,928,814.50**	**11,928,814.50**				**2.389**	
Negotiable CD's												
22535CDY4	15508	Credit Agricole NY		04/05/2019	25,000,000.00	25,061,229.00	25,000,000.00	2.580	P-1	A-1	2.616	01/22/2020
21684XBE5	15533	RABOBANK NED NY		06/26/2019	25,000,000.00	24,972,750.00	25,000,000.00	2.090	P-1	A-1	2.119	02/06/2020
78012ULD5	15458	Royal Bank of Canada NY		12/14/2018	25,000,000.00	25,005,628.00	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	25,042,966.50	25,000,000.00	2.520	P-1	A-1	2.555	02/06/2020
89114MSK4	15467	Toronto Dominion Bank NY		01/07/2019	25,000,000.00	25,008,613.25	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	25,003,215.25	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	25,017,327.25	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	50,056,970.00	50,000,000.00	2.580	P-1	A-1	2.616	11/08/2019
62478TZ77	15512	MUFG UNION BK NA		04/10/2019	25,000,000.00	25,000,406.50	25,000,000.00	2.530	P-1	A-1	2.565	07/01/2019
		Subtotal and Average	**229,166,666.67**		**250,000,000.00**	**250,169,105.75**	**250,000,000.00**				**2.629**	
Commercial Paper - Discount												
09659CU22	15456	BNP New York		12/12/2018	25,000,000.00	24,993,350.00	24,601,611.11	2.840	P-1	A-1	2.963	07/02/2019
22533TA22	15525	Crdit Agric		05/24/2019	25,000,000.00	24,722,308.25	24,628,333.33	2.400	P-1	A-1	2.499	01/02/2020
22533UV83	15513	Credit Agricole NY		04/10/2019	25,000,000.00	24,934,314.50	24,794,166.67	2.470	P-1	A-1	2.560	08/08/2019
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	24,977,220.75	24,601,048.61	2.830	P-1	A-1	2.952	07/12/2019
63873KVF1	15462	Natixis NY		12/19/2018	25,000,000.00	24,924,333.25	24,510,381.94	2.950	P-1	A-1	3.082	08/15/2019
89233GA63	15531	Toyota Motors Credit Corp		06/24/2019	25,000,000.00	24,701,866.75	24,710,083.33	2.130	P-1	A-1	2.214	01/06/2020
		Subtotal and Average	**178,143,998.60**		**200,000,000.00**	**198,496,163.50**	**197,088,395.82**				**2.731**	
Federal Agency Issues - Coupon												
3133EEHF0	14047	Federal Farm Credit Bank		01/06/2015	10,000,000.00	9,994,000.00	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	9,935,000.00	10,037,800.00	1.450	Aaa	AA	1.363	08/04/2020
3133EGXF7	14930	Federal Farm Credit Bank		10/04/2016	10,000,000.00	9,973,200.00	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	9,979,500.00	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	8,066,613.00	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	10,021,300.00	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	9,970,100.00	10,000,000.00	1.680	Aaa	AA	1.680	10/13/2020

Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
June 30, 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												
3133EHW58	15278	Federal Farm Credit Bank		11/28/2017	10,000,000.00	10,002,500.00	9,997,970.00	1.900	Aaa	AA	1.907	11/27/2020
3133EHU84	15316	Federal Farm Credit Bank		01/03/2018	23,925,000.00	24,021,896.25	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	19,995,600.00	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	10,067,100.00	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	10,028,600.00	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	10,268,600.00	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	10,268,600.00	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	15,319,050.00	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	11,815,131.27	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	10,996,358.83	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	15,607,350.00	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	15,558,750.00	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	10,105,500.00	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	10,372,500.00	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	20,710,600.00	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	10,358,600.00	9,994,500.00	2.700	Aaa	AA	2.712	02/06/2024
3133EKRD0	15532	Federal Farm Credit Bank		06/25/2019	10,000,000.00	10,011,400.00	10,016,460.00	1.875	Aaa	AA	1.818	06/14/2022
3133EKSN7	15535	Federal Farm Credit Bank		06/28/2019	5,500,000.00	5,482,840.00	5,481,960.00	1.770	Aaa	AA	1.856	06/26/2023
