NEW ISSUE —FULL BOOK-ENTRY

INSURED RATING: S&P: "AA"
UNDERLYING RATING: S&P: "A+"
See "RATINGS" herein

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$5,000,000
WASCO ELEMENTARY SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2017A-1
(Measure D)

$5,000,000
WASCO ELEMENTARY SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2017A-2
(Measure E)

Dated: Date of Delivery

Due: August 1, as shown on inside cover

Authority and Purpose. The captioned bonds (the "Series A-1 Bonds" and the "Series A-2 Bonds" and, collectively, the "Bonds") are being issued by the Wasco Elementary School District (the "District") pursuant to certain provisions of the California Government Code and resolutions of the Board of Trustees of the District adopted on January 10, 2017 (the "Bond Resolutions"). The Series A-1 Bonds were authorized at an election of the registered voters of the District held on June 7, 2016, which authorized the issuance $9,700,000 principal amount of general obligation bonds (the "Measure D Authorization"), as described herein. The Series A-2 Bonds were authorized at an election of the registered voters of the District held on June 7, 2016, which authorized the issuance $9,400,000 principal amount of general obligation bonds (the "Measure E Authorization") as described herein. The Series A-1 Bonds are the first series of bonds to be issued under the Measure D Authorization and the Series A-2 Bonds are the first series of bonds to be issued under the Measure E Authorization. See "THE BONDS – Authority for Issuance" and "– Purpose of Issue; Financing Plan."

Security. The Bonds are general obligation bonds of the District payable solely from ad valorem taxes. The Board of Supervisors of Kern County has the power and is obligated to annually levy ad valorem taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See "SECURITY FOR THE BONDS."

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

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

Payments. The Bonds are dated the date of delivery and are being issued as current interest bonds. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2017. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, Los Angeles, California, the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS."

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

BAM

MATURITY SCHEDULE
(see inside front cover)

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

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall, A Professional Law Corporation is also serving as Disclosure Counsel to the District. Kronick Moskovitz Tiedemann & Girard, a Professional Corporation, Sacramento, California, is serving as Underwriter's Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about March 8, 2017.

RAYMOND JAMES®

The date of this Official Statement is February 17, 2017.

MATURITY SCHEDULE

WASCO ELEMENTARY SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2017A-1
(Measure D)

Base CUSIP†: 93681E

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2018	$180,000	4.000%	1.070%	AA8
2019	240,000	4.000	1.300	AB6
2024	100,000	5.000	2.380	AC4
2025	100,000	5.000	2.570	AD2
2026	125,000	5.000	2.720	AE0
2027	140,000	5.000	2.840[C]	AF7
2028	165,000	5.000	2.970[C]	AG5
2029	185,000	5.000	3.100[C]	AH3
2030	205,000	5.000	3.160[C]	AJ9
2031	225,000	5.000	3.230[C]	AK6
2032	255,000	5.000	3.310[C]	AL4
2033	280,000	5.000	3.370[C]	AM2
2034	250,000	3.500	3.770	AN0
2035	270,000	3.625	3.830	AP5
2036	290,000	3.750	3.890	AQ3
2037	315,000	3.750	3.940	AR1

$790,000 4.000% Term Bond due August 1, 2039; Yield 4.000%; CUSIP† AT7
$885,000 4.000% Term Bond due August 1, 2041; Yield 4.050%; CUSIP† AS9

[C] *Priced to the par call date of August 1, 2026.*

MATURITY SCHEDULE, *cont'd.*

WASCO ELEMENTARY SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2017A-2
(Measure E)

Base CUSIP†: 93681E

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2018	$180,000	4.000%	1.070%	AU4
2019	235,000	4.000	1.300	AV2
2024	100,000	5.000	2.380	AW0
2025	100,000	5.000	2.570	AX8
2026	125,000	5.000	2.720	AY6
2027	145,000	5.000	2.840[C]	AZ3
2028	165,000	5.000	2.970[C]	BA7
2029	185,000	5.000	3.100[C]	BB5
2030	205,000	5.000	3.160[C]	BC3
2031	225,000	5.000	3.230[C]	BD1
2032	250,000	5.000	3.310[C]	BE9
2033	275,000	5.000	3.370[C]	BF6
2034	245,000	3.500	3.770	BG4
2035	270,000	3.625	3.830	BH2
2036	285,000	3.750	3.890	BJ8
2037	310,000	3.750	3.940	BK5

$790,000 4.000% Term Bond due August 1, 2039; Yield 4.000%; CUSIP† BM1
$910,000 4.000% Term Bond due August 1, 2041; Yield 4.000%; CUSIP† BL3

† *CUSIP Copyright 2017, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.*
[C] *Priced to the par call date of August 1, 2026.*

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WASCO ELEMENTARY SCHOOL DISTRICT
(Kern County, California)

DISTRICT ADMINISTRATION

Kelly Richers, *Superintendent*
Karen Evans, *Chief Business Official*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

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

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

UNDERWRITER'S COUNSEL

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

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

U.S. Bank National Association,
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

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

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

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

Insurer Disclaimer. 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 "Bond Insurance" and "Appendix H - Specimen Municipal Bond Insurance Policy".

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

Stabilization of and Changes to Offering Prices. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

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

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

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

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

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

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APPENDIX E - Form of Continuing Disclosure Certificate
APPENDIX F - DTC and the Book-Entry System
APPENDIX G - Kern County Investment Policy and Investment Report
APPENDIX H - Specimen Municipal Bond Insurance Policy

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$5,000,000
WASCO ELEMENTARY SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2017A-1
(Measure D)

$5,000,000
WASCO ELEMENTARY SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2017A-2
(Measure E)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale and delivery by the Wasco Elementary School District (the "**District**") of the Wasco Elementary School District (Kern County, California) General Obligation Bonds, 2016 Election, Series 2017A-1 (Measure D), in the principal amount of $5,000,000 (the "**Series A-1 Bonds**") and the Wasco Elementary School District (Kern County, California) General Obligation Bonds, 2016 Election, Series 2017A-2 (Measure E), in the principal amount of $5,000,000 (the "**Series A-2 Bonds**" and, together with the Series A-1 Bonds, 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 and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District was established in 1904 and is located in Kern County (the "**County**"), approximately 23 miles north of Bakersfield and 83 miles south of Fresno. The District currently operates four elementary schools and one middle school, serving over 3,600 students. See "APPENDIX A – General and Financial Information About the District" and "APPENDIX C - General Information about Kern County."

Authority and Purpose of Series A-1 Bonds. The Series A-1 Bonds will be issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53506) (the "**Bond Law**") and pursuant to a resolution adopted by the Board of Trustees of the District on January 10, 2017 (the "**Series A-1 Bond Resolution**"). The Series A-1 Bonds are the first series of bonds issued by the District pursuant to an election held by the District on June 7, 2016 (the "**Measure D Bond Election**") in which more than 55% of the qualified electors of the District authorized the District to issue general obligation bonds in a principal amount of $9,700,000 (the "**Measure D Authorization**").

Authority and Purpose of Series A-2 Bonds. The Series A-2 Bonds will be issued pursuant to the provisions of the Bond Law and pursuant to a resolution adopted by the Board of Trustees of the District on January 10, 2017 (the "**Series A-2 Bond Resolution**"). The Series A-2 Bonds are the first series of bonds issued by the District pursuant to an election held by the District on June 7, 2016 (the "**Measure E Bond Election**") in which more than 55% of the qualified electors of the District authorized the District to issue general obligation bonds in a principal amount of $9,400,000 (the "**Measure E Authorization**").

The net proceeds of the Bonds will be used to finance school facilities of the District as approved by District voters at the Measure D Bond Election and the Measure E Bond Election. See "THE BONDS – Authority for Issuance" and "– Purpose of Issue; Financing Plan," and "SOURCES AND USES OF FUNDS" herein.

Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes levied and collected by the County of Kern (the "**County**"). The Board of Supervisors of the County has the power and is obligated to annually levy an *ad valorem* tax for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS" herein.

Form of Bonds. The Bonds are being issued as current interest bonds which will bear current interest, and will mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for the Depository Trust Company, New York, New York ("**DTC**"). Purchasers will not receive physical certificates representing their interest in the Bonds. See "THE BONDS – General Description of the Bonds" and "– Book-Entry Only System," and "APPENDIX F – DTC and the Book-Entry System."

Redemption. The Bonds are subject to redemption prior to maturity as described in "THE BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

Legal Matters. Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel ("**Bond Counsel**"), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District ("**Disclosure Counsel**"). Kronick Moskovitz Tiedemann & Girard, a Professional Corporation, Sacramento, California, is serving as counsel to the Underwriter. Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.

Tax Matters. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from State of California personal income taxes. See "TAX MATTERS."

Bond Insurance. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the "Policy") to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("**BAM**"). See "BOND INSURANCE" and "APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Bonds and executed by the District (the "**Continuing Disclosure Certificate**"). The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "CONTINUING DISCLOSURE."

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the District from the Superintendent's Office at 1102 5th Street, Wasco, California 93280, Telephone: (661) 758-7100. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE BONDS

Authority for Issuance

Series A-1 Bonds. The Series A-1 Bonds will be issued under the provisions of the Bond Law and the Series A-1 Bond Resolution. The District received authorization at the Measure D Bond Election, by more than the requisite 55% vote of the qualified electors to issue general obligation bonds in a principal amount of $9,700,000. The Bonds are the first series of bonds issued by the District pursuant to the Measure D Authorization.

Series A-2 Bonds. The Series A-2 Bonds will be issued under the provisions of the Bond Law and the Series A-2 Bond Resolution. The District received authorization at the Measure E Bond Election, by more than the requisite 55% vote of the qualified electors to issue general obligation bonds in a principal amount of $9,400,000. The Bonds are the first series of bonds issued by the District pursuant to the Measure E Authorization.

Purpose of Issue; Financing Plan

Series A-1 Bonds. The proceeds of bonds issued pursuant to the Measure D Authorization, including the Series A-1 Bonds, will be used to finance projects approved by the District's voters at the Measure D Bond Election. The abbreviated summary of the ballot measure is as follows:

> "To improve the quality of education with funding that cannot be taken by the state, make health and security improvements; modernize/provide classrooms, restrooms and school facilities, including classrooms for science, math, reading and writing; construct new school to reduce student overcrowding, including land acquisition; and improve access to computers and technology shall the Wasco Union Elementary School District issue $9,700,000 of bonds at legal rates, with independent citizens' oversight committee, annual audits, and NO money for administrative salaries?"

After the Series A-1 Bonds are issued, there will be $4,700,000 of the Measure D Authorization remaining.

Series A-2 Bonds. The proceeds of bonds issued pursuant to the Measure E Authorization, including the Series A-2 Bonds, will be used to finance projects approved by the District's voters at the Measure E Bond Election. The abbreviated summary of the ballot measure is as follows:

> "To improve the quality of education with funding that cannot be taken by the state; repair/replace leaky roofs; improve student safety at drop-off/pick-up areas; replace outdated portable classrooms; construct a library/media center, and multi-purpose room/gym for school/community use; and construct/modernize

student support facilities, and classrooms for alternative education shall Wasco Union Elementary School District issue $9,400,000 of bonds at legal rates, with citizens' oversight committee, annual audits, and NO money for administrative salaries?"

After the Series A-2 Bonds are issued, there will be $4,400,000 of the Measure E Authorization remaining.

General Description of the Bonds

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

The Bonds will be issued in denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2017 (each, an "**Interest Payment Date**"). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding the Interest Payment Date (each, a "**Record Date**"), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the first Record Date, in which event it will bear interest from the date the Bonds are delivered. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to participants in DTC's book entry system ("**DTC Participants**") who will remit such payments to the beneficial owners of the Bonds.

Paying Agent

U.S. Bank National Association, Los Angeles, California, will act as the registrar, transfer agent, and paying agent for the Bonds (the "**Paying Agent**"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send all payments with respect to principal and interest on the Bonds, and any notice of redemption or other notices to owners of the Bonds, only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any ultimate purchaser of the Bonds (each a "Beneficial Owner"), of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action covered by such notice.

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

Optional Redemption

The Bonds maturing on or before August 1, 2026 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2027, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2026, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption

Series A-1 Bonds. The Series A-1 Bonds maturing on August 1, 2039 and August 1, 2041 (the "**Series A-1 Term Bonds**") are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedules set forth below. The Series A-1 Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

Series A-1 Term Bond Maturing August 1, 2039

Redemption Date (August 1)	Sinking Fund Redemption
2038	$380,000
2039 (maturity)	410,000

Series A-1 Term Bond Maturing August 1, 2041

Redemption Date (August 1)	Sinking Fund Redemption
2040	$430,000
2041 (maturity)	455,000

If any Series A-1 Term Bonds are optionally redeemed as described above, the total amount of all future sinking fund payments with respect to such Series A-1 Term Bonds will be reduced by the aggregate principal amount of such Series A-1 Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 (or such other basis as the District may determine).

Series A-2 Bonds. The Series A-2 Bonds maturing on August 1, 2039 and August 1, 2041 (the "**Series A-2 Term Bonds**") are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedules set forth below. The Series A-2 Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments amounts and on the dates set forth below, without premium.

Series A-2 Term Bond Maturing August 1, 2039

Redemption Date (August 1)	Sinking Fund Redemption
2038	$380,000
2039 (maturity)	410,000

Series A-2 Term Bond Maturing August 1, 2041

Redemption Date (August 1)	Sinking Fund Redemption
2040	$440,000
2041 (maturity)	470,000

If any Series A-2 Term Bonds are optionally redeemed as described above, the total amount of all future sinking fund payments with respect to such Series A-2 Term Bonds will be reduced by the aggregate principal amount of such Series A-2 Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 (or such other basis as the District may determine).

Notice of Redemption

The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Bonds designated for redemption, at their addresses appearing on the records maintained by the Paying Agent for the registration of ownership and registration of transfers of the Bonds under the Bond Resolution. Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Bond Owners.

Such notice shall state the redemption date and the redemption price and, if less than all of the then outstanding Bonds are to be called for redemption, shall designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the office of the Paying Agent for the payment of the Bonds and the administration of its duties under the Bond Resolution as designated therein ("**Office of the Paying Agent**") for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption

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

Right to Rescind Notice of Redemption

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

Book-Entry Only System

The Bonds will be registered initially in the name of "Cede & Co.," as nominee of DTC, which has been appointed as securities depository for the Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Bonds. Principal of the Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Bonds as described herein. See "APPENDIX F – DTC and the Book-Entry System."

In the event that the securities depository (either DTC or its successor depository) determines not to continue to act as securities depository for the Bonds, or the District determines to terminate the depository as such, then the District will thereupon discontinue the book-entry system with such securities depository. In such event, the securities depository will cooperate with the District and the Paying Agent in the issuance of replacement Bonds by providing the Paying Agent with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the nominee of the securities depository, to the Paying Agent on or before the date such replacement Bonds are to be issued.

Registration, Transfer and Exchange of Bonds

Registration. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Bond Resolution.

Transfers of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the registration books required to be kept pursuant to the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The District may charge a reasonable sum for each new Bond issued upon any transfer.

Whenever any Bond or Bonds is surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers of Bonds will be required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond which has been selected for redemption.

Exchange of Bonds. Bonds may be exchanged at the principal Office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity, 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. The District may charge a reasonable sum for each new Bond issued upon any exchange (except in the cases of any exchange of temporary Bonds for definitive Bonds). No exchange of Bonds is required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (b) with respect to a Bond after it has been selected for redemption.

Defeasance

Any or all of the Bonds may be paid by the District in any of the following ways, provided the District also pays or causes to be paid any other sums payable under the Bond Resolution by the District:

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

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

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

If the District pays all the Bonds that are outstanding and also pays or causes to be paid all other sums payable under the Bond Resolution by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Bond Resolution), and notwithstanding that any Bonds have not been surrendered for payment, the Bond Resolution and other assets made under the Bond Resolution and all covenants, agreements and other obligations of the District under the Bond Resolution will cease, terminate, become void and be completely discharged and satisfied, except only as provided and described in the following paragraph.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described below) to pay or redeem any Bond that is outstanding (whether upon or prior to its maturity date or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given or proven satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Bond will cease and be completely discharged, except only that thereafter the Owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment.

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

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

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

The Bond Resolution defines the term "**Federal Securities**" to mean United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

SOURCES AND USES OF FUNDS

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

Sources of Funds	**Series A-1 Bonds**	**Series A-2 Bonds**
Principal Amount of Bonds	$5,000,000.00	$5,000,000.00
Plus: Net Original Issue Premium	259,480.10	258,923.70
	$5,259,480.10	$5,258,923.70
Total Sources		
Uses of Funds		
Deposit to Building Fund	$5,000,000.00	$5,000,000.00
Deposit to Debt Service Fund	134,393.43	133,822.32
Costs of Issuance (1)	125,086.67	125,101.38
Total Uses	$5,259,480.10	$5,258,923.70

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

APPLICATION OF PROCEEDS OF BONDS

Building Funds

The proceeds from the sale of the Series A-1 Bonds, to the extent of the principal amount thereof, will be paid to the County Treasurer to the credit of the funds created and established in the Series A-1 Bond Resolution and known as the "Wasco Elementary School District, Measure D, Series 2017A-1 Building Fund" and (the "**Measure D Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds from the sale of the Series A-2 Bonds, to the extent of the principal amount thereof, will be paid to the County Treasurer to the credit of the funds created and established in the Series A-2 Bond Resolution and known as the "Wasco Elementary School District, Measure E, Series 2017A-2 Building Fund" (the "**Measure E Building Fund**" and, together with the Measure D Building Fund, the "**Building Funds**"), which will be accounted for as separate and distinct from all other District and County funds. The appropriate office will maintain separate accounting for the proceeds of the Series A-1 Bonds and the Series A-2 Bonds, including all earnings received, respectively, from the investment thereof. Amounts credited to the Measure D Building Fund will be expended by the District solely for the financing of projects for which the Series A-1 Bonds proceeds are authorized to be expended under the Measure D Bond Measure (which includes costs of issuance). Amounts credited to the Measure E Building Fund will be expended by the District solely for the financing of projects for which the Series A-2 Bonds proceeds are authorized to be expended under the Measure E Bond Measure (which includes costs of issuance). All interest and other gain arising from the investment of proceeds of the Series A-1 Bonds and the Series A-2 Bonds shall be retained in the respective Building Fund and used for the purposes thereof. At the written request of the District filed with the County Treasurer, any amounts remaining on deposit in a Building Fund and not needed for the purposes thereof will be withdrawn from such Building Fund and transferred to the Debt Service Fund established for such series of Bonds, to be applied to pay the principal of and interest on such series of Bonds. If excess amounts remain on deposit in the Building Fund after payment in full of the Bonds, any such excess amounts shall be transferred to the general fund of the District, to be applied for the purposes for which the Bonds have been authorized or otherwise in accordance with the Bond Law.

Debt Service Funds

As described herein under the heading "SECURITY FOR THE BONDS – Debt Service Fund," the County Treasurer will establish, hold and maintain (i) a debt service fund for the Series A-1 Bonds to be designated the "Wasco Elementary School District Measure D, Series 2017A-1 General Obligation Bonds Debt Service Fund" (the "**Measure D Debt Service Fund**"), which the County Office of Education will maintain as a separate account distinct from all other funds of the County and the District, and (ii) a debt service fund for the Series A-2 Bonds to be designated the "Wasco Elementary School District Measure E, Series 2017A-2 General Obligation Bonds Debt Service Fund" (the "**Measure E Debt Service Fund**" and, together with the Measure D Debt Service Fund, the "**Debt Service Funds**"), which funds the County Treasurer will maintain as separate accounts distinct from all other funds of the County and the District. The County Treasurer will administer the Debt Service Funds and make disbursements therefrom in the manner set forth in the respective Bond Resolution. Accrued interest and premium, if any, received by the County Office of Education from the sale of the Series A-1 Bonds and the Series A-2 Bonds will be deposited in the Measure D Debt Service Fund and the Measure E Debt Service Fund, respectively, which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Series A-1 Bonds or the Series A-2 Bonds, as applicable. Interest earnings on the investment of monies held in a Debt

Service Fund will be retained in such Debt Service Fund and used to pay the principal of and interest on the Series A-1 Bonds or Series A-2 Bonds, as applicable, when due. Any moneys remaining in a Debt Service Fund after the Series A-1 Bonds or the Series A-2 Bonds, as applicable, and the interest thereon have been paid, or provision for such payment has been made, will be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, will be transferred to the District's general fund upon the order of the County Auditor, as provided in Section 15234 of the Education Code.

Investment of Proceeds of Bonds

Under California law, the District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the District. All amounts deposited into the Debt Service Funds, as well as proceeds of taxes held therein for payment of the Bonds, shall be invested in the County Investment Pool, the Local Agency Investment Fund of the California State Treasurer, any investments authorized pursuant to Sections 53601 and 53635 of the California Government Code, and investment agreements, including guaranteed investment contracts, float contracts or other investment products (provided that such agreements comply with the requirements of Section 148 of the Tax Code) in accordance with the investment policy of the County.

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DEBT SERVICE SCHEDULES

Series A-1 Bonds and Series A-2 Bonds. The following table shows the annual debt service schedule with respect to the Bonds (assuming no optional redemptions).

WASCO ELEMENTARY SCHOOL DISTRICT
Annual Debt Service Schedule

Period Ending August 1	Series A-1 Bonds Principal	Series A-1 Bonds Interest	Series A-2 Bonds Principal	Series A-2 Bonds Interest	Total Debt Service
2017	-	$85,015.49	-	$85,015.49	$170,030.98
2018	$180,000	214,025.00	$180,000	214,025.00	788,050.00
2019	240,000	206,825.00	235,000	206,825.00	888,650.00
2020	-	197,225.00	-	197,425.00	394,650.00
2021	-	197,225.00	-	197,425.00	394,650.00
2022	-	197,225.00	-	197,425.00	394,650.00
2023	-	197,225.00	-	197,425.00	394,650.00
2024	100,000	197,225.00	100,000	197,425.00	594,650.00
2025	100,000	192,225.00	100,000	192,425.00	584,650.00
2026	125,000	187,225.00	125,000	187,425.00	624,650.00
2027	140,000	180,975.00	145,000	181,175.00	647,150.00
2028	165,000	173,975.00	165,000	173,925.00	677,900.00
2029	185,000	165,725.00	185,000	165,675.00	701,400.00
2030	205,000	156,475.00	205,000	156,425.00	722,900.00
2031	225,000	146,225.00	225,000	146,175.00	742,400.00
2032	255,000	134,975.00	250,000	134,925.00	774,900.00
2033	280,000	122,225.00	275,000	122,425.00	799,650.00
2034	250,000	108,225.00	245,000	108,675.00	711,900.00
2035	270,000	99,475.00	270,000	100,100.00	739,575.00
2036	290,000	89,687.50	285,000	90,312.50	755,000.00
2037	315,000	78,812.50	310,000	79,625.00	783,437.50
2038	380,000	67,000.00	380,000	68,000.00	895,000.00
2039	410,000	51,800.00	410,000	52,800.00	924,600.00
2040	430,000	35,400.00	440,000	36,400.00	941,800.00
2041	455,000	18,200.00	470,000	18,800.00	962,000.00
Total	$5,000,000	$3,500,615.49	$5,000,000	$3,508,277.99	$17,008,893.48

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Combined Debt Service Table. The following table shows the combined annual debt service schedule with respect to obligations of the District secured by *ad valorem* taxes, assuming no optional redemptions. See Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – General Obligation Bonds" for additional information.

WASCO UNION SCHOOL DISTRICT
Combined Annual Debt Service Schedule
All Outstanding General Obligation Debt

Bond Year Ending August 1	Election of 2001, Series 2001A Bonds	Election of 2001, Series 2004 Bonds	2011 GO Refunding Bonds	Series A-1 Bonds	Series A-2 Bonds	Total Debt Service
2017	-	$190,000.00	$340,100.00	$85,015.49	$85,015.49	$700,130.98
2018	-	215,000.00	356,400.00	394,025.00	394,025.00	1,359,450.00
2019	-	240,000.00	368,800.00	446,825.00	441,825.00	1,497,450.00
2020	-	265,000.00	395,200.00	197,225.00	197,425.00	1,054,850.00
2021	$430,000.00	300,000.00	-	197,225.00	197,425.00	1,124,650.00
2022	450,000.00	330,000.00	-	197,225.00	197,425.00	1,174,650.00
2023	470,000.00	360,000.00	-	197,225.00	197,425.00	1,224,650.00
2024	490,000.00	395,000.00	-	297,225.00	297,425.00	1,479,650.00
2025	510,000.00	435,000.00	-	292,225.00	292,425.00	1,529,650.00
2026	535,000.00	470,000.00	-	312,225.00	312,425.00	1,629,650.00
2027	-	1,070,000.00	-	320,975.00	326,175.00	1,717,150.00
2028	-	1,145,000.00	-	338,975.00	338,925.00	1,822,900.00
2029	-	1,220,000.00	-	350,725.00	350,675.00	1,921,400.00
2030	-	-	-	361,475.00	361,425.00	722,900.00
2031	-	-	-	371,225.00	371,175.00	742,400.00
2032	-	-	-	389,975.00	384,925.00	774,900.00
2033	-	-	-	402,225.00	397,425.00	799,650.00
2034	-	-	-	358,225.00	353,675.00	711,900.00
2035	-	-	-	369,475.00	370,100.00	739,575.00
2036	-	-	-	379,687.50	375,312.50	755,000.00
2037	-	-	-	393,812.50	389,625.00	783,437.50
2038	-	-	-	447,000.00	448,000.00	895,000.00
2039	-	-	-	461,800.00	462,800.00	924,600.00
2040	-	-	-	465,400.00	476,400.00	941,800.00
2041	-	-	-	473,200.00	488,800.00	962,000.00
Total	$2,885,000.00	$6,635,000.00	$1,460,500.00	$8,500,615.49	$8,508,277.99	$27,989,393.48

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SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

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

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

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

Statutory Lien on Ad Valorem Tax Revenues. Pursuant to Senate Bill 222 effective January 1, 2016, voter approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

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

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Funds

The County Treasurer will establish the Measure D Debt Service Fund and the Measure E Debt Service Fund for the Series A-1 Bonds and the Series A-2 Bonds, respectively, which will be established as separate funds to be maintained distinct from all other funds of the County. All taxes levied by the County, at the request of the District, for the payment of the principal of and interest and premium (if any) on the applicable Bonds will be deposited in the applicable Debt Service Fund by the County promptly upon apportionment of said levy. Each Debt Service Fund is pledged for the payment of the principal of and interest on the applicable Bonds when and as the same become due, including the principal of any Bonds required to be paid upon the mandatory sinking fund redemption thereof. The County Treasurer shall administer the Debt Service Fund and make disbursements therefrom in accordance with the applicable Bond Resolution. Amounts in each Debt Service Fund will be transferred by the County Treasurer to the Paying Agent to the extent necessary to pay the principal of and interest and redemption premium (if any) on the applicable Bonds when due. In addition, amounts on deposit in the Debt Service Funds will be applied to pay the fees and expenses of the Paying Agent insofar as permitted by law, including specifically by Section 15232 of the Education Code.

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

Not a County Obligation

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

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PROPERTY TAXATION

Property Tax Collection Procedures

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

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

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

Taxation of State-Assessed Utility Property

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

Assessed Valuations

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

WASCO ELEMENTARY SCHOOL DISTRICT
Assessed Valuation
Fiscal Years 2007-08 through 2016-17

	Local Secured	Utility	Unsecured	Total
2007-08	$885,189,676	$940,384	$42,900,646	$929,030,706
2008-09	1,005,965,402	940,384	40,826,103	1,047,731,889
2009-10	970,725,968	709,144	50,221,769	1,021,656,881
2010-11	937,408,929	685,622	52,590,116	990,684,667
2011-12	1,036,295,343	729,918	73,892,961	1,110,918,222
2012-13	1,098,952,937	729,918	91,979,269	1,191,662,124
2013-14	1,137,252,858	729,918	99,155,739	1,237,138,515
2014-15	1,257,412,410	729,918	109,232,644	1,367,374,972
2015-16	1,252,530,443	729,918	101,019,109	1,354,279,470
2016-17	1,330,192,982	316,245	108,929,836	1,439,439,063

Source: California Municipal Statistics, Inc.

As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation may result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts. With respect to droughts specifically, the State of California is currently facing water shortfalls, and on January 17, 2014, the Governor declared a state of drought emergency, calling on Californians to conserve water. As part of his declaration, the Governor directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Thereafter, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain conservation, which were implemented by an emergency regulation adopted by the Water Board on May 5, 2015. The temporary conservation measures have been extended and amended by subsequent executive orders of the Governor and related Water Board regulations, most recently with implementation of a "stress test" approach of water conservation, which requires local urban water agencies to ensure a three-year supply of water assuming three years of drought conditions. Those agencies with projected shortages are required to implement conservation measures through January 2017. The District cannot predict or make any representations regarding the effects that the current drought has had, or, if it should continue, may have on the value of taxable property within the District, or to what extent the drought could cause disruptions to economic activity within the boundaries of the District.

Assessed Valuation by Land Use. The property in the District is largely residential, with approximately 70.5% of secured assessed valuation of property in the District used for residential purposes, and almost 86.1% of all parcels used for residential purposes. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2016-17.

WASCO ELEMENTARY SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2016-17

	2016-17 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$528,508,856	39.73%	674	10.42%
Commercial	108,777,131	8.18	206	3.18
Vacant Commercial	6,980,977	0.52	58	0.90
Industrial	100,419,023	7.55	68	1.05
Vacant Industrial	1,657,215	0.12	37	0.57
Oil & Gas Exploration	64,994,414	4.89	97	1.50
Recreational	66,356	0.00	2	0.03
Government/Social/Institutional	1,525,698	0.11	55	0.85
Miscellaneous	1,010,665	0.08	70	1.08
Subtotal Non-Residential	$813,940,335	61.19%	1,267	19.59%
Residential:				
Single Family Residence	$455,119,582	34.21%	3,876	59.93%
Condominium/Townhouse	3,487,008	0.26	55	0.85
Mobile Home	1,539,786	0.12	24	0.37
Mobile Home Park	1,346,233	0.10	3	0.05
2-4 Residential Units	31,838,446	2.39	266	4.11
5+ Residential Units/Apartments	8,535,824	0.64	29	0.45
Vacant Residential	14,385,768	1.08	948	14.66
Subtotal Residential	$516,252,647	38.81%	5,201	80.41%
Total	$1,330,192,982	100.00%	6,468	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Assessed Value by Jurisdiction. As shown in the table below, approximately 73.12% of the District's assessed valuation lies in the City of Wasco, while about 22.98% lies in the City of South Wasco.

WASCO ELEMENTARY SCHOOL DISTRICT
2016-17 Assessed Valuation by Jurisdiction (1)

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Wasco	$ 719,808,729	50.01%	$719,808,729	100.00%
Unincorporated Kern County	719,630,334	49.99	$47,291,229,752	1.52%
Total District	$1,439,439,063	100.00%		
Kern County	$1,439,439,063	100.00%	$82,880,528,847	1.74%

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. Within the residential segment of land uses, the vast majority of residential units are single-family homes. The following table shows a breakdown of assessed valuation of single-family homes on a per parcel basis for fiscal year 2016-17.

WASCO ELEMENTARY SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single Family Homes
Fiscal Year 2016-17

	No. of Parcels	2016-17 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	3,876	$455,119,582	$117,420	$110,430

2016-17 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	138	3.560%	3.560%	$ 2,144,496	0.471%	0.471%
$25,000 - $49,999	324	8.359	11.920	12,324,854	2.708	3.179
$50,000 - $74,999	397	10.243	22.162	25,014,744	5.496	8.676
$75,000 - $99,999	711	18.344	40.506	63,138,792	13.873	22.549
$100,000 - $124,999	738	19.040	59.546	81,931,637	18.002	40.551
$125,000 - $149,999	573	14.783	74.329	78,760,018	17.305	57.856
$150,000 - $174,999	405	10.449	84.778	65,546,876	14.402	72.258
$175,000 - $199,999	293	7.559	92.337	54,580,503	11.993	84.251
$200,000 - $224,999	156	4.025	96.362	33,028,871	7.257	91.508
$225,000 - $249,999	66	1.703	98.065	15,599,519	3.428	94.936
$250,000 - $274,999	38	0.980	99.045	9,926,104	2.181	97.117
$275,000 - $299,999	14	0.361	99.407	4,048,262	0.889	98.006
$300,000 - $324,999	8	0.206	99.613	2,515,640	0.553	98.559
$325,000 - $349,999	5	0.129	99.742	1,684,021	0.370	98.929
$350,000 - $374,999	0	0.000	99.742	0	0.000	98.929
$375,000 - $399,999	1	0.026	99.768	377,000	0.083	99.012
$400,000 - $424,999	0	0.000	99.768	0	0.000	99.012
$425,000 - $449,999	3	0.077	99.845	1,311,374	0.288	99.300
$450,000 - $474,999	1	0.026	99.871	462,000	0.102	99.401
$475,000 - $499,999	1	0.026	99.897	479,722	0.105	99.507
$500,000 and greater	4	0.103	100.000	2,245,149	0.493	100.000
Total	3,876	100.000%		$455,119,582	100.000%	

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

Reassessments and Appeals of Assessed Value

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

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

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

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

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

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

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Typical Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a representative tax rate area in the District during fiscal years 2012-13 through 2016-17.

WASCO UNION SCHOOL DISTRICT
Typical Tax Rates (TRA 7-006)(1)
Dollars per $100 of Assessed Valuation
Fiscal Years 2012-13 through 2016-17

	2012-13	2013-14	2014-15	2015-16	2016-17
General	1.000000	1.000000	1.000000	1.000000	1.000000
Wasco Union School District	.037415	.035265	.029760	.034506	.032098
Wasco Union High School District	.021376	.022446	.027363	.031568	.028687
Kern Community College District SRID	.010117	.009057	.008502	.013571	.013180
Total All Property	1.068908	1.066768	1.065625	1.079645	1.073965

(1) 2016-17 assessed valuation of TRA 7-006 is $151,170,768 which is 10.50% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - "Teeter Plan"

The Board of Supervisors of the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. This alternative method is used for distribution of the *ad valorem* property tax revenues.

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

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

When tax-defaulted property is sold, the taxes and assessments which constitute the amount required to redeem the property are prorated between apportioned (Teeter) levies and unapportioned (or non-Teeter) levies. The pro rata share for apportioned levies is distributed to the tax losses reserve fund. The pro rata share for unapportioned levies is prorated between tax levies and assessment levies and then distributed to the applicable funds. If the tax losses reserve fund exceeds 1 percent of the total taxes and assessments levied on the secured roll for that year, the amounts coming in after it reaches 1 percent are credited to the County's general fund. Upon adoption of a resolution by the Board of Supervisors of the County by September 1 of any fiscal year, the 1 percent tax losses reserve fund threshold may be reduced to 25 percent of the total delinquent taxes and assessments for the previous year.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety or terminate the Teeter Plan as to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3 percent.

The table below shows the secured tax charge and delinquency rate for fiscal years 2014-15 and 2015-16.

WASCO UNION SCHOOL DISTRICT
Secured Tax Charges and Delinquency Rates
Fiscal Years 2014-15 and 2015-16

Fiscal Year	Secured Tax Charge	Amount Delinquent (June 30)	% Delinquent
2014-15	$396,021.71	$4,154.52	1.05%
2015-16	443,263.73	4,459.32	1.01

Source: California Municipal Statistics, Inc.

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Major Taxpayers

The following table shows the 20 largest taxpayers in the District as determined by local secured assessed valuation in fiscal year 2016-17. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

WASCO ELEMENTARY SCHOOL DISTRICT
Largest Fiscal Year 2016-17 Local Secured Taxpayers

	Property Owner	Primary Land Use	2016-17 Assessed Valuation	% of Total (1)
1.	Farmland Reserve Inc.	Agricultural	$ 61,504,918	4.62%
2.	Oxy USA Inc.	Oil & Gas Production	61,212,647	4.60
3.	Primex Farms LLC	Food Processing	35,522,490	2.67
4.	Sunnygem LLC	Food Processing	33,423,696	2.51
5.	Paramount Land Company LLC	Agricultural	30,500,295	2.29
6.	Wasco Real Properties I & II LLC	Agricultural	25,372,342	1.91
7.	Sandridge Partners LP	Agricultural	24,137,309	1.81
8.	Premiere Agricultural Prop LLC	Agricultural	17,105,038	1.29
9.	Walmart Real Estate Business Trust	Commercial	16,622,714	1.25
10.	Certis USA LLC	Office Building	13,144,649	0.99
11.	Mary K. Demier Trust	Agricultural	12,312,413	0.93
12.	Whiteside Dairy	Agricultural	11,697,573	0.88
13.	A&P Ranch	Agricultural	11,336,514	0.85
14.	Roll Acquisition LLC	Agricultural	10,916,160	0.82
15.	Phillip Portwood Family Trust	Agricultural	10,365,147	0.78
16.	Monache Meadows AG	Agricultural	9,832,620	0.74
17.	Kernpareil Co-Op	Food Processing	9,298,569	0.70
18.	Sunshine Agriculture Inc.	Agricultural	9,212,813	0.69
19.	Goose Pond AG Inc.	Agricultural	9,084,028	0.68
20.	Farmers Coop Almond Huller Inc.	Agricultural	8,805,297	0.66
			$421,407,232	31.68%

(1) Fiscal year 2016-17 local secured assessed valuation: $1,330,192,982.
Source: California Municipal Statistics, Inc.

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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. dated as of January 1, 2017. 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.

WASCO ELEMENTARY SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of January 1, 2017

2016-17 Assessed Valuation: $1,439,439,063

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/17	
Kern Community College District Safety, Repair and Improvement District	1.780%	$ 2,434,614	
Wasco Union High School District	37.620	11,799,495	
Wasco Union School District	**100.000**	**3,816,982**	(1)
City of Wasco 1915 Act Bonds	100.000	1,405,000	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$19,456,091	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Kern County Certificates of Participation	1.737%	$1,753,849	
Kern County Pension Obligation Bonds	1.737	4,415,250	
Kern County Board of Education Certificates of Participation	1.737	680,904	
Kern Community College District Certificates of Participation	1.598	520,182	
Kern Community College District Benefit Obligation Bonds	1.598	1,273,935	
Wasco Union School District Certificates of Participation	**100.000**	**7,470,000**	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$16,114,120	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$410,000	
COMBINED TOTAL DEBT		$35,980,211	(2)

Ratios to 2016-17 Assessed Valuation:
Direct Debt ($3,816,982)..0.27%
Total Direct and Overlapping Tax and Assessment Debt.......... 1.35%
Combined Direct Debt ($11,286,982) 0.78%
Combined Total Debt... 2.50%

Ratios to Redevelopment Incremental Valuation ($198,846,365):
Total Overlapping Tax Increment Debt..................................... 0.21%

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

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 an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. 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 December 31, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $496.7 million, $65.2 million and $431.5 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 "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.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

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

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

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

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

Other Tax Considerations

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

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

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's fiscal year (which currently is June 30), commencing March 31, 2017 with the report for the 2015-16 fiscal year (the "**Annual Report**"), *provided, that the first Annual Report due March 31, 2017, shall consist solely of the Official Statement*, and to provide notices of the occurrence of certain enumerated events pursuant to the Continuing Disclosure Certificate in the form attached to this Official Statement in "APPENDIX E – Form of Continuing Disclosure Certificate." The Annual Report and any event notices will be filed by the District with the Municipal Securities Rulemaking Board (the "**MSRB**"). The specific nature of the information to be contained in each Annual Report or other notices is summarized in "APPENDIX E – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "**Rule**").

The District has prior continuing disclosure undertakings with respect to previous bond issues. During the past five years, the District failed to file in a timely manner its fiscal year 2010-11 audited financials and the Annual Report for fiscal year 2010-11. The District has since posted the missing audits and Annual Report and has engaged Isom Advisors, a Division of Urban Futures, Inc. to act as dissemination agent with respect to the District's continuing disclosure undertakings for the Certificates and its prior bond issues.

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

RATINGS

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

In addition, S&P has assigned an underlying rating of "A+" to the Bonds. Such ratings reflect only the view of S&P and an explanation of the significance of such ratings may be obtained only from S&P. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement). There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the "**Underwriter**"), pursuant to a bond purchase agreement for the Bonds (the "**Bond Purchase Agreement**").

Series A-1 Bonds. The Underwriter has agreed to purchase the Series A-1 Bonds at a price of $5,085,015.49, representing the principal amount of the Bonds, plus net original issue premium of $259,480.10, less an Underwriter's discount of $23,750.00, and less $150,714.61 of original issue premium retained by the Underwriter for payment of costs of issuance.

Series A-2 Bonds. The Underwriter has agreed to purchase the Series A-2 Bonds at a price of $5,085,015.49, representing the principal amount of the Bonds, plus net original issue premium of $258,923.70, less an Underwriter's discount of $23,750.00, and less $150,158.21 of original issue premium retained by the Underwriter for payment of costs of issuance.

The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

MISCELLANEOUS

Legality for Investment

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

Litigation

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

The District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the District. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, there currently are no claims or actions pending which could have a material adverse effect on the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, Kronick Moskovitz Tiedemann & Girard, a Professional Corporation, as counsel to the Underwriter, and Isom Advisors, a Division of Urban Futures, Inc., as municipal advisor to the District, is contingent upon issuance of the Bonds.

Additional Information

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

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

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

WASCO ELEMENTARY SCHOOL DISTRICT

By: /s/ Kelly Richers
Superintendent

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APPENDIX A

DISTRICT GENERAL AND FINANCIAL INFORMATION

The information in this section concerning the operations of the District, its operating budget and 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 are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the main body of the Official Statement.

DISTRICT GENERAL INFORMATION

General Information

Wasco Elementary School District (the "**District**") was established in 1904 and is located in Kern County (the "**County**"), approximately 23 miles north of Bakersfield and 83 miles south of Fresno. The District currently operates four elementary schools and one middle school, serving over 3,600 students.

Administration

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

Name	Office	Term Expires
Richard K. Reding	President	December 2018
Dr. James A. Forrest	Clerk	December 2020
Ernie Sanchez	Trustee	December 2020
Luis Fernandez	Trustee	December 2018
Anna Poggi	Trustee	December 2018

Superintendent and Administrative Personnel. The Superintendent of the District is appointed by the Board and is responsible for management of the day-to-day operations and supervises the work of other District administrators. Kelly Richers and Karen Evans currently serve as the Chief Business Official, respectively, of the District.

A brief biography of the Superintendent follows.

Kelly Richers, Superintendent. Mr. Richers has served the District for 24 years, most recently as Superintendent beginning in 2012. Previously he served the District in the positions of Vice Principal, Principal and Director of Categoricals and Special Projects. Prior to joining the District, Mr. Richers taught science for seven years in the Norris School District in Bakersfield, California, and served as the teachers' association president. Mr. Richers received his B.S. from Pennsylvania State University. He is certified to teach physical education, life science, earth science and biology, and has a certification and a masters degree in Education Administration. Mr. Richers has undertaken a serious study of moths and Lepidoptera, has three moths named after him for his scientific discoveries and serves on the board of directors for two Lepidoptera Societies. He has pursued his Ph.D. in Entomology, and has a standing invitation from Colorado State University to complete his program of studies.

Recent Enrollment Trends

The following table shows enrollment and average daily attendance history for the District for fiscal years 2009-10 through 2015-16, together with estimates for fiscal year 2016-17.

ANNUAL ENROLLMENT and AVERAGE DAILY ATTENDANCE
Fiscal Years 2009-10 through 2016-17
Wasco Elementary School District

School Year	Enrollment	Percent Change	ADA	Percent Change
2009-10	3,237	--	3,066	--
2010-11	3,269	0.99%	3,146	2.61%
2011-12	3,316	1.44	3,195	1.56
2012-13	3,466	4.52	3,316	3.79
2013-14	3,526	1.73	3,398	2.47
2014-15	3,584	2.61	3,458	1.77
2015-16	3,645	1.70	3,479	0.61
2016-17*	3,610	(0.96)	3,495	0.46

** First Interim Report.*
Source: Wasco Elementary School District.

Employee Relations

The District currently has 189 certificated, 113 classified and 25 management full-time equivalent positions. The certificated and classified employees of the District are represented by their respective bargaining units, as set forth in the following table.