3130A0JR2	13993	Federal Home Loan Bank		12/15/2014	10,000,000.00	10,006,000.00	10,302,900.00	2.375	Aaa	AA	1.739	12/13/2019
3130A8Y72	14903	Federal Home Loan Bank		08/29/2016	10,000,000.00	9,984,425.00	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	9,970,079.00	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	8,942,408.20	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	9,922,700.00	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	14,910,900.00	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	14,981,100.00	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	14,976,750.00	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	14,961,600.00	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	9,974,400.00	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	19,937,800.00	20,092,000.00	1.650	Aaa	AA	1.505	07/20/2020
313379RB7	15193	Federal Home Loan Bank		06/22/2017	10,000,000.00	10,002,700.00	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	14,962,200.00	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	9,875,400.00	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	9,974,800.00	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	10,073,600.00	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	4,992,600.00	4,992,300.00	1.875	Aaa	AA	1.938	06/12/2020
3130ADG48	15329	Federal Home Loan Bank		01/29/2018	15,000,000.00	15,002,700.00	14,980,500.00	2.250	Aaa	AA	2.295	01/29/2021

Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
June 30, 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												
3130ADC26	15335	Federal Home Loan Bank		01/29/2018	10,000,000.00	9,990,700.00	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	10,029,000.00	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	10,076,600.00	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	20,014,200.00	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	15,437,700.00	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	20,527,400.00	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	7,075,950.00	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	15,242,100.00	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	21,050,400.00	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	10,287,600.00	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
3130AGHA6	15526	Federal Home Loan Bank		06/03/2019	10,000,000.00	10,073,900.00	10,000,000.00	2.430	Aaa	AA	2.430	06/03/2024
3134G8W21	14710	Federal Home Loan Mort Corp		04/08/2016	10,000,000.00	9,958,800.00	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	9,967,000.00	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	9,967,000.00	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	9,970,000.00	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	14,925,300.00	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	14,938,200.00	15,000,000.00	1.450	Aaa	AA	1.450	05/26/2020
3134GABZ6	14899	Federal Home Loan Mort Corp		08/25/2016	10,000,000.00	9,946,900.00	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	9,991,900.00	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	4,993,700.00	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	6,716,856.37	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	14,915,250.00	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	9,942,900.00	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	20,006,600.00	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	14,914,350.00	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	14,977,950.00	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	19,989,200.00	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	9,975,700.00	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	20,080,000.00	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	24,971,250.00	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	16,483,830.00	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	10,108,500.00	10,000,000.00	3.000	Aaa	AA	3.000	01/30/2023
3134GSVD4	15412	Federal Home Loan Mort Corp		08/29/2018	5,000,000.00	5,056,300.00	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	10,022,200.00	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	15,048,900.00	15,000,000.00	3.030	Aaa	AA	3.030	10/18/2021

Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
June 30, 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												
3134GTGS6	15521	Federal Home Loan Mort Corp		04/16/2019	20,000,000.00	20,140,200.00	20,000,000.00	2.550	Aaa	AA	2.550	10/16/2023
3134GTEE9	15523	Federal Home Loan Mort Corp		04/24/2019	25,000,000.00	25,041,500.00	25,000,000.00	2.760	Aaa	AA	2.760	10/24/2022
3135G0ZY2	14583	Federal National Mortgage Assn		12/24/2015	10,000,000.00	9,985,400.00	10,044,600.00	1.750	Aaa	AA	1.632	11/26/2019
3136G3P25	14893	Federal National Mortgage Assn		08/12/2016	10,000,000.00	9,991,500.00	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	9,949,000.00	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	12,413,005.20	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	4,974,500.00	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	9,949,000.00	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	9,949,000.00	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	9,436,160.00	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	9,935,700.00	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	19,939,600.00	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	14,910,150.00	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	9,969,400.00	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	9,991,200.00	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	9,949,000.00	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	9,886,500.00	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	9,991,200.00	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	9,991,400.00	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	10,003,600.00	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	15,090,913.50	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	9,950,100.00	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	10,070,000.00	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	20,233,400.00	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	10,006,200.00	10,000,000.00	2.750	Aaa	AA	2.750	10/26/2021
3135G0U43	15440	Federal National Mortgage Assn		11/28/2018	10,000,000.00	10,414,900.00	9,942,300.00	2.875	Aaa	AA	3.005	09/12/2023
3135G0S38	15509	Federal National Mortgage Assn		04/08/2019	10,000,000.00	10,060,609.00	9,913,500.00	2.000	Aaa	AA	2.327	01/05/2022
3135G0V59	15517	Federal National Mortgage Assn		04/12/2019	10,000,000.00	10,125,600.00	9,967,200.00	2.250	Aaa	AA	2.364	04/12/2022
3135G0V59	15518	Federal National Mortgage Assn		04/12/2019	10,000,000.00	10,125,600.00	9,967,200.00	2.250	Aaa	AA	2.364	04/12/2022
880591EN8	15457	Tennessee Valley Authority		12/13/2018	15,000,000.00	15,010,050.00	14,471,550.00	1.875	Aaa	AA	2.893	08/15/2022
		Subtotal and Average	**1,358,011,844.42**		**1,334,407,000.00**	**1,341,589,119.37**	**1,335,082,801.42**				**2.001**	
Federal Agency Issues - Discount												
313586RC5	14502	Federal National Mortgage Assn		11/05/2015	10,000,000.00	9,937,400.00	9,258,900.00		Aaa	AA	1.998	10/09/2019
313586RC5	14791	Federal National Mortgage Assn		05/19/2016	15,005,000.00	14,911,068.70	14,297,514.25	1.371	Aaa	AA	1.450	10/09/2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Federal Agency Issues - Discount												
313586RC5	14879	Federal National Mortgage Assn		07/14/2016	10,000,000.00	9,937,400.00	9,620,200.00	1.157	Aaa	AA	1.217	10/09/2019
		Subtotal and Average	**34,723,214.25**		**35,005,000.00**	**34,785,868.70**	**33,176,614.25**				**1.535**	
Medium Term Notes 30/360												
037833AX8	14134	Apple		03/04/2015	10,000,000.00	9,958,400.00	9,905,900.00	1.550	Aa	AA	1.750	02/07/2020
037833CB4	14910	Apple		09/06/2016	20,290,000.00	20,269,710.00	20,251,651.90	1.100	Aa	AA	1.166	08/02/2019
037833CB4	14916	Apple		09/12/2016	10,000,000.00	9,990,000.00	10,005,650.00	1.100	Aa	AA	1.080	08/02/2019
037833AR1	14956	Apple		10/31/2016	10,000,000.00	10,146,300.00	10,489,200.00	2.850	Aa	AA	1.719	05/06/2021
037833AR1	15028	Apple		12/16/2016	10,000,000.00	10,146,300.00	10,253,500.00	2.850	Aa	AA	2.240	05/06/2021
037833BD1	15197	Apple		06/27/2017	10,000,000.00	9,988,100.00	10,070,200.00	2.000	Aa	AA	1.747	05/06/2020