BARGAINING UNITS
Wasco Elementary School District

Employee Group	Representation	Number of Employees Represented	Contract Expiration Date
Wasco Elementary Teachers Association	Certificated	189.0	June 30, 2018
California School Employees Association	Classified	112.7	June 30, 2017

Source: Wasco Elementary School District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in the State of California (the "**State**") receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the 1% general *ad valorem* tax levy authorized by the Constitution of the State. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

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

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

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

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

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

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

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

Based on revenue projections, school districts will reach what is referred to as "full funding" in eight years, being fiscal year 2020-21. This projection assumes that the State's economy will improve each year; if the economy falters it could take longer to reach full funding.

The target LCFF amounts for State school districts and charter schools based on grade levels and Targeted Students is shown below.

Grade Span Funding at Full LCFF Implementation (Target Amount)

Grade Span	Base Grant[1]	K-3 Class Size Reduction and 9-12 Adjustments	Average Assuming 0% Targeted Students	Average Assuming 25% Targeted Students	Average Assuming 50% Targeted Students	Average Assuming 100% Targeted Students
K-3	$6,845	$712	$7,557	$7,935	$8,313	$10,769
4-6	6,947	N/A	6,947	7,294	7,642	9,899
7-8	7,154	N/A	7,154	7,512	7,869	10,194
9-12	8,289	$216	8,505	8,930	9,355	12,119

(1) Does not include adjustments for cost of living.
Source: California Department of Education.

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

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

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

District Accounting Practices

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

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

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

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

Financial Statements

General. The District's Audited Financial Statements for the fiscal year ending June 30, 2016, were prepared by Linger, Peterson, Shrum & Co., Fresno, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended June 30, 2016 and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix B hereto for the Audited Financial Statements for fiscal year 2015-16. The District has not requested, and the auditor has not provided, any additional review of such financial statements in connection with their inclusion in the Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for the fiscal years 2011-12 through 2015-16.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2011-12 through 2015-16 (Audited)
Wasco Elementary School District

Revenues	Audited 2011-12	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16
Revenue Limit Sources/LCFF[(1)]	$16,193,189	$16,931,098	$22,173,158	$26,402,137	$31,724,561
Federal Revenue	3,979,717	3,725,696	2,303,040	262,061	2,535,971
Other State Revenue	6,019,067	4,060,541	2,052,175	2,055,797	4,308,077
State On-Behalf Payments	524,275	579,226	661,990	-	-
Other Local Revenue	220,358	1,845,648	1,909,289	2,155,323	2,624,191
Total Revenues	26,936,606	27,142,209	29,099,652	33,285,318	41,192,800
Expenditures					
Instruction	16,888,215	16,610,225	17,445,006	19,665,834	22,141,557
Supervision of instruction	999,237	1,164,496	1,537,007	1,629,794	1,969,527
Instructional library, media & technology	342,848	343,187	344,881	367,348	404,561
School site administration	1,624,143	1,704,696	1,549,851	1,736,714	1,966,737
Home-to-school transportation	462,383	445,300	407,704	767,989	736,872
Food services	-	-	-	-	155
All other pupil services	1,062,203	1,041,060	1,141,393	1,578,127	2,450,211
Data processing	20,048	4,819	10,900	8,713	3,258
All other general administration	969,054	773,267	856,127	1,151,611	1,357,350
Plant Services	2,500,001	2,430,154	2,878,426	2,980,659	3,297,489
Facility acquisition and construction	-	-	-	90,870	1,106,653
Ancillary Services	6,426	6,294	6,713	16,273	22,192
Community services	112,235	95,286	85,897	41,406	
Other outgo	2,090,434	1,890,506	1,723,042	2,585,058	1,886,484
Debt Service - principal	48,901	49,082	24,048	17,477	17,937
Debt Service - interest	4,975	-	-	-	102,000
Total Expenditures	27,131,103	26,558,372	28,010,995	32,637,873	37,462,983
Excess of Revenues Over/(Under) Expenditures	(194,497)	583,837	1,088,657	647,445	3,729,817
Other Financing Sources (Uses)					
Operating transfers in	-	24,442	-	-	-
Operating transfers out	-	-	-	(733,626)	(288,438)
Proceeds from capital leases	71,130	-	-	29,335	76,703
Total Other Financing Sources (Uses)	71,130	24,442	-	(704,291)	(211,735)
Net Change in Fund Balance	(123,367)	608,279	1,088,657	(56,846)	3,518,082
Fund Balances, beginning of fiscal year (July 1)	6,591,080	6,467,713	8,143,909	9,232,566	9,175,720
Fund Balance, end of fiscal year (June 30)	$6,467,713	$7,075,992	$9,232,566	$9,175,720	$12,693,802

(1) LCFF commenced in fiscal year 2013-14.
Source: District Audited Financial Statements for fiscal years 2011-12 through 2015-16.

District Budget and Interim Financial Reporting

Budgeting – Education Code Requirements. The District is required under the Education Code of the State 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 in "– Interim Certifications Regarding Ability to Meet Financial Obligations."

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. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing school districts to use a dual budget adoption option. Instead, all school districts must be on a single budget cycle. A budget is only readopted if it is disapproved by the county office of education, or as needed.

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, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, will determine if the budget includes the expenditures necessary to implement the local control and accountability plan and determine if the budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 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 August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For a district whose budget has been disapproved, the district must revise and readopt its budget by September 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 October 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. 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 Certifications Regarding Ability to Meet Financial Obligations. 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 superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

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

District's Budget Approval/Disapproval and Certification History. During the past five years, the District received positive certifications on all interim reports.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the Superintendent's Office at 1102 5th Street, Wasco, California 93280; telephone (661) 758-7100. The District may impose charges for copying, mailing and handling.

District's Fiscal Year 2016-17 Budget and Fiscal Year 2016-17 First Interim Projections. The following table shows the income and expense statements for the District for fiscal year 2016-17 (adopted budget and first interim projections).

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE(1)
Fiscal Year 2016-17 (Adopted Budget and First Interim Report)
Wasco Elementary School District

Revenues	Adopted Budget 2016-17	First Interim Projections Fiscal Year 2016-17
LCFF	$34,141,247	$34,260,019
Federal Revenues	2,903,989	4,029,013
Other State Revenues	3,259,912	3,600,937
Other Local Revenues	2,082,272	2,521,916
Total Revenues	42,387,420	44,411,885
Expenditures		
Certificated Salaries	16,780,415	17,036,954
Classified Salaries	4,822,354	4,930,680
Employee Benefits	9,980,313	10,128,094
Books and Supplies	2,488,905	3,519,718
Contract Services & Operating Exp.	2,869,686	295,353
Capital Outlay	585,445	2,598,444
Other Outgo (excluding indirect costs)	2,264,848	2,409,181
Other Outgo – Transfers of Indirect Costs	(82,412)	(86,560)
Total Expenditures	39,709,554	43,501,864
Excess of Revenues Over/(Under) Expenditures	2,677,866	910,021
Other Financing Sources (Uses)		
Operating transfers in	0	0
Operating transfers out	(2,103,411)	(1,756,007)
Other sources	22,930	26,480
Total Other Financing Sources/(Uses)	(2,080,481)	(1,729,527)
Net change in fund balance	597,385	(819,506)
Fund Balance, July 1	9,555,454	9,555,454
Fund Balance, June 30	$10,152,839	$8,735,948

(1) Totals may not foot due to rounding.
Source: Wasco Elementary School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains, and expects to continue to maintain, an unrestricted reserve which meets the State's minimum requirements. In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("**SB 858**"), the Education Code of the State was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election that limits the amount of reserves which may be maintained at the District level under certain circumstances. Specifically, the legislation, among other things, enacted Section 42127.01 of the Education Code of the State, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent for up to two consecutive years within a three-year period under certain circumstances.

In August of 2015, a bill was introduced into the State Senate in response to SB 858 ("**SB 799**") proposing reforms to the reserve cap. SB 799 proposes a cap on unassigned reserves and special reserves for other than capital outlay of 17%, with exemptions from the cap for school districts with less than 2,500 average daily attendance and basic aid districts.

The District cannot predict how SB 858 or SB 799, if enacted, will impact its reserves and future spending.

Attendance - LCFF Funding

As previously described, prior to fiscal year 2013-14, school districts in the State derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth LCFF funding per ADA for the District for fiscal years 2013-14 through 2016-17 (Budgeted).

ADA AND LCFF FUNDING
Fiscal Years 2013-14 through 2016-17 (Budgeted)
Wasco Elementary School District

Fiscal Year	ADA(1)	LCFF "Phase-In" Entitlement Per ADA(2)
2013-14	3,398	$7,091
2014-15	3,483	7,152
2015-16	3,479	7,225
2016-17(3)	3,495	7,225

(1) P-2 for Fiscal Year 2013-14 through 2015-16; First Interim for Fiscal Year 2016-17.
(2) Represents the average entitlement per ADA across grade spans.
(3) First Interim Report.
Source: Wasco Elementary School District.

The District's unduplicated pupil count for fiscal year 2015-16 for purposes of calculating entitlement under the LCFF for supplemental funding and concentration grant funding is 91.80%.

Revenue Sources

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

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

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

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

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. Other State Revenues consist primarily of apportionments for mandated costs reimbursements, special education master plan, and State lottery apportionments.

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

District Retirement Systems

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

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the financial statements for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2015" for further information.

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

STRS Contributions
Wasco Elementary School District
Fiscal Years 2011-12 through 2016-17

Fiscal Year	Amount
2011-12	$957,553
2012-13	923,312
2013-14	985,638
2014-15	1,194,377
2015-16	1,614,560
2016-17(1)	2,063,439

(1) Budgeted.
Source: Wasco Elementary School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $76.2 billion as of June 30, 2015 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.25% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2014-15 and 2015-16 were 8.88% and 10.73%, respectively. Projected employer contribution rates for school districts in the State (including the District) for fiscal year 2016-17 through fiscal year 2020-21 are set forth in the following table.

PROJECTED EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2016-17 through 2020-21

Fiscal Year	Projected Employer Contribution Rate(1)
2016-17	12.58%
2017-18	14.43
2018-19	16.28
2019-20	18.13
2020-21	19.10

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

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

PERS Contributions
Wasco Elementary School District
Fiscal Years 2011-12 through 2016-17

Fiscal Year	Amount
2011-12	$435,035
2012-13	492,901
2013-14	464,816
2014-15	522,465
2015-16	612,273
2016-17(1)	620,705

(1) Budgeted.
Source: Wasco Elementary School District.

Like the STRS program, the PERS program has maintained an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $16.5 billion as of June 30, 2015 (the date of the last actuarial valuation). To address such unfunded liability, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2014-15 and 2015-16 were 11.771% and 11.847%, respectively. Projected employer contribution rates for school districts in the State (including the District) for fiscal year 2016-17 through fiscal year 2020-21 are set forth in the following table.

PROJECTED EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2016-17 through 2020-21(1)

Fiscal Year	Projected Employer Contribution Rate(2)
2016-17	13.888%
2017-18	15.800
2018-19	18.700
2019-20	21.600
2020-21	24.900

(1) Rates were estimated by PERS in 2016. The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll.
Source: PERS

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

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

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) 50% of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

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

Additional Information. Additional information regarding the District's retirement programs is available in Note 9 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Other Post-Employment Benefit Obligation

GASB 45. In June 2004, the Governmental Accounting Standards Board ("**GASB**") issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* ("**GASB 45**"). The pronouncement requires employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement was staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB 45 was effective for the District for the fiscal year ending June 30, 2008. GASB 45 provides that school districts should establish a reserve fund and annually transfer sufficient funds to this reserve in order to pay for retiree employment benefits other than pensions for the period of time agreed in union contracts.

Plan Description. The District provides postemployment health care benefits to eligible certificated, classified and management employees based on individual contracts, retirement incentives, and legal settlements. The terms of each vary.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other post-employment benefit ("**OPEB**") cost is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined in accordance with the parameters of GASB 45. GASB 45 requires local government employers who provide OPEB as part of the compensation offered to employees to recognize he expense and related liabilities and assets in their financial statements.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities ("**UAAL**") over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the 2015-16 fiscal year, the amount actually contributed to the plan, and changes in the School District's OPEB obligation to the Plan:

Annual required contribution (ARC)	$623,090
Interest Adjustment to ARC	-
Annual OPEB cost	623,090
Net OPEB obligation beginning of year	1,908,723
Less amount of benefits paid during year	(247,170)
Net pension asset end of year	$2,284,643

Funding Status and Funding Progress. As of May 13, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) for benefits was $5,253,462.

Insurance – Joint Powers Agreement

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in six joint ventures under joint powers agreements ("JPAs") with Partners in Nutrition Cooperative (commodities and other food items), Schools Legal Services (legal services), the Self-Insured Schools of California I (workers' compensation insurance), Self-Insured Schools of California II (property and liability insurance), Self-Insured Schools of California III (health insurance) and Special Education Consortium (special education). The relationships between the District and the JPAs are such that none of the JPAs are component units of the District for financial reporting purposes.

Existing Debt Obligations

General Obligation Bonds. In addition to the Bonds, the District has three series of general obligation bonds outstanding, which are not payable from the District's general fund, but from the levy of *ad valorem* taxes on property located in the District.

Election of 2001, Series 2001A Bonds. At an election held on June 5, 2001, the District received authorization, by a requisite two-thirds of the qualified electors, to issue general obligation bonds in the principal amount not to exceed $6,600,000 (the "**2001 Authorization**"). In October 2001, the District issued its General Obligation Bonds Election of 2001, Series 2001A in the aggregate principal amount of $3,914,215.25 (the "**Series 2001A Bonds**").

Election of 2001, Series 2004 Bonds. In September 2004, pursuant to the 2001 Authorization, the District issued its General Obligation Bonds Election of 2001, Series 2004 (the "**Series 2004 Bonds**") in the aggregate principal amount of $2,684,519.50.

2011 Refunding Bonds. In August 2011, the District issued its 2011 General Obligation Refunding Bonds in the aggregate principal amount of $2,490,000 (the "**2011 Refunding Bonds**") to refund a portion of the Series 2001A Bonds.

See "DEBT SERVICE SCHEDULES - Combined Debt Service Schedule."

Capital Leases. The District leases equipment and property under agreements which provide title to pass upon expiration of the lease period. During fiscal year 2015-16, the District made total lease payments of $206,928 on these capitalized leases. Future minimum leases payments are as follows:

Year Ending June 30:	Total Lease Payment
2017	$366,095
2018	558,154
2019	548,346
2020	549,754
2021	547,779
2022-26	2,733,595
2027-31	2,491,973
2032-36	2,328,672
2037-41	2,321,900
Minimum Lease Payments	$12,446,268

Certificates of Participation. In September 2015, the District authorized the execution and delivery of $7,470,000 original principal amount of Certificates of Participation (2015 Capital Improvement Projects) (the "**2015 COPs**") in order to finance capital improvements at the District. The 2015 COPs are payable from the District's general fund.

Investment of District Funds

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

Effect of State Budget on Revenues

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

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

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

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

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

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the Underwriter nor the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

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

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

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

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

Recent State Budgets

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

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

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

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

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

Prior Years' Budgeting Techniques*.* Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2014-15 State Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2012 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

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

2016-17 Adopted State Budget

On June 27, 2016, the Governor signed the 2016-17 State Budget (the "**2016-17 State Budget**") into law with an effective date of July 1, 2016. The 2016-17 State Budget package calls for $122.5 billion in general fund spending and $44.6 billion in special fund spending, along with $3.6 billion in bond spending. The 2016-17 State Budget includes more money for higher education, repeals a cap on welfare payments, raises rates for child care providers and puts an additional $3.3 billion into the State's rainy-day reserve, including an optional $2 billion shift to protect against a future economic downturn. The 2016-17 State Budget establishes a multiyear plan that is balanced and that, among other items, provides for the following:

- contributions to both State budget reserves: the Special Fund for Economic Uncertainties, the State's discretionary reserve, and the Budget Stabilization Account, the state's constitutional rainy day fund, raising such reserves to $6.7 billion;

- an increase in funding for K-12 schools of more than $2.9 billion (representing an increase of 5.4% over the LCFF funding level for fiscal year 2014-15 and bringing the LCFF level implementation to 96% complete);

- an increase of more than $1.3 billion in one-time discretionary general funds for school districts, charter schools and county offices of education to use at local discretion (for activities such as deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards);

- a $1.6 billion early education block grant by combining three existing programs to promote local flexibility, focusing on disadvantaged students and improved accountability;

- $807 million for Statewide deferred maintenance at levees, state parks, universities, community colleges, prisons, State hospitals, and other State facilities;

- a $3.1 billion cap-and-trade expenditure plan to reduce greenhouse gas emissions;

- over $2 billion in funds for various infrastructure improvements, $688 million for critical deferred maintenance at levees, State parks, universities, community colleges, prisons, state hospitals, and other State facilities;

- a $1.2 billion pay-down of debt and liabilities from Proposition 2 funds; and

- $710 million to pay for the costs of wildfires and for other effects of the drought.

The complete 2016-17 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

2017-18 Proposed State Budget

On January 10, 2017, the Governor released his proposed State Budget for fiscal year 2017-18 (the "**2017-18 Proposed Budget**"). The 2017-18 Proposed Budget includes $177.1 billion in general fund and special fund spending, and identifies a budget deficit of $2 billion. Proposals included to address the deficit include proposed reductions in planned spending. The 2017-18 Proposed Budget indicates that since the signing of the 2016-17 Budget, State revenues have been lower than previously forecast in five out of the seven past months, and revenues attributed to wage growth have been less than expected. Notwithstanding these variables, State revenues are expected to grow three percent in the coming year. Proposed actions to bring the budget into balance include adjusting the Proposition 98 minimum guarantee on education funding to avoid over-appropriation, and eliminate the authority contained in the 2016-17 State Budget for various one-time spending that remains uncommitted, largely with respect to eliminating the $400 million set-aside for affordable housing that was never allocated and a $300 million transfer to modernize State office buildings planned for 2017-18. The Governor is required to release a May Revision to his proposed budget by May 14 of each year. It is expected that the May Revision will reduce or eliminate proposed cuts in spending if revenues recover in the coming months.

Disclaimer Regarding State Budgets. The execution of the foregoing State Budgets may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with proposed spending reductions, (iv) rising health care costs and (v) other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the State Budgets, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any assumptions or projections made in the State Budgets.

Availability of State Budgets. The complete 2016-17 State Budget and the 2017-18 Proposed Budget are available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

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

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

Legal Challenges to State Funding of Education

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

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

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

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

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

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

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

Article XIIIB of the California Constitution

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

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

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

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

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

Unitary Property

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

Articles XIIIC and XIIID of the California Constitution

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

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

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

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

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

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Proposition 30

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "**Proposition 30**"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers and over, $340,000 but less than $408,000 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers and over $408,000 but less than $680,000 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 temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "-Proposition 98" and "-Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "**EPA**"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 55

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

Proposition 1A and Proposition 22

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

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

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

California Senate Bill 222

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

Future Initiatives

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

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2016

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WASCO UNION SCHOOL DISTRICT

KERN COUNTY

WASCO, CALIFORNIA

JUNE 30, 2016

AUDIT REPORT

PREPARED BY

LINGER, PETERSON & SHRUM
CERTIFIED PUBLIC ACCOUNTANTS

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FINANCIAL SECTION

Linger, Peterson & Shrum
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Wasco Union School District
Wasco, 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 Wasco Union School District as of and for the year ended June 30, 2016, 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

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wasco Union School District, as of June 30, 2016, and the respective changes in financial position thereof 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 Net Pension Liability and Schedule of Pension Contributions on Pages 6 - 13, and 74 - 79 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 Wasco Union School District's basic financial statements. The introductory section, the Schedule of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (GAAP) (By Object)--Major Capital Projects Fund, the Schedule of Funding Progress – Other Postemployment Benefits Plan, the combining General Fund financial statements and the combining and individual nonmajor fund financial statements, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining General Fund financial statements and the combining and individual nonmajor fund financial statements 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. The accompanying 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* (Uniform Guidance), and is also not a required part of the basic financial statements of the Wasco Union School District. The Schedule of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (GAAP) (By Object)--Major Capital Projects Fund, the Schedule of Funding Progress – Other Postemployment Benefits Plan, the combining General Fund financial statements and the combining and individual nonmajor fund financial statements, the schedule of average daily attendance, the schedule of instructional time, and the schedule of expenditures of federal awards have 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 Schedule of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (GAAP) (By Object)--Major Capital Projects Fund, the Schedule of Funding Progress – Other Postemployment Benefits Plan, the combining General Fund financial statements and the combining and individual nonmajor fund financial statements, the schedule of average daily attendance, the schedule of instructional time, 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016 on our consideration of the Wasco Union School District's internal control over financial reporting and on 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 or on compliance, 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 Wasco Union School District's internal control over financial reporting and compliance.

Linger, Peterson & Shrum

October 26, 2016
Fresno, California

Wasco Union School District

Kelly Richers, Superintendent

WASCO UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The discussion and analysis of the Wasco Union School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2016 are as follows:

- Total assets increased $13.9 million. Deferred outflows increased $ .5 from the beginning balance. Total liabilities increased $14.25 million from the beginning balance. Deferred inflows decreased $ 2.9 million. Net position increased $3.04 million from the beginning net position.

- The District decreased its general obligation bonded debt (including accreted interest) by $79 thousand. The District increased its capital lease obligations by $7.43 million. Net OPEB obligations increased by $376 thousand. Compensated absences increased by $15.5 thousand. The net pension liability increased by $ 5.2 million.

- General revenues accounted for $36.7 million in revenue or 78 percent of all revenues. Program specific revenues, in the form of charges for services, and operating grants and contributions, accounted for $10.1 million or 22 percent of total revenues of $46.6 million.