037833BS8	15288	Apple		12/05/2017	10,000,000.00	10,035,700.00	10,021,000.00	2.250	Aa	AA	2.182	02/23/2021
037833DE7	15356	Apple		04/03/2018	10,000,000.00	10,086,300.00	9,724,200.00	2.400	Aa	AA	3.023	01/13/2023
037833DE7	15399	Apple		06/28/2018	14,000,000.00	14,120,820.00	13,519,520.00	2.400	Aa	AA	3.218	01/13/2023
037833CQ1	15498	Apple		03/29/2019	15,000,000.00	15,106,005.00	14,956,350.00	2.300	Aa	AA	2.397	05/11/2022
084670BL1	13960	Berkshire Hathaway		12/02/2014	5,000,000.00	4,998,200.00	5,067,350.00	2.100	Aa	AA	1.800	08/14/2019
084670BJ6	15402	Berkshire Hathaway		06/29/2018	13,094,000.00	13,487,212.82	13,006,663.02	3.000	Aa	AA	3.156	02/11/2023
084670BJ6	15446	Berkshire Hathaway		12/04/2018	8,460,000.00	8,714,053.80	8,324,809.20	3.000	Aa	AA	3.412	02/11/2023
166764AY6	15111	Chevron Corp		04/03/2017	10,277,000.00	10,324,068.66	10,381,517.09	2.419	Aa	AA	2.125	11/17/2020
166764BK5	15484	Chevron Corp		02/01/2019	10,000,000.00	10,155,200.00	9,839,500.00	2.566	Aa	AA	2.966	05/16/2023
166764BK5	15501	Chevron Corp		04/01/2019	10,000,000.00	10,155,200.00	10,042,400.00	2.566	Aa	AA	2.457	05/16/2023
166764AH3	15524	Chevron Corp		05/23/2019	10,000,000.00	10,378,800.00	10,216,000.00	3.191	Aa	AA	2.630	06/24/2023
166764AH3	15528	Chevron Corp		06/21/2019	5,000,000.00	5,189,400.00	5,179,000.00	3.191	Aa	AA	2.252	06/24/2023
36962G4R2	14973	General Electric Cos-MTN		11/15/2016	10,000,000.00	10,204,100.00	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	10,032,800.00	10,985,300.00	6.000	Baa	BBB	2.179	08/07/2019
4042Q0WY1	15519	HSBC Bank USA		04/16/2019	10,000,000.00	9,984,346.00	10,000,000.00	2.800	Aa	AA	2.801	07/17/2023
4042Q0WX3	15520	HSBC Bank USA		04/16/2019	10,000,000.00	9,964,923.00	10,000,000.00	2.625	Aa	AA	2.626	07/18/2022
478160CD4	15352	Johnson & Johnson		03/28/2018	18,135,000.00	18,258,136.65	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	9,981,100.00	10,051,100.00	1.650	Aa	A	1.470	09/23/2019
191216BT6	14494	Coca Cola		11/03/2015	10,000,000.00	9,978,400.00	9,955,100.00	1.875	A	A	1.970	10/27/2020
191216BY5	15144	Coca Cola		04/24/2017	16,063,000.00	15,896,587.32	15,823,821.93	1.550	A	A	1.908	09/01/2021
191216CF5	15200	Coca Cola		06/29/2017	10,000,000.00	10,049,790.00	10,051,900.00	2.200	A	A	2.088	05/25/2022
191216BY5	15379	Coca Cola		04/17/2018	7,607,000.00	7,528,191.48	7,299,905.41	1.550	A	A	2.813	09/01/2021
594918BV5	15124	Microsoft Corp		04/11/2017	10,000,000.00	9,978,600.00	10,051,500.00	1.850	Aaa	AAA	1.662	02/06/2020
594918BN3	15235	Microsoft Corp		08/28/2017	11,474,000.00	11,460,345.94	11,390,010.32	1.100	Aaa	AAA	1.483	08/08/2019
594918BP8	15426	Microsoft Corp		10/18/2018	14,610,000.00	14,485,668.90	14,013,327.60	1.550	Aaa	AAA	3.080	08/08/2021

Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
June 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Medium Term Notes 30/360												
594918BP8	15427	Microsoft Corp		10/18/2018	1,718,000.00	1,703,379.82	1,647,390.20	1.550	Aaa	AAA	3.090	08/08/2021
594918BP8	15428	Microsoft Corp		10/18/2018	5,000,000.00	4,957,450.00	4,795,800.00	1.550	Aaa	AAA	3.080	08/08/2021
594918BP8	15451	Microsoft Corp		12/10/2018	7,778,000.00	7,711,809.22	7,494,647.46	1.550	Aaa	AAA	2.984	08/08/2021
594918BQ6	15483	Microsoft Corp		01/29/2019	11,683,000.00	11,662,204.26	11,296,526.36	2.000	Aaa	AAA	2.783	08/08/2023
594918BQ6	15527	Microsoft Corp		06/21/2019	5,000,000.00	4,991,100.00	4,970,700.00	2.000	Aaa	AAA	2.149	08/08/2023
66989HAM0	15187	Novartis		06/21/2017	10,000,000.00	10,079,941.00	10,125,400.00	2.400	Aa	AA	2.129	05/17/2022
66989HAM0	15201	Novartis		06/30/2017	16,980,000.00	17,115,739.82	17,112,444.00	2.400	Aa	AA	2.230	05/17/2022
742718EN5	15385	Proctor & Gamble		04/23/2018	10,000,000.00	9,967,000.00	9,743,971.94	1.850	Aa	AA	2.815	02/02/2021
742718EQ8	15401	Proctor & Gamble		06/29/2018	9,127,000.00	9,064,388.78	8,785,193.85	1.700	Aa	AA	2.882	11/03/2021
742718DY2	15406	Proctor & Gamble		07/18/2018	20,000,000.00	20,158,200.00	19,528,000.00	2.300	Aa	AA	3.006	02/06/2022
742718EU9	15408	Proctor & Gamble		08/16/2018	4,997,000.00	5,027,243.34	4,842,192.94	2.150	Aa	AA	2.980	08/11/2022
742718EU9	15410	Proctor & Gamble		08/23/2018	5,686,000.00	5,720,413.38	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	9,999,000.00	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	10,515,542.64	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	12,965,643.72	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	9,248,221.29	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	10,102,995.00	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	5,890,729.67	5,757,759.58	3.300	Aa	AA	3.140	01/12/2022
90331HML4	14857	US Bank		06/28/2016	10,770,000.00	10,767,582.14	11,030,310.90	2.125	A	AA	1.380	10/28/2019
90331HML4	14858	US Bank		06/28/2016	10,000,000.00	9,997,755.00	10,239,800.00	2.125	A	AA	1.386	10/28/2019
90331HML4	14918	US Bank		09/20/2016	8,000,000.00	7,998,204.00	8,178,160.00	2.125	A	AA	1.390	10/28/2019
90331HNB5	15131	US Bank		04/17/2017	10,000,000.00	9,987,800.00	10,062,600.00	2.000	A	AA	1.767	01/24/2020
90331HNB5	15192	US Bank		06/22/2017	10,750,000.00	10,736,885.00	10,800,095.00	2.000	A	AA	1.815	01/24/2020
90331HNL3	15333	US Bank		01/25/2018	7,500,000.00	7,636,200.00	7,499,625.00	2.850	A	AA	2.851	01/23/2023
90331HNL3	15334	US Bank		01/25/2018	10,000,000.00	10,181,600.00	9,998,100.00	2.850	A	AA	2.854	01/23/2023
90331HNV1	15481	US Bank		01/22/2019	10,000,000.00	10,429,900.00	10,034,700.00	3.400	A	AA	3.316	07/24/2023
90331HNV1	15482	US Bank		01/22/2019	10,000,000.00	10,429,900.00	10,034,700.00	3.400	A	AA	3.316	07/24/2023
90331HPC1	15529	US Bank		06/21/2019	2,850,000.00	2,890,641.00	2,876,790.00	2.650	A	AA	2.315	05/23/2022
90331HPC1	15530	US Bank		06/21/2019	7,150,000.00	7,251,959.00	7,217,210.00	2.650	A	AA	2.315	05/23/2022
94988J5R4	15443	Wells Fargo Bank		11/30/2018	15,000,000.00	15,656,100.00	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	10,437,400.00	10,181,900.00	3.550	Aa	A	3.105	08/14/2023
94988J5R4	15502	Wells Fargo Bank		04/01/2019	10,000,000.00	10,437,400.00	10,292,700.00	3.550	Aa	A	2.832	08/14/2023
94988J5R4	15503	Wells Fargo Bank		04/01/2019	5,000,000.00	5,218,700.00	5,145,750.00	3.550	Aa	A	2.835	08/14/2023
931142EK5	15486	Wal-Mart Stores		03/05/2019	11,500,000.00	12,086,845.00	11,722,812.50	3.400	Aa	AA	2.917	06/26/2023
931142EK5	15487	Wal-Mart Stores		03/05/2019	10,000,000.00	10,510,300.00	10,197,700.00	3.400	Aa	AA	2.908	06/26/2023
30231GAV4	15342	Exxon-Mobil		03/07/2018	10,000,000.00	10,027,700.00	9,851,600.00	2.222	Aaa	AA	2.748	03/01/2021

Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
June 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
		Subtotal and Average	**660,532,670.19**		**673,685,000.00**	**680,616,632.65**	**674,028,470.19**				**2.438**	
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			191,062,170.80	191,062,170.80	191,062,170.80	2.450		AAA	2.450	
		Subtotal and Average	**160,279,415.43**		**191,062,170.80**	**191,062,170.80**	**191,062,170.80**				**2.450**	
CALTRUST												
CALTRUST	15476	CalTRUST		01/10/2019	25,290,599.71	25,290,599.71	25,290,599.71	2.390		AAA	2.390	
		Subtotal and Average	**25,245,490.50**		**25,290,599.71**	**25,290,599.71**	**25,290,599.71**				**2.390**	
Treasury Securities - Coupon												
912828XH8	15090	U S Treasury Note		03/13/2017	10,000,000.00	9,967,200.00	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	19,777,400.00	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	9,887,100.00	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	20,106,200.00	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	9,888,700.00	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	9,925,000.00	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	9,871,100.00	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	9,967,200.00	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	9,929,700.00	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	19,774,200.00	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	19,876,600.00	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	19,774,200.00	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	19,876,600.00	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	14,907,450.00	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	9,888,700.00	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	14,887,500.00	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	9,925,000.00	9,767,968.75	1.375	Aaa	AA	2.085	05/31/2021