- The District had $43.7 million in expenses related to governmental activities; only $8.6 million of these expenses were offset by program specific operating grants and contributions and $1.5 million of these expenses were offset by program specific charges. General revenues (primarily taxes, property taxes, and grants and entitlements) of $33.6 million were used to provide for these programs.

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USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The Statement of Net Position and Statement of Activities provide information about the activities as a whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in a single column. For the District, the General Fund and the Cafeteria Fund are the most significant Funds.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

While this report contains a large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question: "How did we do financially during fiscal year 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash was received or paid.

These two statements report the District's net position and changes in the net position. This change in net position is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the District's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct kinds of activities:

- Governmental activities – All of the District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

- Business-type activities – This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District had no business-type activities for the fiscal year ended June 30, 2016.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Cafeteria Fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at the fiscal year end for spending in future periods. 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 less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities, reported in the Statement of Net Position and the Statement of Activities, and the governmental funds is reconciled in the financial statements.

Enterprise Funds

The Enterprise Fund, when applicable, uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same; however, the District had no Enterprise Funds.

Fiduciary Funds

For assets that belong to others, such as the Scholarship Fund and/or Student Body Funds, the District acts as the trustee, or fiduciary. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. A separate Statement of Fiduciary Net Position--Fiduciary Fund and a Statement of Changes in Assets and Liabilities--Agency Fund report the District's fiduciary activities. These activities are excluded from the District-wide financial statements, as the assets cannot be used by the District to finance its operations.

THE DISTRICT AS A WHOLE

Net Position

The perspective of the Statement of Net Position is of the District as a whole. Table 1 provides a summary of the District's net position for 2016 compared to 2015.

Table 1: Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	$26,977,529	$ 15,903,105
Capital assets, net	34,562,605	31,766,914
Total Assets	$ 61,540,134	$ 47,670,019
Deferred Outflows of Resources	$ 2,226,832	$ 1,708,194
Liabilities		
Current liabilities	$3,357,556	$ 2,052,260
Long-term liabilities	42,942,851	29,994,377
Total Liabilities	$ 46,300,407	$ 32,046,637
Deferred Inflows of Resources	$ 2,467,000	$ 5,370,000
Net Position		
Invested in capital assets, net of related debt	$19,291,120	$ 23,840,436
Restricted	11,451,759	4,973,942
Unrestricted	(15,743,320)	(16,852,802)
Total Net Position	$ 14,999,559	$ 11,961,576

Total assets increased $13.9 million. Deferred outflows increased $ .5 million. Total liabilities increased $14.25 million. Deferred inflows decreased $ 2.9 million. Net position of the District's governmental activities increased $3.04 million.

Table 2: Changes in Net Position – Statement of Activities

Table 2 reflects the change in net position on the Statement of Activities for fiscal year 2016 compared to 2015:

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	$1,485,844	$ 724,502
Operating grants and contributions	8,585,987	8,031,839
General revenues:		
Taxes and subventions	3,200,703	3,024,665
Federal and state aid not restricted to specific purpose	31,737,184	24,904,425
Interest and investment earnings	93,438	49,508
Interagency revenues	60,406	148,008
Miscellaneous	1,575,562	750,650
Total Revenues	46,739,124	37,633,597
Program expenses:		
Instruction	23,868,135	20,890,301
Instruction-related services	4,752,296	3,931,641
Pupil services	7,027,791	4,955,428
General administration	1,990,223	1,476,708
Plant services	3,364,873	3,087,406
Ancillary services	23,330	16,473
Community services	0	32,418
Enterprise activities	11,091	14,571
Other outgo	1,886,484	2,585,058
Interest on long-term debt	776,918	408,632
Total Expenses	43,701,141	37,398,636
Changes in Net Position	$ 3,037,983	$ 234,961

Governmental Activities

The Statement of Activities reflects the cost of program services and the operating grants and contributions offsetting those services. Table 3, for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by revenues and unrestricted state entitlements.

Table 3: Governmental Activities

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction and instruction-related services	$28,620,431	$24,256,720	$ 24,821,942	$ 21,143,532
Pupil services	7,027,791	2,691,775	4,955,428	1,523,654
General administration	1,990,223	1,822,021	1,476,708	1,308,445
Plant services	3,364,873	3,264,701	3,087,406	3,085,878
Ancillary services	23,330	22,645	16,473	16,065
Community services	0	0	32,418	31,902
Other outgo	1,886,484	795,019	2,585,058	1,124,430
Enterprise activities	11,091	(489)	14,571	(243)
Interest on long-term debt	776,918	776,918	408,632	408,632
	$ 43,701,141	$ 33,629,310	$ 37,398,636	$ 28,642,295

The dependence upon tax revenues for governmental activities is apparent. Approximately 77 percent of costs of services are supported through taxes and other general revenues.

THE DISTRICT'S FUNDS

The District's governmental funds are accounted for by using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of $54.6 million, and expenditures and other financing uses of $44.9 million. The positive change in fund balance for the year reflects that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to California law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2016, the District amended its General Fund budget as needed. The District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, final budgeted revenues, in the amount of $41.4 million, were more than actual revenues, in the amount of $41.2 million. Final budgeted expenditures, in the amount of $39.5 million, were more than actual expenditures, in the amount of $37.4 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the District had $34.6 million invested in capital assets. Table 4 reflects fiscal year 2016 balances compared to 2015:

Table 4: Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities	
	2016	2015
Land	$859,385	$ 859,385
Work in progress	3,249,322	265,821
Improvements of Sites	611,766	492,201
Buildings and Improvements	28,403,784	29,047,665
Machinery and Equipment	1,438,348	1,101,842
Totals	$ 34,562,605	$ 31,766,914

Debt

At June 30, 2016, the District had $42.9 million in long-term debt as compared to $30 million at June 30, 2015. The balance of the general obligation bonds including accreted interest as of June 30, 2016 was $7.0 million, which represents 16 percent of the District's long-term debt and is being repaid over a 25 year period, with the last payment due in fiscal year 2030. Table 5 reflects fiscal year 2016 balances compared to 2015.

Table 5: Outstanding Debt, at Year-End

	Governmental Activities	
	2016	2015
Postemployment health benefits	$2,284,643	$ 1,908,723
General obligation bonds	4,189,369	4,532,155
Accreted interest on general obligation bonds	2,842,578	2,579,251
Capital leases	8,215,620	789,099
Compensated absences	132,641	117,149
Net pension liability	25,278,000	20,068,000
Totals	$ 42,942,851	$ 29,994,377

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Although the Governor strongly supports education, the State of California continues to lag behind in its financial commitment to schools and districts.

The District's General Fund revenues and other financing sources for the 2016-2017 year are budgeted at $42.4 million, as compared to the 2015-16 actual of $41.2 million. Expenditures, other uses, and transfers out are budgeted for 2016-2017 at $41.8 million, as compared to the 2015-16 actual of $38 million. The District anticipates an operating surplus of $597 thousand for 2016-17. The District will remain financially sound, and projects a 17 % reserve (including assigned reserves per Board policy 3100) in comparison to its required 3%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances, and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Wasco Union School District Business Office, 1102 Fifth Street, Wasco, California 93280.

* * *

WASCO UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
Assets	
Cash in county treasury	$ 18,680,011
Cash in revolving fund	7,000
Cash with fiscal agent	5,798,878
Accounts receivable	2,422,523
Stores inventories	
Supplies	35,332
Food	33,785
Land	859,385
Work in progress	3,249,322
Buildings	41,123,029
Improvement of sites	1,320,692
Equipment	5,083,558
Accumulated depreciation	(17,073,381)
Total Assets	$ 61,540,134
Deferred Outflows of Resources	
Deferred outflows of resources	$ 2,226,832
Liabilities	
Accounts payable	$ 3,287,808
Accrued interest payable	23,918
Unearned revenue	45,830
Long-term liabilities	
Due within one year	
General obligation bonds payable	372,387
Accreted interest	65,455
Other post-employment benefits payable	301,332
Capital leases payable	72,929
Due after one year	
General obligation bonds payable	3,816,982
Accreted interest	2,777,123
Net pension liability	25,278,000
Other post-employment benefits payable	1,983,311
Compensated absences payable	132,641
Capital leases payable	8,142,691
Total Liabilities	$ 46,300,407
Deferred Inflows of Resources	
Deferred inflows of resources	$ 2,467,000
Net Position	
Net investment in capital assets	$ 19,291,120
Restricted for:	
Capital projects, net of related debt	8,475,884
Debt services	546,451
Legally restricted balances	2,429,424
Unrestricted	(15,743,320)
Total Net Position	$ 14,999,559

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 23,868,135	$ -	$ 3,361,339	$ -	$ (20,506,796)
Instruction-related services					
Supervision of instruction	2,109,280	-	784,471	-	(1,324,809)
Instructional library, media, and technology	436,632	-	138,466	-	(298,166)
School site administration	2,206,384	-	79,435	-	(2,126,949)
Pupil services					
Home-to-school transportation	738,341	-	64,566	-	(673,775)
Food services	3,700,557	1,414,416	2,287,947	-	1,806
All other pupil services	2,588,893	26,689	542,398	-	(2,019,806)
General administration					
All other general administration	1,924,224	36,347	131,855	-	(1,756,022)
Data processing	65,999	-	-	-	(65,999)
Ancillary services	23,330	-	685	-	(22,645)
Enterprise activities	11,091	4,607	6,973	-	489
Plant services	3,364,873	-	100,172	-	(3,264,701)
Other outgo	1,886,484	3,785	1,087,680	-	(795,019)
Interest on long-term debt	776,918	-	-	-	(776,918)
Total Governmental Activities	$ 43,701,141	$ 1,485,844	$ 8,585,987	$ -	(33,629,310)
Business-Type Activities	$ -	$ -	$ -	$ -	-
General Revenues					
Taxes and subventions					
Taxes levied for general purposes					2,508,880
Taxes levied for debt service					515,439
Taxes levied for specific purposes					176,384
Federal and state aid not restricted to specific purposes					31,737,184
Interest and investment earnings					93,438
Interagency revenues					60,406
Miscellaneous					1,575,562
Total General Revenues and Special and Extraordinary Items					36,667,293
Changes in Net Position					3,037,983
Net Position, Beginning					11,961,576
Net Position, Ending					$ 14,999,559

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Reserve (Capital Projects) Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash in county treasury	$ 14,270,500	$ 687,692	$ 3,721,819	$ 18,680,011
Cash in revolving fund	5,000	-	2,000	7,000
Cash with fiscal agent	40,000	5,758,878	-	5,798,878
Accounts receivable	1,408,255	280,966	733,302	2,422,523
Due from other funds	98,516	-	6,321	104,837
Stores inventories		-	-	-
Supplies	35,332	-	-	35,332
Food	-	-	33,785	33,785
Total Assets	$ 15,857,603	$ 6,727,536	$ 4,497,227	$ 27,082,366
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 3,113,910	$ 68,389	$ 105,509	$ 3,287,808
Due to other funds	4,061	2,260	98,516	104,837
Deferred revenue	45,830	-	-	45,830
Total Liabilities	3,163,801	70,649	204,025	3,438,475
Fund Balances				
Nonspendable				
Revolving fund	5,000	-	2,000	7,000
Stores inventories	35,332	-	33,785	69,117
Restricted				
Debt services	-	-	546,451	546,451
Legally restricted balances	537,455	-	1,891,969	2,429,424
Committed				
Assigned				
Other assignments	10,974,578	6,656,887	1,818,997	19,450,462
Unassigned				
Reserve for economic uncertainties	1,141,437	-	-	1,141,437
Total Fund Balances	12,693,802	6,656,887	4,293,202	23,643,891
Total Liabilities and Fund Balances	$ 15,857,603	$ 6,727,536	$ 4,497,227	$ 27,082,366

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Governmental Funds		$ 23,643,891
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital Assets: In governmental funds, only current assets are reported. in the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets relating to governmental activities, at historical cost	$ 51,635,986	
Accumulated depreciation	17,073,381	
Net		34,562,605
Unmatured Interest on Long-Term Debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(23,918)
Long-Term Liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds payable	$ 4,189,369	
Accreted interest	2,842,578	
Other post-employment benefits payable	2,284,643	
Net pension liability	25,278,000	
Compensated absences payable	132,641	
Capital leases payable	8,215,620	
		(42,942,851)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported: Deferred outflows of resources relating to pensions		2,226,832
Deferred inflows of resources relating to pensions		(2,467,000)
Total Net Position--Governmental Activities		$ 14,999,559

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Reserve (Capital Projects) Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula sources				
State apportionments	$ 29,218,335	$ -	$ -	$ 29,218,335
Local sources	2,506,226	-	-	2,506,226
Total Local Control Funding Formula	31,724,561	-	-	31,724,561
Federal revenue	$ 2,535,971	$ -	$ 2,262,191	$ 4,798,162
Other state revenue	4,308,077	-	160,954	4,469,031
Other local revenue	2,624,191	7,624	2,934,555	5,566,370
Total Revenues	41,192,800	7,624	5,357,700	46,558,124
Expenditures				
Instruction	22,141,557	-	-	22,141,557
Supervision of instruction	1,969,527	-	-	1,969,527
Instructional library, media, and technology	404,561	-	-	404,561
School site administration	1,966,737	-	-	1,966,737
Home-to-school transportation	736,872	-	-	736,872
Food services	155	-	3,698,045	3,698,200
All other pupil services	2,450,211	-	-	2,450,211
Ancillary services	22,192	-	-	22,192
Enterprise activities	-	-	11,091	11,091
All other general administration	1,357,350	-	108,706	1,466,056
Data processing	3,258	-	-	3,258
Plant services	3,297,489	-	62,596	3,360,085
Facility acquisition and construction	1,106,653	1,497,645	638,011	3,242,309
Other outgo	1,886,484	-	-	1,886,484
Debt Service				
Principal retirement	17,937	-	395,031	412,968
Interest on long-term debt	102,000	259,226	154,420	515,646
Total Expenditures	37,462,983	1,756,871	5,067,900	44,287,754
Excess (Deficiency) of Revenues Over Expenditures	3,729,817	(1,749,247)	289,800	2,270,370
Other Financing Sources (Uses)				
Operating transfers in	-	250,000	38,866	288,866
Operating transfers out	(288,438)	-	(428)	(288,866)
Proceeds from capital leases	76,703	7,420,000	-	7,496,703
Total Other Financing Sources (Uses)	(211,735)	7,670,000	38,438	7,496,703
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Expenditures	3,518,082	5,920,753	328,238	9,767,073
Fund Balances, July 1, 2015	9,175,720	736,134	3,964,964	13,876,818
Fund Balances, June 30, 2016	$ 12,693,802	$ 6,656,887	$ 4,293,202	$ 23,643,891

See notes to the basic financial statements.

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WASCO UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds		$ 9,767,073
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:		
Expenditures for capital outlay	$ 3,936,604	
Depreciation expense	1,140,913	
Net		2,795,691
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		412,968
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases in liabilities. Amounts recognized in governmental funds as proceeds from debt were:		(7,496,703)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(261,272)
Compensated absences: In the governmenetal funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(15,492)
Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:		(1,788,362)

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(375,920)
Changes in Net Position of Governmental Activities	$ 3,037,983

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY
NET POSITION--FIDUCIARY FUND
JUNE 30, 2016

	Agency Fund
	Student Body Funds
Assets	
Cash on hand and in banks	$ 98,451
Liabilities	
Due to student groups	$ 98,451
Net Position	
Unassigned	$ -

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2016

	Balance 7/1/15	Additions	Deductions	Balance 6/30/16
Student Body Funds				
Assets				
Cash on hand and in banks	$ 82,044	$ 330,404	$ 313,997	$ 98,451
Liabilities				
Due to student groups	$ 82,044	$ 330,404	$ 313,997	$ 98,451

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The Wasco Union School District (the "District") was established in 1919. The District is currently operating four elementary schools and one intermediate school.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Financial Reporting Entity

The Wasco Union School District and the Community Facilities District (the "CFD") (Improvement Area A of Community Facilities District No. 2007-1, Improvement Area B of Community Facilities District No. 2007-1 [which was extinguished in July, 2015], have a financial and operational relationship that meets the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity,* for inclusion of the CFD as a component unit of the District. Accordingly, the financial activities of the CFD have been included in the financial statements of the District.

The following are those aspects of the relationship between the District and the CFD which satisfy GASB Statement No. 14 criteria.

Accountability

1. The CFD's Board of Directors were appointed by the District's Board of Trustees.

2. The District is able to impose its will upon the CFD, based on the following:

   - All major financing arrangements, contracts, and other transactions of the CFD must have the consent of the District.

   - The District exercises significant influence over operations of the CFD as it is anticipated that the District will be the sole lessee of all facilities owned by the CFD. Likewise, it is anticipated that the District's lease payments will be the sole revenue source of the CFD.

3. The CFD provides specific financial benefits or imposes specific financial burdens on the District based upon the following:

   - Any deficits incurred by the CFD will be reflected in the lease payments of the District.

   - Any surpluses of the CFD revert to the District at the end of the lease period.

Scope of Public Service

The CFD was formed pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The CFD was formed for the sole purpose of providing financing assistance to the District for construction and acquisition of major capital facilities. Upon completion, the District intends to occupy all facilities of the CFD under a lease-purchase agreement effective through the end of the period for which bonds are issued to finance such facilities. At the end of the lease term, title of all CFD property will pass to the District for no additional consideration.

Financial Presentation

For financial presentation purposes, the CFD's financial activity has been blended, or combined, with the financial data of the District. The financial statements present the Corporation's financial activity within the CFD Building Fund and the CFD Debt Service Fund. Bonds issued by the CFD are included in Long-Term Debt in the Statement of Net Position. (Fixed assets acquired or constructed by the CFD are included in the Fixed Assets in the Statement of Net Position.)

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units. Fiduciary Funds are excluded from the government-wide financial statements. All of the District's activities were governmental activities. The District had no business-type activities for the fiscal year ended June 30, 2016.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing or the measurement made, regardless of the measurement focus applied.

Government-wide financial statements are reported using the economic resources measurement and the accrual basis of accounting, as are the fiduciary fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement and the modified accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund. The General Fund, reported in these financial statements, includes three Funds maintained by the District: The General Fund (Fund 01), the Deferred Maintenance Fund (Fund 14), and the Special Reserve Fund for Other Than Capital Outlay (Fund 17). Although Funds 14 and 17 are separate funds authorized in the Education Code, they do not meet the definition of a Special Revenue Fund under accounting principles generally accepted in the United States of America, and have therefore been combined into the General Fund for financial reporting purposes. The beginning fund balances have also been combined.

Special Reserve (Capital Projects) Fund is used to account for the accumulation and expenditure of funds for capital outlay purposes, as established by the Board in accordance with Education Code 42840 et seq.

Nonmajor Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The District maintains the following Nonmajor Special Revenue Fund:

Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.

Debt Service Funds are used to account for all financial resources that are restricted, committed or assigned to expenditure for principal and interest. The District maintains the following Nonmajor Debt Service Funds:

Bond Interest and Redemption Fund is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of bonds issued by the District.

Debt Service Fund for Blended Component Units is used to account for the District's interest in the Debt Service Fund of the RNR School Financing Authority, which is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the Special Tax Bonds issued by the Authority for projects at the District.

Capital Projects Funds are used to account for all financial resources that are restricted, committed or assigned to expenditure for capital outlays. The District maintains the following Nonmajor Capital Projects Funds:

Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

County School Facilities Fund is used to account for the accumulation and expenditure of funds for projects funded under the Leroy F. Greene School

Facilities Act of 1998, as established by the Board in accordance with Education Code 42840 et seq.

Capital Projects Fund for Blended Component Units is used to account for the District's interest in the Capital Projects Fund of the RNR School Financing Authority.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an Agency Fund for the student body accounts, which is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all government funds. By state law, the District's Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.
These budgets are revised by the District's Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for all major funds in the financial statements.
Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

F. 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 on June 30.

G. Financial Statement Amounts

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the 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. 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.

2. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The valuation of the General Fund and Cafeteria Fund inventories are at cost, determined on a first-in, first-out (FIFO) basis.

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.

3. Receivables

All receivables are reported net of estimated uncollectible amounts.

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the lives of the assets are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School buildings		50
Portable classrooms		25
HVAC systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior construction		25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery and tools	Shop and maintenance equipment, tools	15
Kitchen equipment	Appliances	15
Custodial equipment	Floor scrubbers, vacuums, other	15
Science and engineering	Lab equipment, scientific apparatus	10
Furniture and accessories	Classroom and other furniture	20
Business machines	Fax, duplicating and printing equipment	10
Copiers		5
Communication equipment	Mobile, portable radios, non-computerized	10
Computer hardware	PC's, printers, network hardware	5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still and digital)	10
Athletic equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical instruments	Pianos, strings, brass, percussion	10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	8
Contractors equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds equipment	Mowers, tractors, attachments	15

5. **Unearned Revenue**

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. **Compensated Absences**

All vacation pay, plus related payroll taxes, is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

7. **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums are reported as other financing sources in the period the bonds are issued. Bond discounts, as well as issuance costs (except bond insurance), are reported as other financing uses in the period the bonds are issued. Bond insurance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond insurance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

8. **Accounting Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

9. **Governmental Activities Net Position** (Government-Wide)

Governmental activities net position is divided into three components:

- Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted - consist of net position balances that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted - all other net position balances are reported in this category.

10. **Governmental Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by Board resolution. This includes the Budget Reserve Account.
- **Assigned** - Amounts that are designated by the Board for a particular purpose.
- **Unassigned** - All amounts not included in other spendable classifications.

Restricted balances at June 30, 2016 are as follows:

Educator Effectiveness	259,871
Lottery: Instructional Materials (Prop 20)	46,452
Medical Assistance Program (Billing Option)	93,917
Ongoing and Major Maintenance (RMA)	89,063
Special Education:Mental Health Services	48,152
Child Nutrition: School Programs	1,891,969
Totals	$ 2,429,424

11. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

12. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. 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/expenses. Reimbursements are 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 between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

13. Local Control Funding Formula (LCFF) Allocation/Property Tax

The District's LCFF allocation is received from a combination of local property taxes and state apportionments. The new funding formula replaces the old system of "revenue-limits" -- general purpose funding from the state, which was based on complex historical formulas and made up approximately 70% of a district's budget -- with a per-student base grant that varies by grade span.