912828S76	15319	U S Treasury Note		01/04/2018	10,000,000.00	9,871,100.00	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	19,933,600.00	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	10,006,600.00	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	11,092,840.00	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	10,099,200.00	9,926,562.50	2.250	Aaa	AA	2.482	07/31/2021

Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
June 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Treasury Securities - Coupon												
912828K58	15383	U S Treasury Note		04/19/2018	20,000,000.00	19,894,600.00	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	10,382,400.00	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	4,977,950.00	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	10,078,100.00	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	10,073,400.00	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	24,953,000.00	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	24,953,000.00	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	10,159,800.00	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	10,118,000.00	9,994,140.63	2.125	Aaa	AA	2.143	06/30/2022
912828Y20	15505	U S Treasury Note		04/03/2019	10,000,000.00	10,173,100.00	10,071,875.00	2.625	Aaa	AA	2.299	07/15/2021
912828X96	15510	U S Treasury Note		04/08/2019	10,000,000.00	9,955,900.00	9,901,562.50	1.500	Aaa	AA	2.410	05/15/2020
9128286C9	15522	U S Treasury Note		04/16/2019	15,000,000.00	15,294,750.00	15,049,804.69	2.500	Aaa	AA	2.378	02/15/2022
		Subtotal and Average	**454,946,289.10**		**461,000,000.00**	**460,247,190.00**	**454,946,289.10**				**2.137**	
Municipal Bonds												
13063DDF2	15323	California State Controller		01/08/2018	10,000,000.00	10,179,700.00	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	5,063,050.00	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	6,093,660.00	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	22,173,060.00	21,329,700.00	3.400	Aa	AA	3.051	08/01/2023
		Subtotal and Average	**42,323,890.00**		**42,000,000.00**	**43,509,470.00**	**42,323,890.00**				**2.851**	
Supranationals												
4581X0CH9	14633	INTER AMERICAN DEV BANK		02/03/2016	10,000,000.00	9,983,200.00	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	4,989,750.00	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	19,923,200.00	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	10,140,549.00	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	10,238,721.00	10,077,000.00	2.500	Aaa	AAA	2.287	01/18/2023
4581X0CC0	15507	INTER AMERICAN DEV BANK		04/05/2019	6,175,000.00	6,463,681.25	6,331,227.50	3.000	Aaa	AAA	2.403	10/04/2023
4581X0CC0	15534	INTER AMERICAN DEV BANK		06/28/2019	15,000,000.00	15,701,250.00	15,706,200.00	3.000	Aaa	AAA	1.847	10/04/2023
459058EV1	14804	International Bank for Reconst		05/25/2016	10,000,000.00	9,991,600.00	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	9,876,600.00	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	9,935,900.00	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	10,034,231.00	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	9,961,000.00	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	9,957,410.00	9,985,000.00	1.625	Aaa	AAA	1.669	03/09/2021

Treasurer's Pooled Cash
Portfolio Management
Portfolio Details - Investments
June 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	S&P	YTM 365	Maturity Date
Supranationals												
459058GL1	15448	International Bank for Reconst		12/05/2018	15,000,000.00	15,653,470.50	15,022,200.00	3.000	Aaa	AAA	2.966	09/27/2023
459058GL1	15504	International Bank for Reconst		04/02/2019	10,000,000.00	10,435,647.00	10,321,700.00	3.000	Aaa	AAA	2.242	09/27/2023
		Subtotal and Average	**148,464,907.50**		**161,175,000.00**	**163,286,209.75**	**162,600,487.50**				**1.931**	
		Total and Average	**3,329,678,747.04**		**3,385,553,585.01**	**3,400,981,344.73**	**3,377,528,533.29**				**2.228**	

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)