The transition to the new formula began with the 2013-14 school year, but full implementation of the new funding formula is slated to take eight years. Although the majority of school districts will receive more funding under the new formula, districts that were already receiving more funding than what they would get under LCFF are protected by a provision specifying that no district will receive less state aid than it received in 2012-13.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of each January 1st, the lien date for both secured and unsecured property. Property taxes on the secured roll are due in two installments on November 1st and February 1st following the lien date, and become delinquent if not paid by December 10th and April 10th, respectively. Both installments of taxes due on the secured roll may be paid by December 10th, at the option of each property owner. Property taxes on the unsecured roll are due on the lien date and become delinquent if not paid by August 31st following the lien date.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll -- approximately October 1st of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's LCFF allocation by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the State Apportionment.

The District's LCFF allocation is the amount of general purpose tax revenue, per average daily attendance (ADA) by grade span, that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's base allocation. In addition, there is supplemental funding for certain student subgroups, concentration funding and other add-ons.

14. Impact of Recently Issued Accounting Principles

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application.* GASB 72 establishes standards of accounting and financial reporting for disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. It is effective for periods beginning after June 15, 2015. The District adopted GASB 72 in the fiscal year ended June 30, 2016.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68.* It is effective for periods beginning after June 15, 2015 – except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. The District adopted those portions of GASB 73 which were effective in the fiscal year ended June 30, 2016, and management is currently evaluating the impact of those portions which are not yet effective on the District's financial statements.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* GASB 74 applies to OPEB plans, and basically parallels GASB 67 and replaces GASB 43. It is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement applies to government employers who provide OPEB plans to their employees, and basically parallels GASB 68 and replaces GASB 45. It is effective for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* GASB 78 amends the scope and applicability of GASB 68 to exclude certain pensions provided to employees of state or local governmental employers through cost-sharing multiple-employer defined benefit pension plans and establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information. It is effective for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* GASB 79 establishes additional note disclosure requirements for certain qualifying external investment pools. It is effective for periods beginning after June 15, 2015. The District adopted GASB 79 in the fiscal year ended June 30, 2016.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. GASB 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. It is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB 82 clarifies that payments made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of GASB 67 and as employee contributions for purposes of GASB 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed, and classified in the same manner as the employer classified similar compensation other than pensions. It is effective for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Govermental Funds:	
Deposits	
Cash on hand and in banks	$ 5,300
Pooled Funds	
Cash in county treasury	12,309,836
Held by COP Trustee	
Cash with fiscal agent	5,798,878
Total Governmental Funds	18,114,014

Fiduciary Funds:	
Cash on hand and in banks	98,451
District Totals	$ 18,212,465

A. Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury as part of a common investment pool ($18,680,011 as of June 30, 2016). The fair market value of this investment pool as of that date, as provided by the pool sponsor, was $18,680,011. The District is considered to be an involuntary participant in the external investment pool. Interest is deposited into participating funds. The county is restricted by Government Code Section 53635, pursuant to Section 53601, to invest 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.

B. Investments

1. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	5 years	None	None

Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	None	None
Medium-Term Notes	5 years	None	None
Mutual Funds	N/A	None	None
Money Market Mutual Funds	N/A	24%	24%
Mortgage Pass-Through Securities	5 years	None	None
County Pooled Investment Funds	N/A	76%	76%
Local Agency Investment Fund (LAIF)	N/A	None	None

2. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The schedule below identifies the investment types that are authorized for investments held by bond trustees. The schedule also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Percentage in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

3. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County Investment Pool	$ 12,309,836	$ 12,309,836	$ -	$ -	$ -
Held by COP Trustee					
Money Market Fund	5,798,878	5,798,878	-	-	-
Totals	$ 18,108,714	$ 18,108,714	$ -	$ -	$ -

4. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

				Rating as of Year End		
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	Not Rated
County Investment Pool	$ 12,309,836	N/A	$ -	$ -	$ -	$ 12,309,836
Held by COP Trustee						
Money Market Fund	5,798,878	N/A	-	-	-	5,798,878
Totals	$ 18,108,714		$ -	$ -	$ -	$ 18,108,714

5. Disclosures Relating to Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the District's investments are valued using quoted market prices (Level 1 inputs).
Further, the District holds a position in an external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2016, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
General Fund:	
Direct support/indirect costs - Interfund	$ 8,898
Cafeteria Fund:	-
Services and other operating expenditures	7,682
Bond Interest and Redemption Fund	-
Principal retirement	342,786
Interest and fiscal charges	117,915
Capital Facilities Fund	-
Services and other operating expenditures	311
Capital Projects Fund for Blended Component Units	-
Services and other operating expenditures	992

These excesses were due to unanticipated expenditures.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of the following:

	General Fund	Special Reserve (Capital Projects) Fund	All Other Govern-mental Funds	Total Govern-mental Funds
Federal Government				
Federal Programs	$ 580,507	$ -	$ 230,197	$ 810,704
State Government				
Categorical Aid Programs	359,349	-	17,956	377,305
Lottery	243,471	-	-	243,471
Total State Government	602,820	-	17,956	620,776
Local Government				
Interest	28,667	1,279	5,414	35,360
Developer Fees	-	-	260,050	260,050
Other	155,551	-	159,430	314,981
Total Local Government	184,218	1,279	424,894	610,391
Miscellaneous	40,710	279,687	60,255	380,652
Totals	$ 1,408,255	$ 280,966	$ 733,302	$ 2,422,523

5. INTERFUND TRANSACTIONS

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2016 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 98,516	$ 4,061
Cafeteria Fund	4,061	98,516
Capital Facilities Fund	2,260	-
Special Reserve (Capital Projects) Fund	-	2,260
Totals	$ 104,837	$ 104,837

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.
The interfund transfers for the 2015-2016 fiscal year are as follows:

Transfers In	Transfers Out	Amount
Cafeteria Fund	General Fund	$ 38,438
Special Reserve (Capital Projects) Fund	General Fund	250,000
Capital Projects Fund for Blended Component Units	Debt Service Fund for Blended Component Units	428
		$ 288,866

The transfer of $38,438 from the General Fund to the Cafeteria Fund is to support food service salaries and benefits.
The transfer of $250,000 from the General Fund to the Special Reserve (Capital Projects) Fund is for Modernization.
The transfer of $428 from the Debt Service Fund for Blended Component Units to the Capital Projects Fund for Blended Component Units is to close the fund.

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016 is shown below:

WASCO UNION SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

	Balance 7/1/15	Additions	Deductions	Balance 6/30/16
Capital assets not being depreciated				
Land	$ 859,385	$ -	$ -	$ 859,385
Work in progress	265,821	3,155,973	172,472	3,249,322
Total capital assets not being depreciated	1,125,206	3,155,973	172,472	4,108,707
Capital assets being depreciated				
Buildings	40,973,946	149,083	-	41,123,029
Improvements of sites	1,169,608	151,084	-	1,320,692
Equipment	4,555,469	652,936	124,847	5,083,558
Total capital assets being depreciated	46,699,023	953,103	124,847	47,527,279
Less: Accumulated depreciation				
Buildings	11,926,281	792,964	-	12,719,245
Improvements of sites	677,407	31,519	-	708,926
Equipment	3,453,627	316,430	124,847	3,645,210
Total accumulated depreciation	16,057,315	1,140,913	124,847	17,073,381
Total capital assets being depreciated,	30,641,708	(187,810)	-	30,453,898
Governmental activities capital assets, net	$ 31,766,914	$ 2,968,163	$ 172,472	$ 34,562,605

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	$ 705,182
Supervision of instruction	14,218
Instructional library, media, and technology	16,914
School site administration	136,715
Home-to-school transportation	109,964
Food services	46,628
All other pupil services	1,827
All other general administration	20,418
Data processing	46,577
Plant services	42,470
Total Depreciation Expense	$ 1,140,913

7. DEFERRED OUTFLOWS OF RESOURCES

The District reports decreases in assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide funds statement of net position. The only deferred outflow of resources reported in this year's financial statements is a deferred amount arising from adjustments to the net pension liability. (See further, Note 21.)

8. DEFERRED INFLOWS OF RESOURCES

The District reports increases in assets that relate to future periods as deferred inflows of resources in a separate section of its government-wide funds statement of net position. The only deferred inflow of resources reported in this year's financial statements is a deferred amount arising from adjustments to the net pension liability. (See further, Note 21.)

9. ACCOUNTS PAYABLE

Accounts payable at June 30, 2016 consisted of the following:

	General Fund	Special Reserve (Capital Projects) Fund	All Other Governmental Funds	Total Governmental Funds
Vendor payables	$ 1,334,495	$ 68,389	$ 89,905	$ 1,492,789
Salaries and benefits	1,779,415	-	15,604	1,795,019
Totals	$ 3,113,910	$ 68,389	$ 105,509	$ 3,287,808

10. UNEARNED REVENUE

The District has received revenues for programs as advances, or before program expenditures were incurred. Such revenues are reported in these statements as "unearned", and will be recognized in subsequent periods as program expenditures are made.

Unearned revenue at June 30, 2016 consisted of the following:

	General Fund
Title I Grants to Local Educational Agencies (Title I of IASA)	21,242
Special Education--Grants to States (Project Workability)	2,563
Education for Homeless Children and Youth	1,860
English Language Acquisition Grants	1,355
Improving Teacher Quality State Grants	18,482
Total Federal	45,502
Tobacco Use Prevention Education	328
Total State	328
Totals	$ 45,830

11. GENERAL OBLIGATION BONDS

The outstanding general obligation bond debt of the District at June 30, 2016 is as follows:

Bond	Interest Rate	Date of Issue	Maturity Date	Amount of Original Issue	Outstanding 7/1/15	Redeemed During Year	Outstanding 6/30/16
Election of 2001, Series 2001A	3.0% - 8.0%	10/1/01	8/1/26	$ 3,914,215	$ 509,215	$ -	$ 509,215
Election of 2001, Series 2004	2.10% - 5.57%	9/2/04	8/1/29	2,684,520	2,177,940	92,786	2,085,154
2011 Refunding	2.0% - 4.0%	8/4/11	8/1/20	2,490,000	1,845,000	250,000	1,595,000
Totals					$ 4,532,155	$ 342,786	$ 4,189,369

The annual requirements to amortize general obligation bonds, payable and outstanding as of June 30, 2016, are as follows:

Year Ending June 30:	Debt	Interest	Totals
2017	$ 372,387	$ 126,763	$ 499,150
2018	394,941	130,809	525,750
2019	426,882	138,218	565,100
2020	457,442	144,558	602,000
2021	501,701	150,899	652,600
2022-2026	1,107,983	3,062,017	4,170,000
2027-2030	928,033	3,511,966	4,439,999
Totals	$ 4,189,369	$ 7,265,230	$ 11,454,599

12. ACCRETED INTEREST

The general obligation bonds issued by the District include capital appreciation bonds. Interest on the capital appreciation bonds is accreted each year, but is not paid until the bonds reach maturity. The accreted interest at June 30, 2016 was $2,842,578 and will mature as follows:

Year Ending June 30:	
2017	$ 65,455
2018	69,434
2019	76,514
2020	82,916
2021	88,616
2022-2026	1,399,693
2027-2030	1,059,950
Total	$ 2,842,578

13. POSTEMPLOYMENT HEALTH BENEFITS

Plan Description

The District's Retiree Health Insurance Program is a postemployment healthcare plan administered by the Anthem Blue Cross medical plan, and Medco prescription drug plan.

Eligibility for District-Paid Benefits

The amount and duration of District-paid contributions for retiree health insurance vary by employment classification, age and date of hire as follows:

- Certificated employees

  The District provides District-paid medical and prescription drug coverage for full-time employees who retire with at least five years of service. The District pays medical insurance premiums for eligible retirees at the rate of one year for every five years of employment or to age 65, whichever occurs first.

- Classified employees

  The District provides District-paid medical and prescription drug coverage for full-time employees who retire on or after attaining age 55, with at least 15 consecutive years of service. The District pays medical insurance premiums for eligible retirees to age 65 or a maximum of five years, whichever occurs first.

- Superintendents and Assistant Superintendents

  The District provides District-paid medical and prescription drug coverage for full-time employees who retire on or after attaining age 55, with at least 10 consecutive years of service, and are receiving CalSTRS benefits. The District pays medical insurance premiums for eligible retirees to age 65.

- Administrative and Classified Management and the Chief Business Official

  The District provides District-paid medical and prescription drug coverage for full-time employees who retire after the later of age 58 or 20 years of service. The District pays medical insurance premiums for eligible retirees to age 65.

- Classified Confidential

  For employees receiving a CalPERS pension (that is, having reached the later of age 50 or 5 years of service) are eligible to receive one year of benefits for each five years of service, to a maximum of five years, but not beyond age 65.

This coverage is self-insured on a pooled basis through the Self-Insured Schools of California (SISC III).

Funding Policy

The District has no invested plan assets accumulated for payment of future benefits. Currently, the District pays for these benefits out of the General Fund on a pay-as-you-go basis. During the year, expenditures of $222,371 (including the implicit rate subsidy) were paid for these benefits.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefits (OPEB) cost/(expense) is calculated based on an annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The District has elected to use a thirty-year amortization. A table showing the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation is as follows:

	2013-2014	2014-2015	2015-2016
Present Value of Future Benefits (PVFB)			
Actives	$ 7,889,042	$ 9,889,391	$ 9,889,391
Retired	562,502	234,117	234,117
Total: PVFB	$ 8,451,544	$ 10,123,508	$ 10,123,508
Actuarially Accrued Liability (AAL)			
Actives	$ 4,049,090	$ 5,019,345	$ 5,019,345
Retired	562,502	234,117	234,117
Total: AAL	4,611,592	5,253,462	5,253,462
Assets	(-)	(-)	(-)
Total: Unfunded Actuarially Accrued Liability (UAAL)	$ 4,611,592	$ 5,253,462	$ 5,253,462
Annual Required Contributions (ARC)			
Service Cost at Year-End	$ 313,314	$ 362,704	$ 319,282
30-Year Amortization of Unfunded AL	299,991	303,808	303,808
Total: ARC	613,305	666,512	623,090
Interest Adjustment to ARC	-	(26,587)	
Amortization Adjustment to ARC	-	-	-
Annual OPEB Cost	613,305	639,925	623,090
Net OPEB Obligation, Beginning	1,103,288	1,491,169	1,908,723
Less Amount of Benefits Paid During Year	(225,424)	(222,371)	(247,170)
Net OPEB Obligation, Ending	$ 1,491,169	$ 1,908,723	$ 2,284,643

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was $5,253,462. The annual payroll for active employees covered by the plan in the actuarial valuation for the 2015-2016 fiscal year was $21,060,675, for a ratio of the UAAL to covered payroll of 24.94%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial value of plan assets is changing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect on short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.
In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a rate of 5% to discount expected liabilities to the valuation date, which is the actuaries' best estimate of expected long-term plan experience given the types of assets available for the District for investment purposes. The initial medical and prescription drug trend rates were 8%, reduced by decrements to an ultimate rate of 5% after 3 years. Mortality, disability and retirement rates are from the RP-2000 Combined Mortality projections. The UAAL is being amortized over 30 years using a discount rate of 5%. The future District cap is assumed to increase, on the average, by one-half of the dollar increase in the SISC premiums.

The unfunded net obligation for other postemployment benefits is $2,284,643. Annual amounts to amortize this debt are as follows:

Year Ending June 30:	Amount
2017	$ 301,332
2018	320,612
2019	341,088
2020	428,912
2021	479,486
2022-2026	413,213
Total	$ 2,284,643

14. COMPENSATED ABSENCES

Compensated absences at June 30, 2016 consisted of:

	Compensated Absences	Benefits	Totals
Classified (all due after one year)	109,367	23,274	132,641

15. LEASES

A. Capital Leases

The District leases the following equipment and property under agreements which provide title to pass upon expiration of the lease period. Amortization of capital leases for the year ended June 30, 2016 is included in depreciation expense and was $36,654. Total accumulated amortization through June 30, 2016 on this equipment and property was $203,780, and is included in accumulated depreciation. The District will receive no sublease rental revenue nor pay any contingent rentals for this equipment and property. Lease payments are recorded as an expenditure in Debt Service Payments. During the year, the District made total lease payments of $206,928 on these capital leases which were comprised of $70,182 in principal and $136,746 in interest.

Equipment or Property	Capitalized Value	Remaining Lease Commitment
Construction of elementary school	$ 1,000,000	$ 704,087
Copier	13,119	6,195
Copier	16,216	5,405
Mailing system	15,044	6,268
Mailing system	12,290	5,121
Copiers	26,596	18,544
Facilities improvement project (unspent proceeds of $5,798,878 as of year-end)	1,462,781	7,470,000
Totals	$ 2,546,046	$ 8,215,620

Future minimum lease payments are as follows:

Year Ending June 30:	Present Value	Interest	Total Lease Payment
2017	$ 72,929	$ 293,166	$ 366,095
2018	270,238	287,916	558,154
2019	270,176	278,170	548,346
2020	281,733	268,021	549,754
2021	289,138	258,641	547,779
2022-2026	1,565,877	1,167,718	2,733,595
2027-2031	1,615,529	876,444	2,491,973
2032-2036	1,745,000	583,672	2,328,672
2037-2041	2,105,000	216,900	2,321,900
Net minimum lease payments	$ 8,215,620	$ 4,230,648	$ 12,446,268

Accounting principles generally accepted in the United States of America require that, at the inception of a capital lease, the principal amount of the lease be recorded as a Capital Outlay expenditure, with a corresponding revenue amount recorded as Proceeds from Capital Leases.

During the year, the District acquired a capital lease in the total principal amount of $7,470,000, which is reported in these statements as Other Financing Source Revenues. Of this amount, $1,671,122 was reported as Capital Outlay Expenditures of the General Fund. The remaining amount of lease proceeds has not been expended and is included in the Cash with Fiscal Agent in the General and Special Reserve (Capital Projects) Funds.

Lease payments are reported in the General Fund, the Cafeteria Fund, and the Capital Facilities Fund in these statements.

16. NET PENSION LIABILITY

The following is a summary of the net pension liability as of June 30, 2016. Further details on the computation of the net pension liability are included in Footnote 21.

	Beginning	Inccreases	Ending
California State Teachers' Retirement System (CalSTRS)	$15,675,000	$3,693,000	$ 19,368,000
California Public Employees' Retirement System (CalPERS)	4,393,000	1,517,000	5,910,000
Total	$ 20,068,000	$ 5,210,000	$ 25,278,000

All amounts are due after one year.
The liability is expected to be reduced each year with increasing contribution rates until the liability is eliminated.

17. GENERAL LONG-TERM DEBT--SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the year ended June 30, 2016 is shown below:

	Balance 7/1/15	Additions	Deductions	Balance 6/30/16
General obligation bonds	$ 4,532,155	$ -	$ 342,786	$ 4,189,369
Accreted interest--general obligation bonds	2,579,251	320,541	57,214	2,842,578
Postemployment health benefits	1,908,723	623,090	247,170	2,284,643
Compensated absences	117,149	15,492	-	132,641
Capital leases	789,099	7,496,703	70,182	8,215,620
Net pension liability	20,068,000	5,210,000	-	25,278,000
Totals	$ 29,994,377	$ 13,665,826	$ 717,352	$ 42,942,851

Payments on the general obligation bonds and the accreted interest are made by the Bond Interest and Redemption Fund with local revenues. Payments for postemployment health benefits are made from the General Fund. The compensated absences will be paid by the Fund for which the employee worked. Capital leases are paid for by the General Fund, the Cafeteria Fund and the Capital Facilities Fund. The net pension liability will be paid by the Fund for which the employee worked.

18. JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in five joint ventures under joint powers agreements (JPAs) as follows:

Partners in Nutrition Cooperative (PinCo)
(commodities and other food items)

Schools Legal Services
(legal services)

Self-Insured Schools of California I (SISC I)
(workers' compensation insurance)

Self-Insured Schools of California II (SISC II)
(property and liability insurance)

Self-Insured Schools of California III (SISC III)
(health insurance)

The relationships between the District and the JPAs are such that none of the JPAs are component units of the District for financial reporting purposes.
The JPAs provide insurance and services as noted for member school districts.
Each JPA is governed by a board consisting of a representative from each member district. Such governing board controls the operations of its JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond representation on the governing board.
Each district pays premiums and fees commensurate with the level of coverage or services requested, and shares surpluses and deficits proportionate to its participation in each JPA.
Each JPA is independently accountable for its fiscal matters, and maintains its own accounting records.
The District's share of year-end assets, liabilities, or fund equity has not been calculated by the entities.
Condensed financial information for the above JPAs for the year ended June 30, 2016 was not available as of the audit report date. Complete financial statements for the JPAs may be obtained from the JPAs at the addresses indicated below:

PinCo	C/O Antelope Valley Union High School District 44811 N. Sierra Highway Lancaster, CA 93534-3226
Schools Legal Services	Kern County Superintendent of Schools 1300 17th St., No. 7 Bakersfield, CA 93301
SISC I, II, and III	Self-Insured Schools of California Kern County Superintendent of Schools P.O. Box 1847 Bakersfield, CA 93303-1847

19. COMMITMENTS AND CONTINGENCIES

A. Pending Assessment for Disputed Tax Revenues

The Kern County Auditor-Controller's Office has impounded disputed revenues of school district taxes on secured and unsecured property based on claims or actions filed for the return of such tax revenues.

The claims and actions are regarding the valuation of mineral rights that could trigger repayment of property taxes.

Revenues are impounded until the final disposition of the claim or action.

The Kern County Auditor-Controller has estimated the contingent liability as follows:

Pending appeals for taxes	$ 928,538
Pending appeals for interest	56,138
Total	984,676
Less amount held by Kern County Auditor-Controller	(542,845)
Net Contingent Liability	$ 441,831

B. Pending Litigation

The District was a defendant in a lawsuit. The case settled in August, 2016.

C. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

20. CONSTRUCTION-IN-PROGRESS

The District has construction contracts-in-progress as follows:

	Project Authorization	Expended to 6/30/16	Committed
Teter Architects Engineers / Karl Clemens Admin Office remodel	$ 15,000	$ 14,414	$ 586
Op Terra Energy Services	3,796,268	763,704	3,032,564
Ordiz-Melby Architects, Inc. New elementary school	1,037,500	176,375	861,125
Infinity Communications & Consulting / Construction	17,759	15,122	2,637
Totals	$ 4,866,527	$ 969,615	$ 3,896,912

21. EMPLOYEE RETIREMENT SYSTEMS

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

A. California State Teachers' Retirement System (CalSTRS)

Plan Description, Benefits Provided and Employees Covered

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, with the State Teachers' Retirement Law. The normal retirement benefit is equal to 2.0% of final compensation for each year of creditable service. CalSTRS issues a separate comprehensive annual financial report that includes financial statements, required supplementary information, and details of membership requirements. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, Post Office Box 15275, Sacramento, California 95851-0275.

Contribution Requirements

Active plan members are required to contribute 9.2% of their salary for "2% at 60 Members" and 8.56% of their salary for "2% at 62 Members," and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2015-2016 was 10.73% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2016, 2015, and 2014 were $1,614,560, $1,194,377, and $985,638, respectively, and equal 100% of the required contributions for each year.

Actuarial Methods and Assumptions

The total pension liability for CalSTRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Discount Rate	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post Retirement Benefit Increases	2.00% simple for defined benefit and 85% purchasing power level for SBMA (Supplemental Benefit Maintenance Account) Not applicable for DBS/CBB programs. (Defined Benefit Supplement)/(Cash Balance Benefit)

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance – PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the Board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

*10-year geometric average

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Presented below is the net pension liability of employers and the state using the current discount rate of 7.60 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

Discount Rate	Net Pension Liability of Employers and Nonemployer Contributing Entity
1% Decrease (6.60%)	$29,244,000
Current Discount Rate (7.60%)	$19,368,000
1% Increase (8.60%)	$11,160,000

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Allocation of Aggregate Net Pension Liability and Aggregate Pension Expense to Individual Employers

A key aspect of GASB 68 is to establish an approach to allocate the net pension liability and pension expense of the Plan to the individual employers. Paragraph 48 describes that each employer should recognize a proportionate share of the net pension liability and pension expense.

Each employer's allocation of pension expense, deferred outflows and deferred inflows, and net pension liability will be based on the proportion of its actuarially determined contributions to the aggregate amount of actuarially determined contributions for all Plan employers during the measurement period. Please refer to GASB section of CalSTRS' website for further guidance on this subject.

Recognition of Gains and Losses

Under GASB 68, gains and losses (investment, experience or assumption changes) related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retirees) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive and retirees).

Aggregate Pension Expense and Aggregate Deferred Outflows and Deferred Inflows

As of the end of the measurement period (June 30, 2015), the aggregate net pension liability was $67,324,000,000. The Districts share of the aggregate net pension liability was $19,368,000.

The District's percentage of the CalSTRS collective net pension liability was determined by dividing the District's employer contributions by the total employer contributions received.

For the year ended June 30, 2016, the District recognized pension expense of $3,896,462.

At June 30, 2016, the District reports the following aggregate deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 1,614,560	$ -
Net differences between projected and actual earnings on pension plan investments	-	(1,902,000)
Totals	$ 1,614,560	($ 1,902,000)

The amounts above are net of inflows and outflows recognized in the 2014-15 measurement period expense.
Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	$1,614,560	($475,500)
2018	-	(475,500)
2019	-	(475,500)
2020	-	(475,500)
Totals	$ 1,614,560	($ 1,902,000)

Changes of Benefit Terms

There were no changes to benefit terms that applied to all members of the Plan.

Changes of Assumptions

There were no changes in major assumptions from the June 30, 2012 actuarial valuation.

B. California Public Employees' Retirement System (CalPERS)

Plan Description, Benefits Provided and Employees Covered

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. Benefits are based on members' years of service, age, final compensation, and benefit formula. CalPERS issues a separate comprehensive annual financial report that includes financial statements, required supplementary information, and details of membership requirements. Copies of the CalPERS annual financial report may be obtained from CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, California 95811.

Contribution Requirements

Active plan members are required to contribute 7.0% of their salary for "2% at 55 Members" and 6.0% of their salary for "2% at 62 Members," and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2015-2016 was 11.847%. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2016, 2015, and 2014 were $612,273, $522,465, and $464,816, respectively, and equal 100% of the required contributions for each year.

Actuarial Methods and Assumptions Used To Determine Total Pension Liability

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for All Funds
Post Retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

[1]The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions (cash flows) was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.
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, staff took into account both short-term and long-term market return expectations was well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the 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 one quarter of one percent.

The table below reflects 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.

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

[1]An expected inflation of 2.5% used for this period.
[2]An expected inflation of 3.0% used for this period.

Pension Plan Fiduciary Net Position

The plan fiduciary net position disclosed in this GASB 68 accounting valuation report may differ from the plan assets reported in the Schools Pool funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and OPEB expense included in fiduciary net position. These amounts are excluded for rate setting purposes in your funding actuarial valuation. In addition, differences may result from early CAFR closing and final reconciled reserves.

Sensitivity of the Aggregate Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 7.65 percent, as well as what the pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate.

Discount Rate	Plan's Net Pension Liability
1% Decrease (6.50%)	$9,619,000
Current Discount Rate (7.50%)	$5,910,000
1% Increase (8.50%)	$2,826,000

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Allocation of Aggregate Net Pension Liability and Aggregate Pension Expense to Individual Employers

A key aspect of GASB 68 is to establish an approach to allocate the net pension liability and pension expense of the Plan to the individual employers. Paragraph 48 describes that each employer should recognize a proportionate share of the net pension liability and pension expense.

Each employer's allocation of pension expense, deferred outflows and deferred inflows, and net pension liability will be based on the proportion of its actuarially determined contributions to the aggregate amount of actuarially determined contributions for all Schools Pool employers during the measurement period. Please refer to GASB section of CalPERS' website for further guidance on this subject.

Recognition of Gains and Losses

Under GASB 68, gains and losses (investment, experience or assumption changes) related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retirees) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive and retirees).

Aggregate Pension Expense and Aggregate Deferred Outflows and Deferred Inflows

As of the end of the measurement period (June 30, 2015), the aggregate net pension liability was $14,740,098,710. The Districts share of the aggregate net pension liability was $5,910,000.

The District's percentage of the CalPERS collective net pension liability was determined by dividing the District's employer contributions by the total employer contributions received.

For the year ended June 30, 2016, the District recognized pension expense of $1,094,466.

At June 30, 2016, the District reports the following aggregate deferred outflows and deferred inflows of resources related to pensions from the following sources:

Recognition of Gains and Losses

Under GASB 68, gains and losses (investment, experience or assumption changes) related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5-year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retirees) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive and retirees).

Aggregate Pension Expense and Aggregate Deferred Outflows and Deferred Inflows

As of the end of the measurement period (June 30, 2015), the aggregate initial net pension liability was $14,740,098,710. The Districts share of the aggregate initial net pension liability was $5,910,000.

The District's percentage of the CalPERS collective net pension liability was determined by dividing the District's employer contributions by the total employer contributions received.

For the year ended June 30, 2016, the District recognized pension expense of $1,094,466.

At June 30, 2016, the District reports the following aggregate deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 612,273	$ -
Net differences between projected and actual earnings on pension plan investments	-	(565,000)
Totals	$ 612,273	($ 565,000)

The amounts above are net of inflows and outflows recognized in the 2014-15 measurement period expense.

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

Measurement Period Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	$ 612,272	($141,250)
2018	-	(141,250)
2019	-	(141,250)
2020	-	(141,250)
Totals	$ 612,272	($ 565,000)

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

22. SECTION 457 DEFERRED COMPENSATION PLAN

Plan Description

The District's Board of Trustees previously authorized the establishment of a qualified Internal Revenue Code Section 457 deferred compensation plan for the exclusive benefit of all eligible employees of the District.

Funding Policy

All eligible employees electing to participate in this plan choose the amount of monthly compensation deferrals up to maximums allowed by the Internal Revenue Code and its regulations and rulings. The District does not contribute to the plan on behalf of participating employees. For the fiscal year ended June 30, 2016, there was one employee that had elected to participate, with total compensation deferrals of $7,500.

23. SECTION 403(b) TAX-SHELTERED ANNUITY PLAN

Plan Description

The District's Board of Trustees authorized the establishment of a Section 403(b) Tax-Sheltered Annuity Plan. This is a retirement plan funded by elective deferrals made under salary reduction agreements.

Funding Policy

All eligible employees electing to participate in this plan choose the amount of monthly compensation deferrals up to maximums allowed by the Internal Revenue Code and its regulations and rulings. The District does not contribute to the plan on behalf of participating employees. For the fiscal year ended June 30, 2016, there were 103 employees that elected to participate, with total compensation deferrals of $394,216.

24. ON-BEHALF PAYMENTS MADE BY THE STATE OF CALIFORNIA

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of State General Fund contributions of $794,733 to CalSTRS (7.12589% of 2013-14 creditable CalSTRS compensation).

25. SUBSEQUENT EVENTS

Other Subsequent Events

The District's management evaluated its June 30, 2016 financial statements for subsequent events through October 26, 2016, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

* * *

REQUIRED SUPPLEMENTARY INFORMATION SECTION

WASCO UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND
ACTUAL (GAAP)(BY OBJECT)
YEAR ENDED JUNE 30, 2016

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	(GAAP) Basis	Positive/ (Negative)
Revenues				
Local control funding formula sources				
State apportionments	$ 29,120,885	$ 29,289,247	$ 29,218,335	$ (70,912)
Local sources	2,406,718	2,381,017	2,506,226	125,209
Total Local Control Funding Formula	31,527,603	31,670,264	31,724,561	54,297
Federal revenue	$ 2,677,232	$ 2,746,929	$ 2,535,971	$ (210,958)
Other state revenue	3,266,424	4,642,345	4,308,077	(334,268)
Other local revenue	1,872,234	2,349,831	2,624,191	274,360
Total Revenues	39,343,493	41,409,369	41,192,800	(216,569)
Expenditures				
Certificated salaries	16,603,899	15,795,923	15,525,512	270,411
Classified salaries	4,503,023	4,596,402	4,579,096	17,306
Employee benefits	8,030,079	8,792,105	8,665,371	126,734
Books and Supplies	2,207,141	2,668,983	2,373,490	295,493
Services and other operating expenditures	2,252,832	2,773,370	2,665,550	107,820
Capital outlay	2,134,553	2,725,787	1,733,363	992,424
Payments to County Office	1,574,044	2,214,572	1,886,484	328,088
Direct support/indirect costs - Interfund	(68,291)	(94,718)	(85,820)	(8,898)
Debt service				
Principal retirement	18,679	18,679	17,937	742
Interest and fiscal charges	-	102,000	102,000	-
Total Expenditures	37,255,959	39,593,103	37,462,983	2,130,120
Excess (Deficiency) of Revenues Over Expenditures	2,087,534	1,816,266	3,729,817	1,913,551
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(500,000)	(288,438)	(288,438)	-
Proceeds from COPs	-	50,000	-	(50,000)
Proceeds from capital leases	26,703	26,595	76,703	50,108
Total Other Financing Sources (Uses)	(473,297)	(211,843)	(211,735)	108
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	1,614,237	1,604,423	3,518,082	1,913,659
Fund Balances, July 1, 2015	9,175,718	9,175,718	9,175,720	2
Fund Balances, June 30, 2016	$ 10,789,955	$ 10,780,141	$ 12,693,802	$ 1,913,661

See notes to the basic financial statements.

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WASCO UNION SCHOOL DISTRICT
SCHEDULE OF NET PENSION LIABILITY--
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2016

The table below shows an analysis of the District's proportionate share of the collective net pension liability, the District's payroll amount for current employees in the plan, a ratio of the District's proportionate share of the collective net pension liability divided by the District's covered-employee payroll, and the pension plan's net position as a percentage of the total pension liability.

Year Ended	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	Covered-Employee Payroll (c)	Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll ([a-b]/c)
June 30, 2014	$ 81,620,000	$ 62,458,000	$ 19,162,000	76.5%	$ 11,947,000	160.4%
June 30, 2015	60,337,000	44,662,000	15,675,000	74.0%	13,450,000	116.5%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

WASCO UNION SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS--
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2016

The table below shows an analysis of the District's statutorily or contractually required contributions, the District's actual contributions, the difference (if any) and the District's actual contributions as a percentage of covered-employee payroll.

Year Ended	District's Statutorily or Contractually Required Contributions (a)	District's Actual Contributions (b)	Difference Between Actual and Required Contributions (a-b)	District's Covered-Employee Payroll (c)	Actual Contributions as a Percentage of Covered-Employee Payroll (b/c)
June 30, 2013	$ 923,312	$ 923,312	$ -	$ 11,192,000	8.25%
June 30, 2014	985,638	985,638	-	11,947,000	8.25%
June 30, 2015	1,194,377	1,194,377	-	13,450,000	8.88%
June 30, 2016	1,557,952	1,557,952	-	14,520,000	10.73%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

WASCO UNION SCHOOL DISTRICT
SCHEDULE OF NET PENSION LIABILITY--
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2016

The table below shows an analysis of the District's proportionate share of the collective net pension liability, the District's payroll amount for current employees in the plan, a ratio of the District's proportionate share of the collective net pension liability divided by the District's covered-employee payroll, and the pension plan's net position as a percentage of the total pension liability.

Year Ended	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	Covered-Employee Payroll (c)	Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll ([a-b]/c)
June 30, 2014	$ 35,962,000	$ 29,984,000	$ 5,978,000	83.4%	$ 4,062,000	147.2%
June 30, 2015	21,354,000	16,961,000	4,393,000	79.4%	4,439,000	99.0%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

WASCO UNION SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS--
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2016

The table below shows an analysis of the District's statutorially or contractually required contributions, the District's actual contributions, the difference (if any) and the District's actual contributions as a percentage of covered-employee payroll.

Year Ended	District's Statutorially or Contractually Required Contributions (a)	District's Actual Contributions (b)	Difference Between Actual and Required Contributions (a-b)	District's Covered-Employee Payroll (c)	Actual Contributions as a Percentage of Covered-Employee Payroll (b/c)
June 30, 2013	$ 492,901	$ 492,901	$ -	$ 4,317,000	11.417%
June 30, 2014	464,816	464,816	-	4,062,000	11.442%
June 30, 2015	522,465	522,465	-	4,439,000	11.771%
June 30, 2016	612,273	612,273	-	5,168,000	11.847%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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SUPPLEMENTARY INFORMATION SECTION

WASCO UNION SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND
ACTUAL (GAAP)(BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Special Reserve (Capital Projects) Fund			
	Budgeted Amounts		Actual (GAAP)	Variance with Final Budget Positive/
	Original	Final	Basis	(Negative)
Revenues				
Local control funding formula sources				
State apportionments	$ -	$ -	$ -	$ -
Local sources	-	-	-	-
Total Local Control Funding Formula	-	-	-	-
Federal revenue	$ -	$ -	$ -	$ -
Other state revenue	-	-	-	-
Other local revenue	2,000	4,365	7,624	3,259
Total Revenues	2,000	4,365	7,624	3,259
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and Supplies	-	-	-	-
Services and other operating expenditures	-	259,226	259,226	-
Capital outlay	-	5,231,297	1,497,645	3,733,652
Payments to County Office	-	-	-	-
Direct support/indirect costs - Interfund	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	5,490,523	1,756,871	3,733,652
Excess (Deficiency) of Revenues Over Expenditures	2,000	(5,486,158)	(1,749,247)	3,736,911
Other Financing Sources (Uses)				
Operating transfers in	500,000	250,000	250,000	-
Operating transfers out	-	-	-	-
Proceeds from COPs	-	-	-	-
Proceeds from capital leases	-	7,420,000	7,420,000	-
Total Other Financing Sources (Uses)	500,000	7,670,000	7,670,000	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	502,000	2,183,842	5,920,753	3,736,911
Fund Balances, July 1, 2015	736,134	736,134	736,134	-
Fund Balances, June 30, 2016	$ 1,238,134	$ 2,919,976	$ 6,656,887	$ 3,736,911

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS--
OTHER POSTEMPLOYMENT BENEFITS PLAN
YEAR ENDED JUNE 30, 2016

The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability, and the unfunded actuarial accrued liability as a percentage of covered payroll.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2008	$ -	$ 2,820,542	$ 2,820,542	0.0%	$ 13,909,526	20.3%
July 1, 2010	-	3,560,608	3,560,608	0.0%	16,154,271	22.0%
July 1, 2012	-	4,611,592	4,611,592	0.0%	15,652,082	29.5%
July 1, 2014		5,253,462	5,253,462	0.0%	18,667,613	28.1%

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Combining Statements--General Fund

WASCO UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2016

	General Fund	Deferred Maintenance Fund	Special Reserve (Special Revenue) Fund	Total Combined General Fund (GASB 54)
Assets				
Cash in county treasury	$ 11,138,251	$ 1,343,775	$ 1,788,474	$ 14,270,500
Cash in revolving fund	5,000	-	-	5,000
Cash with fiscal agent	40,000	-	-	40,000
Accounts receivable	705,376	2,360	3,739	711,475
Due from grantor governments	696,780	-	-	696,780
Due from other funds	98,516	-	-	98,516
Stores inventories				
Supplies	35,332	-	-	35,332
Food	-	-	-	-
Total Assets	$ 12,719,255	$ 1,346,135	$ 1,792,213	$ 15,857,603
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 3,113,910	$ -	$ -	$ 3,113,910
Due to other funds	4,061	-	-	4,061
Deferred revenue	45,830	-	-	45,830
Total Liabilities	3,163,801	-	-	3,163,801
Fund Balances				
Nonspendable				
Revolving fund	5,000	-	-	5,000
Stores inventories	35,332	-	-	35,332
Restricted				
Legally restricted balances	537,455	-	-	537,455
Assigned				
Other assignments	7,836,230	1,346,135	1,792,213	10,974,578
Unassigned				
Reserve for economic uncertainties	1,141,437	-	-	1,141,437
Total Fund Balances	9,555,454	1,346,135	1,792,213	12,693,802
Total Liabilities and Fund Balances	$ 12,719,255	$ 1,346,135	$ 1,792,213	$ 15,857,603

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	General Fund	Deferred Maintenance Fund	Special Reserve (Special Revenue) Fund	Eliminations	Totals - Combined General Fund (GASB 54)
Revenues					
Local Control Funding Formula Sources					
State apportionments	$ 29,218,335	$ -	$ -	$ -	$ 29,218,335
Local sources	2,506,226	-	-	-	2,506,226
Total Local Control Funding Formula	31,724,561	-	-	-	31,724,561
Federal revenue	2,535,971	-	-	-	2,535,971
Other state revenue	4,308,077	-	-	-	4,308,077
Other local revenue	2,604,372	7,614	12,205	-	2,624,191
Total Revenues	41,172,981	7,614	12,205	-	41,192,800
Expenditures					
Certificated salaries	15,525,512	-	-	-	15,525,512
Classified salaries	4,579,096	-	-	-	4,579,096
Employee benefits	8,665,371	-	-	-	8,665,371
Books and Supplies	2,373,490	-	-	-	2,373,490
Services and other operating expenditures	2,659,703	5,847	-	-	2,665,550
Capital outlay	1,672,981	60,382	-	-	1,733,363
Payments to County Office	1,886,484	-	-	-	1,886,484
Direct support/indirect costs - Interfund	(85,820)	-	-	-	(85,820)
Principal retirement	17,937	-	-	-	17,937
Interest and fiscal charges	102,000	-	-	-	102,000
Total Expenditures	37,396,754	66,229	-	-	37,462,983
Excess (Deficiency) of Revenues Over Expenditures	3,776,227	(58,615)	12,205	-	3,729,817
Other Financing Sources (Uses)					
Operating transfers in	-	296,493	-	(296,493)	-
Operating transfers out	(584,931)	-	-	296,493	(288,438)
Proceeds from capital leases	76,703	-	-	-	76,703
Total Other Financing Sources (Uses)	(508,228)	296,493	-	-	(211,735)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	3,267,999	237,878	12,205	-	3,518,082
Fund Balances, July 1, 2015	6,287,455	1,108,257	1,780,008	-	9,175,720
Fund Balances, June 30, 2016	$ 9,555,454	$ 1,346,135	$ 1,792,213	$ -	$ 12,693,802

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	General Fund			
	Budgeted Amounts		Actual (GAAP)	Variance with Final Budget Positive/
	Original	Final	Basis	(Negative)
Revenues				
Local Control Funding Formula Sources				
State apportionments	$ 29,120,885	$ 29,289,247	$ 29,218,335	$ (70,912)
Local sources	2,406,718	2,381,017	2,506,226	125,209
Total Local Control Funding Formula	31,527,603	31,670,264	31,724,561	54,297
Federal revenue	2,677,232	2,746,929	2,535,971	(210,958)
Other state revenue	3,266,424	4,642,345	4,308,077	(334,268)
Other local revenue	1,862,519	2,331,543	2,604,372	272,829
Total Revenues	39,333,778	41,391,081	41,172,981	(218,100)
Expenditures				
Certificated salaries	16,603,899	15,795,923	15,525,512	270,411
Classified salaries	4,503,023	4,596,402	4,579,096	17,306
Employee benefits	8,030,079	8,792,105	8,665,371	126,734
Books and Supplies	2,207,141	2,663,072	2,373,490	289,582
Services and other operating expenditures	2,188,832	2,712,370	2,659,703	52,667
Capital outlay	2,084,553	2,725,787	1,672,981	1,052,806
Payments to County Office	1,574,044	2,214,572	1,886,484	328,088
Direct support/indirect costs - Interfund	(68,291)	(94,718)	(85,820)	(8,898)
Principal retirement	18,679	18,679	17,937	742
Interest and fiscal charges	-	102,000	102,000	-
Total Expenditures	37,141,959	39,526,192	37,396,754	2,129,438
Excess (Deficiency) of Revenues Over Expenditures	2,191,819	1,864,889	3,776,227	1,911,338
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(700,000)	(584,931)	(584,931)	-
Proceeds from COPs	-	50,000	-	(50,000)
Proceeds from capital leases	26,703	26,595	76,703	50,108
Total Other Financing Sources (Uses)	(673,297)	(508,336)	(508,228)	108
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	1,518,522	1,356,553	3,267,999	1,911,446
Fund Balances, July 1, 2015	6,287,454	6,287,454	6,287,455	1
Fund Balances, June 30, 2016	$ 7,805,976	$ 7,644,007	$ 9,555,454	$ 1,911,447

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Deferred Maintenance Fund			
	Budgeted Amounts		Actual (GAAP)	Variance with Final Budget Positive/
	Original	Final	Basis	(Negative)
Revenues				
Local Control Funding Formula Sources				
State apportionments	$ -	$ -	$ -	$ -
Local sources	-	-	-	-
Total Local Control Funding Formula	-	-	-	-
Federal revenue	-	-	-	-
Other state revenue	-	-	-	-
Other local revenue	3,515	7,000	7,614	614
Total Revenues	3,515	7,000	7,614	614
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and Supplies	-	5,911	-	5,911
Services and other operating expenditures	64,000	61,000	5,847	55,153
Capital outlay	50,000	-	60,382	(60,382)
Payments to County Office	-	-	-	-
Direct support/indirect costs - Interfund	-	-	-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	114,000	66,911	66,229	682
Excess (Deficiency) of Revenues Over Expenditures	(110,485)	(59,911)	(58,615)	1,296
Other Financing Sources (Uses)				
Operating transfers in	200,000	296,493	296,493	-
Operating transfers out	-	-	-	-
Proceeds from COPs	-	-	-	-
Proceeds from capital leases	-	-	-	-
Total Other Financing Sources (Uses)	200,000	296,493	296,493	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	89,515	236,582	237,878	1,296
Fund Balances, July 1, 2015	1,108,256	1,108,256	1,108,257	1
Fund Balances, June 30, 2016	$ 1,197,771	$ 1,344,838	$ 1,346,135	$ 1,297

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Special Reserve (Special Revenue) Fund			
	Budgeted Amounts		Actual (GAAP)	Variance with Final Budget Positive/
	Original	Final	Basis	(Negative)
Revenues				
Local Control Funding Formula Sources				
State apportionments	$ -	$ -	$ -	$ -
Local sources	-	-	-	-
Total Local Control Funding Formula	-	-	-	-
Federal revenue	-	-	-	-
Other state revenue	-	-	-	-
Other local revenue	6,200	11,288	12,205	917
Total Revenues	6,200	11,288	12,205	917
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and Supplies	-	-	-	-
Services and other operating expenditures	-	-	-	-
Capital outlay	-	-	-	-
Payments to County Office	-	-	-	-
Direct support/indirect costs - Interfund	-	-	-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	6,200	11,288	12,205	917
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Proceeds from COPs	-	-	-	-
Proceeds from capital leases	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	6,200	11,288	12,205	917
Fund Balances, July 1, 2015	1,780,008	1,780,008	1,780,008	-
Fund Balances, June 30, 2016	$ 1,786,208	$ 1,791,296	$ 1,792,213	$ 917

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Eliminations			
	Budgeted Amounts		Actual (GAAP)	Variance with Final Budget Positive/
	Original	Final	Basis	(Negative)
Revenues				
Local Control Funding Formula Sources				
State apportionments	$ -	$ -	$ -	$ -
Local sources	-	-	-	-
Total Local Control Funding Formula	-	-	-	-
Federal revenue	-	-	-	-
Other state revenue	-	-	-	-
Other local revenue	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
Certificated salaries	-	-	-	-
Classified salaries	-	-	-	-
Employee benefits	-	-	-	-
Books and Supplies	-	-	-	-
Services and other operating expenditures	-	-	-	-
Capital outlay	-	-	-	-
Payments to County Office	-	-	-	-
Direct support/indirect costs - Interfund	-	-	-	-
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Operating transfers in	(200,000)	(296,493)	(296,493)	-
Operating transfers out	200,000	296,493	296,493	-
Proceeds from COPs	-	-	-	-
Proceeds from capital leases	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	-	-	-	-
Fund Balances, July 1, 2015	-	-	-	-
Fund Balances, June 30, 2016	$ -	$ -	$ -	$ -

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (GAAP)
GENERAL FUND (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Totals - Combined General Fund (GASB 54)			
	Budgeted Amounts		Actual (GAAP)	Variance with Final Budget Positive/
	Original	Final	Basis	(Negative)
Revenues				
Local Control Funding Formula Sources				
State apportionments	$ 29,120,885	$ 29,289,247	$ 29,218,335	$ (70,912)
Local sources	2,406,718	2,381,017	2,506,226	125,209
Total Local Control Funding Formula	31,527,603	31,670,264	31,724,561	54,297
Federal revenue	2,677,232	2,746,929	2,535,971	(210,958)
Other state revenue	3,266,424	4,642,345	4,308,077	(334,268)
Other local revenue	1,872,234	2,349,831	2,624,191	274,360
Total Revenues	39,343,493	41,409,369	41,192,800	(216,569)
Expenditures				
Certificated salaries	16,603,899	15,795,923	15,525,512	270,411
Classified salaries	4,503,023	4,596,402	4,579,096	17,306
Employee benefits	8,030,079	8,792,105	8,665,371	126,734
Books and Supplies	2,207,141	2,668,983	2,373,490	295,493
Services and other operating expenditures	2,252,832	2,773,370	2,665,550	107,820
Capital outlay	2,134,553	2,725,787	1,733,363	992,424
Payments to County Office	1,574,044	2,214,572	1,886,484	328,088
Direct support/indirect costs - Interfund	(68,291)	(94,718)	(85,820)	(8,898)
Principal retirement	18,679	18,679	17,937	742
Interest and fiscal charges	-	102,000	102,000	-
Total Expenditures	37,255,959	39,593,103	37,462,983	2,130,120
Excess (Deficiency) of Revenues Over Expenditures	2,087,534	1,816,266	3,729,817	1,913,551
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	(500,000)	(288,438)	(288,438)	-
Proceeds from COPs	-	50,000	-	(50,000)
Proceeds from capital leases	26,703	26,595	76,703	50,108
Total Other Financing Sources (Uses)	(473,297)	(211,843)	(211,735)	108
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	1,614,237	1,604,423	3,518,082	1,913,659
Fund Balances, July 1, 2015	9,175,718	9,175,718	9,175,720	2
Fund Balances, June 30, 2016	$ 10,789,955	$ 10,780,141	$ 12,693,802	$ 1,913,661

See notes to the basic financial statements.

Combining Statements--Nonmajor Funds

WASCO UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2016

	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Totals
Assets			
Cash in county treasury	$ 546,451	$ -	$ 546,451
Total Assets	$ 546,451	$ -	$ 546,451
Liabilities and Fund Balances			
Liabilities			
Total Liabilities	-	-	-
Fund Balances			
Nonspendable			
Restricted			
Debt services	546,451	-	546,451
Committed			
Assigned			
Unassigned			
Total Fund Balances	546,451	-	546,451
Total Liabilities and Fund Balances	$ 546,451	$ -	$ 546,451

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Bond Interest and	Debt Service Fund	Totals
Revenues			
Other state revenue	4,936	-	4,936
Other local revenue	512,286	3	512,289
Total Revenues	517,222	3	517,225
Expenditures			
Debt service			
Principal retirement	342,786	-	342,786
Interest and fiscal charges	117,915	-	117,915
Total Expenditures	460,701	-	460,701
Excess (Deficiency) of Revenues Over Expenditures	56,521	3	56,524
Other Financing Sources (Uses)			
Operating transfers out	-	(428)	(428)
Total Other Financing Sources (Uses)	-	(428)	(428)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	56,521	(425)	56,096
Fund Balances, July 1, 2015	489,930	425	490,355
Fund Balances, June 30, 2016	$ 546,451	$ -	$ 546,451

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Bond Interest and Redemption Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other state revenue	-	4,936	4,936
Other local revenue	-	512,286	512,286
Total Revenues	-	517,222	517,222
Expenditures			
Debt service			
Principal retirement	-	342,786	(342,786)
Interest and fiscal charges	-	117,915	(117,915)
Total Expenditures	-	460,701	(460,701)
Excess (Deficiency) of Revenues Over Expenditures	-	56,521	56,521
Other Financing Sources (Uses)			
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	-	56,521	56,521
Fund Balances, July 1, 2015	-	489,930	489,930
Fund Balances, June 30, 2016	$ -	$ 546,451	$ 546,451

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Debt Service Fund for Blended Component Units		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other state revenue	-	-	-
Other local revenue	4	3	(1)
Total Revenues	4	3	(1)
Expenditures			
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	4	3	(1)
Other Financing Sources (Uses)			
Operating transfers out	(429)	(428)	1
Total Other Financing Sources (Uses)	(429)	(428)	1
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(425)	(425)	-
Fund Balances, July 1, 2015	425	425	-
Fund Balances, June 30, 2016	$ -	$ -	$ -

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Totals		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other state revenue	-	4,936	4,936
Other local revenue	4	512,289	512,285
Total Revenues	4	517,225	517,221
Expenditures			
Debt service			
Principal retirement	-	342,786	(342,786)
Interest and fiscal charges	-	117,915	(117,915)
Total Expenditures	-	460,701	(460,701)
Excess (Deficiency) of Revenues Over Expenditures	4	56,524	56,520
Other Financing Sources (Uses)			
Operating transfers out	(429)	(428)	1
Total Other Financing Sources (Uses)	(429)	(428)	1
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(425)	56,096	56,521
Fund Balances, July 1, 2015	425	490,355	489,930
Fund Balances, June 30, 2016	$ -	$ 546,451	$ 546,451

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Totals
Assets					
Cash in county treasury	$ 159,606	$ 1,421,993	$ 162	$ 1,910	$ 1,583,671
Accounts receivable	336	262,714	-	5	263,055
Due from other funds	-	2,260	-	-	2,260
Total Assets	$ 159,942	$ 1,686,967	$ 162	$ 1,915	$ 1,848,986
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ -	$ 29,579	$ -	$ 410	$ 29,989
Total Liabilities	-	29,579	-	410	29,989
Fund Balances					
Nonspendable					
Restricted					
Committed					
Assigned					
Other assignments	159,942	1,657,388	162	1,505	1,818,997
Unassigned					
Total Fund Balances	159,942	1,657,388	162	1,505	1,818,997
Total Liabilities and Fund Balances	$ 159,942	$ 1,686,967	$ 162	$ 1,915	$ 1,848,986

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Capital Projects Fund for Blended Component Units	Totals
Revenues					
Other local revenue	1,128	964,505	1	1,407	967,041
Expenditures					
Classified salaries	-	1,389	-	-	1,389
Employee benefits	-	131	-	-	131
Services and other operating expenditures	4,293	83,181	-	2,107	89,581
Capital outlay	2,400	271,752	-	360,000	634,152
Debt service					
Principal retirement	-	43,134	-	-	43,134
Interest and fiscal charges	-	34,745	-	-	34,745
Total Expenditures	6,693	434,332	-	362,107	803,132
Excess (Deficiency) of Revenues Over Expenditures	(5,565)	530,173	1	(360,700)	163,909
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	428	428
Total Other Financing Sources (Uses)	-	-	-	428	428
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(5,565)	530,173	1	(360,272)	164,337
Fund Balances, July 1, 2015	165,507	1,127,215	161	361,777	1,654,660
Fund Balances, June 30, 2016	$ 159,942	$ 1,657,388	$ 162	$ 1,505	$ 1,818,997

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Building Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other local revenue	1,057	1,128	71
Expenditures			
Classified salaries	-	-	-
Employee benefits	-	-	-
Services and other operating expenditures	4,294	4,293	1
Capital outlay	2,400	2,400	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	6,694	6,693	1
Excess (Deficiency) of Revenues Over Expenditures	(5,637)	(5,565)	72
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(5,637)	(5,565)	72
Fund Balances, July 1, 2015	165,506	165,507	1
Fund Balances, June 30, 2016	$ 159,869	$ 159,942	$ 73

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Capital Facilities Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other local revenue	716,613	964,505	247,892
Expenditures			
Classified salaries	1,390	1,389	1
Employee benefits	131	131	-
Services and other operating expenditures	82,870	83,181	(311)
Capital outlay	406,621	271,752	134,869
Debt service			
Principal retirement	43,134	43,134	-
Interest and fiscal charges	34,745	34,745	-
Total Expenditures	568,891	434,332	134,559
Excess (Deficiency) of Revenues Over Expenditures	147,722	530,173	382,451
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	147,722	530,173	382,451
Fund Balances, July 1, 2015	1,127,214	1,127,215	1
Fund Balances, June 30, 2016	$ 1,274,936	$ 1,657,388	$ 382,452

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	County School Facilities Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other local revenue	-	1	1
Expenditures			
Classified salaries	-	-	-
Employee benefits	-	-	-
Services and other operating expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	1	1
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	-	1	1
Fund Balances, July 1, 2015	161	161	-
Fund Balances, June 30, 2016	$ 161	$ 162	$ 1

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Capital Projects Fund for Blended Component Units		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other local revenue	1,900	1,407	(493)
Expenditures			
Classified salaries	-	-	-
Employee benefits	-	-	-
Services and other operating expenditures	1,115	2,107	(992)
Capital outlay	360,000	360,000	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	361,115	362,107	(992)
Excess (Deficiency) of Revenues Over Expenditures	(359,215)	(360,700)	(1,485)
Other Financing Sources (Uses)			
Operating transfers in	429	428	(1)
Total Other Financing Sources (Uses)	429	428	(1)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(358,786)	(360,272)	(1,486)
Fund Balances, July 1, 2015	361,777	361,777	-
Fund Balances, June 30, 2016	$ 2,991	$ 1,505	$ (1,486)

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Totals		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Other local revenue	719,570	967,041	247,471
Expenditures			
Classified salaries	1,390	1,389	1
Employee benefits	131	131	-
Services and other operating expenditures	88,279	89,581	(1,302)
Capital outlay	769,021	634,152	134,869
Debt service			
Principal retirement	43,134	43,134	-
Interest and fiscal charges	34,745	34,745	-
Total Expenditures	936,700	803,132	133,568
Excess (Deficiency) of Revenues Over Expenditures	(217,130)	163,909	381,039
Other Financing Sources (Uses)			
Operating transfers in	429	428	(1)
Total Other Financing Sources (Uses)	429	428	(1)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(216,701)	164,337	381,038
Fund Balances, July 1, 2015	1,654,658	1,654,660	2
Fund Balances, June 30, 2016	$ 1,437,957	$ 1,818,997	$ 381,040

See notes to the basic financial statements.

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Individual Fund Statements--Nonmajor Funds

WASCO UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Cafeteria Fund
Assets	
Cash in county treasury	$ 1,591,697
Cash in revolving fund	2,000
Accounts receivable	470,247
Due from other funds	4,061
Stores inventories	
Food	33,785
Total Assets	$ 2,101,790
Liabilities and Fund Balances	
Liabilities	
Accounts payable	$ 75,520
Due to other funds	98,516
Total Liabilities	174,036
Fund Balances	
Nonspendable	
Revolving fund	2,000
Stores inventories	33,785
Restricted	
Legally restricted balances	1,891,969
Committed	
Assigned	
Unassigned	
Total Fund Balances	1,927,754
Total Liabilities and Fund Balances	$ 2,101,790

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Cafeteria Fund
Revenues	
Federal revenue	$ 2,262,191
Other state revenue	156,018
Other local revenue	1,455,225
Total Revenues	3,873,434
Expenditures	
Classified salaries	954,678
Employee benefits	403,418
Books and Supplies	2,137,915
Services and other operating expenditures	85,363
Capital outlay	127,762
Direct support/indirect costs - Interfund	85,820
Debt service	
Principal retirement	9,111
Total Expenditures	3,804,067
Excess (Deficiency) of Revenues Over Expenditures	69,367
Other Financing Sources (Uses)	
Operating transfers in	38,438
Total Other Financing Sources (Uses)	38,438
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	107,805
Fund Balances, July 1, 2015	1,819,949
Fund Balances, June 30, 2016	$ 1,927,754

See notes to the basic financial statements.

WASCO UNION SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (BY OBJECT)
YEAR ENDED JUNE 30, 2016

	Cafeteria Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Federal revenue	$ 2,177,750	$ 2,262,191	$ 84,441
Other state revenue	149,000	156,018	7,018
Other local revenue	1,484,837	1,455,225	(29,612)
Total Revenues	3,811,587	3,873,434	61,847
Expenditures			
Classified salaries	1,193,066	954,678	238,388
Employee benefits	428,175	403,418	24,757
Books and Supplies	2,162,606	2,137,915	24,691
Services and other operating expenditures	77,681	85,363	(7,682)
Capital outlay	128,000	127,762	238
Direct support/indirect costs - Interfund	94,718	85,820	8,898
Debt service			
Principal retirement	9,111	9,111	-
Total Expenditures	4,093,357	3,804,067	289,290
Excess (Deficiency) of Revenues Over Expenditures	(281,770)	69,367	351,137
Other Financing Sources (Uses)			
Operating transfers in	38,438	38,438	-
Total Other Financing Sources (Uses)	38,438	38,438	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(243,332)	107,805	351,137
Fund Balances, July 1, 2015	1,734,432	1,819,949	85,517
Fund Balances, June 30, 2016	$ 1,491,100	$ 1,927,754	$ 436,654

See notes to the basic financial statements.

Other Supplementary Information

WASCO UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

ORGANIZATION STRUCTURE

The District was established in 1919, and is comprised of an area of approximately 128 square miles, located in Kern County. There were no changes in the boundaries of the District during the year ended June 30, 2015. The District is currently operating four elementary schools and one intermediate school.

Board of Trustees

Name	Office	Term Expires
Anna Poggi	President	2018
Luis Fernandez	Clerk	2018
Richard Reding	Member	2018
Ernie Sanchez	Member	2016
Danny Rueda	Member	2016

Administration

Kelly Richers
Superintendent

David Bowling
Assistant Superintendent

J. Bradley Maberry
Assistant Superintendent

Karen Evans
Chief Business Official

WASCO UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

SCHEDULE OF AVERAGE DAILY ATTENDANCE

	District ADA		Audited ADA	
	Second Period	Annual	Second Period	Annual
Elementary				
Regular				
TK / K - 3	1,586.51	1,587.12	1,586.51	1,587.12
Grades 4 - 6	1,179.37	1,177.52	1,179.37	1,177.52
Grades 7 - 8	712.03	709.47	712.03	709.47
Special education--nonpublic, nonsectarian	.90	.92	.90	.92
Extended year special education--nonpublic, nonsectarian	.16	3.70	.16	3.70
ADA Totals	3,478.97	3,478.73	3,478.97	3,478.73

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

WASCO UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

SCHEDULE OF INSTRUCTIONAL TIME

Grade Level	1986-87 Required Minutes	2015-16 Offered Minutes	Days Offered	Status
TK / Kindergarten	36,000	51,350	180	In Compliance
Grade 1	50,400	51,500	180	In Compliance
Grade 2	50,400	51,500	180	In Compliance
Grade 3	50,400	51,500	180	In Compliance
Grade 4	54,000	56,510	180	In Compliance
Grade 5	54,000	56,510	180	In Compliance
Grade 6	54,000	56,510	180	In Compliance
Grade 7	54,000	57,916	180	In Compliance
Grade 8	54,000	57,916	180	In Compliance

Districts must maintain their instructional minutes as required by Education Code Section 46201 and 46207.

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 instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

The District exceeded its Local Control Funding Formula target funding.

WASCO UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

General Fund	(Budget) 2017	2016	2015	2014
Revenues and Other Financing Sources	$ 42,428,350	$ 41,269,503	$ 33,314,653	$ 30,167,569
Expenditures	39,865,554	37,462,983	32,637,873	28,010,995
Other Financing Uses and Transfers Out	1,903,411	288,438	733,626	-
Total Outgo	41,768,965	37,751,421	33,371,499	28,010,995
Change in Fund Balance	$ 659,385	$ 3,518,082	$ (56,846)	$ 2,156,574
Ending Fund Balance	$ 13,353,186	$ 12,693,802	$ 9,175,720	$ 9,232,566
Unassigned Fund Balance	$ -	$ -	$ -	$ -
Reserve for Economic Uncertainties	1,254,389	1,141,437	1,001,145	4,646,523
Available Reserves	$ 1,254,389	$ 1,141,437	$ 1,001,145	$ 4,646,523
Available Reserves as a Percentage of Total Outgo	3.00%	3.02%	3.00%	16.59%
Total Long-Term Debt	$ 43,096,294	$ 42,942,851	$ 29,994,377	$ 9,574,610
Average Daily Attendance at P-2--Traditional	3,495	3,479	3,458	3,398

This schedule discloses the District's financial trends by displaying past years' data along with budget information for the fiscal year ending June 30, 2017. 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 General Fund balance has increased by $3,461,236 over the past two years. The fiscal year 2016-2017 budget projects an increase of $659,385 (5.2%). For a District this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo), but not less than $60,000. The District's available reserves are equal to this suggested balance.

The District has incurred an operating deficit in one of the past three years, but does not anticipate an operating deficit during the 2016-2017 fiscal year.

Total long-term debt has increased by $33,368,241 over the past two years.

Average traditional daily attendance has increased by 81 over the past two years. During fiscal year 2016-2017, an increase of 16 ADA is anticipated.

WASCO UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

		Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
		U. S. Department of Education			
		Passed through California Department of Education (CDE)			
		Title I Grants to Local Educational Agencies	84.010	13797/14329	$ 1,039,633
		Migrant Education--State Grant Program	84.011	14326	267,601
	1	Special Education--Grants to States	84.027	13379, 13682	583,923
	1	Special Education--Preschool Grants	84.173	13430	12,851
		NCLB Title X Homeless Assistance	84.196	14332	171
		Even Start--Migrant Education (MEES)	84.214	10030	24,112
		English Language Acquisition State Grants	84.365	10084, 14346	241,327
		Improving Teacher Quality State Grants	84.367	14341	216,380
		Total U. S. Department of Education			2,385,998
		U. S. Department of Agriculture			
		Passed through CDE			
*	2	School Breakfast Program	10.553	13526	375,434
*	2	National School Lunch Program	10.555	13523, 13524	1,886,757
		Total U. S. Department of Agriculture			2,262,191
		U. S. Department of Health and Human Services			
		Passed through State Department of Health Services			
	3	Medical Assistance Program	93.778	10013, 10060	192,692
		Total Expenditures of Federal Awards			$ 4,840,881

* = Major Federal Program

	Cluster Totals
1 = Special Education Cluster (IDEA)	$ 596,774
2 = Child Nutrition Cluster	2,262,191
3 = Medicaid Cluster	192,692

See notes to schedule of expenditures of federal awards.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent the difference between funds received and funds expended in the current year for programs which are classified as entitlements and therefore are not subject to revenue deferral. The unspent balances are reported as legally restricted ending balances within the General Fund.

	Federal CFDA Number	Amount
Total Federal Revenues--Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 4,798,162
Reconciling items:		
Medical Assistance Program	93.778	42,719
Total Expenditures of Federal Awards		$ 4,840,881

See notes to schedule of expenditures of federal awards.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. NON-CASH ASSISTANCE

Federal expenditures for the National School Lunch Program includes $232,296 of food commodities consumed. Food commodities are valued at the assessed value provided by the United States Department of Agriculture.

3. SUBRECIPIENTS

The District did not provide any awards to subrecipients.

3. DE MINIMUS COST RATE

The District did not elect to use the 10% de minimus cost rate.

* * *

WASCO UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (SACS 2016) WITH AUDITED FINANCIAL STATEMENTS

	Special Reserve (Capital Projects) Fund
Annual Financial and Budget Report (SACS 2016) Fund Balances	$ 6,746,141
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balances	
Increase (Decrease) in Assets	
Cash With Fiscal Agent	(89,254)
Net Adjustments and Reclassifications	(89,254)
Audited Financial Statements Fund Balances	$ 6,656,887

This schedule provides the information necessary to reconcile the fund balances of all Funds reported on SACS 2016 forms to the audited financial statements.

There were no audit adjustments for the remaining District Funds not listed above.

WASCO UNION SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (SACS 2016) FORM DEBT WITH AUDITED FINANCIAL STATEMENTS

Total Debt Reported on Form DEBT		$ 37,846,702
Adjustments to Reported Amounts		
Capital leases payable	$ (16,744)	
Net pension liability	5,210,000	
Net OPEB obligation	(97,107)	
Total Adjustments		5,096,149
Total Debt Per Financial Statements		$ 42,942,851

This schedule provides the information necessary to reconcile the long-term debt reported on SACS 2016 Form DEBT to the audited financial statements.

SCHEDULE OF CHARTER SCHOOLS

No Charter Schools are chartered by the District.

* * *

EXCESS SICK LEAVE

The District did not authorize or accrue any excess sick leave as that term is defined in subdivision (c) of Education Code Section 22170.5 for the District's employees who are members of the California State Teachers' Retirement System (CalSTRS).

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OTHER INDEPENDENT AUDITOR'S REPORTS

Linger, Peterson & Shrum
Certified Public Accountants

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

Board of Trustees
Wasco Union School District
Wasco, California:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wasco Union School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 2016. The purpose of our audit was to express an opinion on the financial statements.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. This material weakness is described in the accompanying Schedule of Findings and Questioned Costs as Item 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.*

The District's Response to the Finding

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

Purpose of this Report

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

Linger, Peterson & Shrum

October 26, 2016

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

Board of Trustees
Wasco Union School District
Wasco, California:

Report on Compliance for Each Major Federal Program

We have audited Wasco Union School District's (the District) compliance with the types of compliance requirements described in the *Uniform Guidance Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The 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 terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, rules, and provisions of contracts or grant agreements applicable to federal programs. In planning and performing our audit of compliance, we considered the 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 District's internal control over compliance.

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

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

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.

Linger, Peterson & Shrum

October 26, 2016

Linger, Peterson & Shrum
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Wasco Union School District
Wasco, California:

Report on State Compliance

We have audited the compliance of Wasco Union School District (the District) with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations (CCR)*, Title 5, Section 19810 and following for the year ended June 30, 2016.

Management's Responsibility

The District's management is responsible for the District's compliance with the applicable compliance requirements.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with the applicable compliance requirements based on our compliance audit. Our compliance audit was made in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-16 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations (CCR)*, Title 5, Section 19810 and following. Our compliance audit included 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 compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on the District's compliance with these requirements. We selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the items below.

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	Description	Procedures Performed
	LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
A.	Attendance	Yes
B.	Teacher Certification and Misassignments	Yes
C.	Kindergarten Continuance	Yes
D.	Independent Study	No (see below)
E.	Continuation Education	Not Applicable
F.	Instructional Time	Yes
G.	Instructional Materials	Yes
H.	Ratios of Administrative Employees to Teachers	Yes
I.	Classroom Teacher Salaries	Yes
J.	Early Retirement Incentive	Not Applicable
K.	GANN Limit Calculation	Yes
L.	School Accountability Report Card	Yes
M.	Juvenile Court Schools	Not Applicable
N.	Middle or Early College High Schools	Not Applicable
O.	K-3 Grade Span Adjustment	Yes
P.	Transportation Maintenance of Effort	Yes
Q.	[Reserved]	
	SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
R.	Educator Effectiveness	Not Applicable
S.	California Clean Energy Jobs Act	Yes
T.	After School Education and Safety Program	Yes
U.	Proper Expenditure of Education Protection Account Funds	Yes
V.	[Reserved]	
W.	Unduplicated Local Control Funding Formula Pupil Counts	Yes
	Local Control and Accountability Plan	
X.	Independent Study—Course-Based	Not Applicable
Y.	Immunizations	Not Applicable
Z.		
	CHARTER SCHOOLS	
AA.	Attendance	Not Applicable
BB.	Mode of Instruction	Not Applicable
CC.	Nonclassroom-Based Instruction/Independent Study for Charter Schools	Not Applicable
DD.	Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
EE.	Annual Instructional Minutes--Classroom-Based	Not Applicable
FF.	Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because the ADA for this program was under the level which requires testing.

Basis for Qualified Opinion on State Compliance

As described in Finding 2016-002 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the following:

Finding No.	Compliance Requirement
2016-002	Classroom Teacher Salaries

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on State Compliance for Classroom Teacher Salaries

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on State Compliance paragraph, the Wasco Union 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 the Classroom Teachers Salary Expense Requirement for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other State Programs

In our opinion, the Wasco Union 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 other State Programs identified in the Auditor's Responsibility section above for the year ended June 30, 2016.

The District's Response to Finding

Wasco Union School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

Linger, Peterson & Shrum

October 26, 2016

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FINDINGS AND RECOMMENDATIONS SECTION

WASCO UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Type of Auditors' Report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

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

State Awards

Internal control over State programs:	
Material weakness identified?	No
Significant deficiency identified not considered to be a material weakness?	None reported
Type of Auditors' Report issued on compliance for State programs:	Qualified

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards.*

2016-001 Internal Control [30000]

Federal Program Information

This finding does not relate to any Federal programs.

Criteria or Specific Requirement

A strong internal control structure is necessary to provide management with reasonable, but not absolute, assurance that financial data are recorded, processed, summarized, and reported consistent with the assertions embodied in the financial statements.

Condition

There is inadequate control over financial transactions of the Student Body Funds because of a general lack of segregation of duties due to a limited number of employees. We believe this to be a material weakness.

Questioned Costs

There were no questioned costs related to this finding.

Perspective

This weakness applies to the entire internal control structure over the Student Body Funds.

Effect

If financial data were recorded, processed, summarized, or reported in a manner which was not consistent with the assertions embodied in the financial statements, management may not be able to detect such errors within a reasonable period of time.

Cause

There are not enough District employees involved in these Funds to adequately separate the duties.

Recommendation

While we realize that budgetary considerations may preclude the hiring of additional employees, we still must advise the Administration of this situation and recommend that duties be segregated as much as possible in order to enhance internal controls.

Views of Responsible Officials and Planned Corrective Actions

The Administration has segregated duties as much as possible with existing personnel, and believes that it is impractical and not cost effective to increase the number of employees.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no Federal award findings and questioned costs.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with State program rules and regulations.

2016-002 Classroom Teacher Salaries [61000]

Federal Program Information

This finding does not relate to any Federal programs.

Criteria or Specific Requirement

For an elementary school district, 60% of the district's current expense of education should be for salaries of classroom teachers, as set forth in Education Code Section 41372 (b)(1).

Condition

The District did not meet the current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers. The percentage should have been at least 60%, and it was only 55.11%.

Questioned Costs

The questioned costs are the deficiency amount of $1,577,821.93.

Perspective

Minimum percentage required	60.00%
Percentage spent by this District	55.11
	4.89%
District's current expense of education after reductions	$ 32,266,297.08
Deficiency amount	$1,577,821.93

Effect

The District did not pay out 60% of the District's current expense of education for salaries of classroom teachers. The District was deficient by $1,577,821.93. The District may be required to add the deficient amount of $1,577,821.93 to the amounts to be expended for salaries of classroom teachers during 2016-2017.

Cause

The new Local Control Funding Formula has increased the District's revenue and changed the allowable and required uses of the revenues, thus affecting the ratio of classroom expenditures vs. operating expenditures.

Recommendation

The District should take steps to remedy this situation by being pro-active in ensuring that when additional programs and services for students are being added that more attention be taken to ensure additional funds are being directed toward classroom expenditures. Also, as State Teacher Retirement contribution rates increase over the next several years, more funds will be spent on classroom expenses each year as well. For the 2015-2016 fiscal year, the District could complete an "Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries".

Views of Responsible Officials and Planned Corrective Actions

On September 7, 2016, the District completed the "Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries". The request for exemption was granted by the Kern County Superintendent of Schools on September 12, 2016.

* * *

WASCO UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FINDINGS
YEAR ENDED JUNE 30, 2016

Finding Number	Findings/Recommendations	Status	District Explanation if Not Fully Implemented
2015-001	There were insufficient numbers of employees to adequately separate duties in the Student Body Funds. Such separation of duties would enhance internal control.	Not implemented	See current-year Finding 2016-001.
2015-002	The District is required to provide a ten-day notice of public hearing for Instructional Materials, where the governing board encourages participation to make a determination whether each pupil in each school has, or will have by the end of the fiscal year, enough textbooks or instructional materials. The public hearing was held, but the District did not post the required ten-day notice anywhere. We recommend that the District assign the proper personnel to post the required notice each year as appropriate.	Implemented	
2015-003	The District did not meet the current expense of education percentage requirements for expenditure for payment of salaries of classroom teachers. The District should take steps to remedy this situation by being proactive in ensuring that additional funds are being directed toward classroom expenditures. For the 2014-2015 fiscal year, the District could complete an "Application for Exemption from the Required Expenditures for Classroom Teachers' Salaries".	Implemented	

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APPENDIX C

GENERAL INFORMATION ABOUT KERN COUNTY

The District is located in Wasco, Kern County (the "County"), California. The following information concerning the County is included only for the purpose of supplying general information regarding the area in and surrounding the District. The Bonds are not a debt of the County, the State or any of its political subdivisions, and none of the County, the State or any of its political subdivisions is liable therefor.

General

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

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

Population

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

COUNTY OF KERN
Population Estimates
Calendar Years 2012 through 2016

Area	2012	2013	2014	2015	2016
Total County	854,122	863,907	871,922	880,387	886,507
Total Unincorporated	304,500	306,850	307,654	308,484	309,425
Arvin	20,029	20,290	20,408	20,511	20,978
Bakersfield	357,260	364,183	369,485	374,642	379,110
California City	13,397	13,421	13,466	14,233	13,992
Delano	52,282	52,422	52,692	52,757	52,999
Maricopa	1,155	1,141	1,142	1,139	1,140
McFarland	12,420	12,731	13,805	14,231	14,658
Ridgecrest	27,991	27,994	27,969	27,953	28,064
Shafter	16,921	16,940	17,199	17,847	18,048
Taft	8,941	8,964	8,939	9,515	9,405
Tehachapi	13,796	13,100	13,023	12,758	12,217
Wasco	**25,430**	**25,871**	**26,140**	**26,317**	**26,471**

Source: California Department of Finance, Demographic Research Unit.

Industry and Employment

The unemployment rate in Kern County was 9.9% in December 2016, up from a revised 9.1% in November 2016, and below the year-ago estimate of 10.4%. This compares with an unadjusted unemployment rate of 5.0% for California and 4.5% for the nation during the same period.

BAKERSFIELD METROPOLITAN STATISTICAL AREA (MSA)
(County of Kern)
Civilian Labor Force, Employment and Unemployment
Calendar Years 2011 through 2015
Annual Averages

	2011	2012	2013	2014	2015
Civilian Labor Force [(1)(2)]	383,600	393,700	394,200	394,800	393,800
Employment	326,200	341,400	347,900	353,800	353,600
Unemployment	57,400	52,300	46,400	41,000	40,200
Unemployment Rate	15.0%	13.3%	11.8%	10.4%	10.2%
Wage and Salary Employment: [(3)]					
Agriculture	48,800	54,400	59,600	60,100	59,100
Mining and Logging	12,000	13,300	13,000	13,400	11,900
Construction	13,900	16,700	17,200	18,200	17,000
Manufacturing	13,100	13,500	14,000	14,600	14,200
Wholesale Trade	8,100	8,500	9,100	9,400	9,300
Retail Trade	27,000	27,900	28,900	30,300	31,600
Transportation, Warehousing, Utilities	8,700	9,100	9,500	9,800	10,100
Information	2,600	2,700	2,500	2,400	2,700
Finance and Insurance	5,300	5,500	5,600	5,500	5,300
Real Estate and Rental and Leasing	3,000	3,200	3,300	3,200	3,200
Professional and Business Services	25,300	26,600	26,200	25,900	25,500
Educational and Health Services	30,100	31,500	32,300	32,600	33,500
Leisure and Hospitality	20,700	21,600	22,800	23,700	25,200
Other Services	6,800	7,200	7,500	7,800	7,600
Federal Government	10,700	10,400	10,000	9,600	9,900
State Government	9,700	9,400	8,800	9,200	9,600
Local Government	39,800	39,000	39,600	40,800	42,000
Total all Industries [(4)]	285,700	300,300	310,000	316,400	317,500

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike. March 2015 benchmark.
(2) Civilian Labor Force numbers for years 2006-2008 will be recalculated by the State of California Employment Development Department.
(3) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(4) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Largest Employers

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

COUNTY OF KERN
January 2017
Largest Employers
(In Alphabetical Order)

Employer Name	Location	Industry
Bakersfield Memorial Hospital	Bakersfield	Hospitals
California Correctional Institution	Tehachapi	Government Offices - State
Chevron Corp.	Bakersfield	Management Services
Edwards AFB	Edwards	Government Offices-US
Foster Care Human Svc	Bakersfield	Social Service & Welfare Organizations
Giumarra Vineyards	Bakersfield	Vineyards
Grimmway Farms	Arvin	Farms
Human Services Dept.	Bakersfield	County Government-Social/Human Resources
Kern County Human Services Dept.	Bakersfield	Government Offices-County
Kern County School Supt.	Bakersfield	Schools
Kern Medical Center	Bakersfield	Hospitals
Marko Zaninovich Inc.	McFarland	Fruits & Vegetables-Growers & Shippers
Mercy Hospitals of Bakersfield	Bakersfield	Hospitals
Nabors Completion-Production	Bakersfield	Oil Field Service
NASA/Dryden Flight Research	Edwards	Research Service
Ridgecrest Regional Hospital	Ridgecrest	Hospitals
Rio Tinto Minerals	Boron	Mining Companies
Robertsons Ready Mix	California City	Concrete-Ready Mixed
San Joaquin Comnty Hosp Med	Bakersfield	Hospitals
San Joaquin Community Hospital	Bakersfield	Hospitals
Sun Pacific	Bakersfield	Fruits & Vegetables-Growers & Shippers
US Naval Air Weapons Station	Ridgecrest	Federal Government-National Security
Wasco State Prison	Wasco	Government Offices-State
Wm. Bolthouse Farms Inc.	Bakersfield	Agricultural Consultants
Wonderful Pistachios & Almonds	Lost Hills	Farms

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2017 1st edition.

Agriculture

Kern County is part of the San Joaquin Valley, one of the most agriculturally productive areas on a per acre basis in the world. The top five commodities for 2015 were Grapes, Almonds, Citrus, Milk and Cattle & Calves, which make up more than $5 Billion (73%) of the Total Value; with the top twenty commodities making up more than 94% of the Total Value. The table below lists the value of various agricultural products from 2011 through 2015.

KERN COUNTY
Gross Value of Agricultural Production
($'S in Thousands)

Agricultural Product	2011	2012	2013	2014	2015
Fruit and Nut Crops	$3,020,538	$3,650,049	$4,133,389	$4,769,213	$4,670,662
Field Crops	604,517	539,370	522,365	507,302	340,618
Vegetable Crops	684,867	714,490	686,789	648,857	654,165
Livestock & Poultry	354,864	395,078	418,926	443,650	370,376
Livestock & Poultry Products	787,746	732,385	819,880	980,756	652,917
Nursery Crops	61,816	100,824	111,271	93,720	83,265
Industrial Crops	14,470	15,717	14,176	18,498	12,838
Seed Crops & Other	12,729	7,742	5,305	6,591	11,251
Apiary Products	55,429	56,707	57,755	83,737	82,772
Total	**$5,596,976**	**$6,212,362**	**$6,769,856**	**$7,552,324**	**$6,878,823**

Source: Kern County Department of Agriculture.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2011 through 2015.

COUNTY OF KERN, STATE OF CALIFORNIA AND UNITED STATES
Effective Buying Income
As of January 1, 2011 through 2015

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2011	Kern County	$12,412,150	$37,006
	California	814,578,458	47,062
	United States	6,365,020,076	41,368
2012	Kern County	$12,841,055	$38,667
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	Kern County	$13,399,060	$40,446
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	Kern County	$14,323,958	$42,189
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	Kern County	$15,083,625	$43,795
	California	981,231,666	53,589
	United States	7,757,960,399	46,738

Source: The Nielsen Company (US), Inc.

Commercial Activity

Summaries of historic taxable sales within the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for calendar year 2015.

Total taxable sales during the first quarter of calendar year 2015 in the County were reported to be $3.4 billion, a 5.36% decrease from the total taxable sales of $3.6 billion reported during the first quarter of calendar year 2014.

KERN COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2009 through 2013
(Dollars in Thousands)

	Retail Stores		**Total All Outlets**	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2010	10,867	6,379,778	15,845	11,057,910
2011	10,803	7,242,948	15,691	13,742,659
2012	10,915	7,856,031	15,812	14,666,473
2013	11,242	8,134,147	16,077	15,199,124
2014	11,519	8,589,322	16,336	15,722,694

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

Construction Activity

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

COUNTY OF KERN
Total Building Permit Valuations
Calendar Years 2011 through 2015
(valuations in thousands)

	2011	2012	2013	2014	2015
Permit Valuation					
New Single-family	$135,744.5	$290,944.8	$363,561.4	$444,592.4	$496,973.6
New Multi-family	17,977.9	35,827.2	44,545.8	43,633.1	28,017.3
Res. Alterations/Additions	67,623.2	30,407.0	30,414.3	32,193.6	27,705.0
Total Residential	221,345.6	357,179.0	438,521.4	520,419.1	552,695.8
New Commercial	67,867.6	337,945.6	267,395.0	148,418.5	116,726.1
New Industrial	35,209.2	15,890.6	23,706.3	19,876.5	11,396.1
New Other	12,835.6	13,341.5	1,319,217.8	627,586.8	646,808.6
Com. Alterations/Additions	109,586.1	105,551.0	132,961.5	165,036.0	144,820.5
Total Nonresidential	225,498.5	472,728.7	1,743,280.6	960,917.8	919,751.3
New Dwelling Units					
Single Family	737	1,465	1,952	2,047	2,184
Multiple Family	257	419	520	380	270
TOTAL	994	1,884	2,472	2427	2,454

Source: Construction Industry Research Board, Building Permit Summary.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

March 8, 2017

Board of Trustees
Wasco Elementary School District
1102 5th Street
Wasco, California 93280

OPINION: $5,000,000 Wasco Elementary School District (Kern County, California) General Obligation Bonds, 2016 Election, Series 2017A-1 (Measure D)

$5,000,000 Wasco Elementary School District (Kern County, California) General Obligation Bonds, 2016 Election, Series 2017A-1 (Measure E)

Members of the Board of Trustees:

We have acted as bond counsel to the Wasco Elementary School District (the "District") in connection with the issuance by the District of $5,000,000 principal amount of Wasco Elementary School District (Kern County, California) General Obligation Bonds, 2016 Election, Series 2017A-1 (Measure D), dated the date hereof and $5,000,000 principal amount of Wasco Elementary School District (Kern County, California) General Obligation Bonds, 2016 Election, Series 2017A-2 (Measure E), dated the date hereof (collectively, the "Bonds") under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and Resolutions adopted by the Board of Trustees of the District (the "Board") on January 10, 2017 (the "Bond Resolutions"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolutions and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing school district with the power to issue the Bonds, and to perform its obligations under the Bond Resolutions and the Bonds.

2. The Bond Resolutions have been duly adopted by the Board, and constitute valid and binding obligations of the District enforceable upon the District in accordance with their terms.

3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District.

4. The Board of Supervisors of Kern County is required under the laws of the State of California to levy an *ad valorem* tax upon the property in the District, unlimited as to rate or amount, for the payment of principal and interest on the Bonds.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 Code which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution and in other instruments relating to the Bonds to comply with each of such requirements; and the District has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$5,000,000
WASCO ELEMENTARY SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2017A-1 (Measure D)

$5,000,000
WASCO ELEMENTARY SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds
2016 Election, Series 2017A-2 (Measure E)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Wasco Elementary School District (the "District") in connection with the execution and delivery of the captioned bonds (collectively, the "Bonds"). The Bonds are being executed and delivered pursuant to resolutions adopted by the Board of Trustees of the District on January 10, 2017 (the "Bond Resolutions"). U.S. Bank National Association, Los Angeles, California, is initially acting as paying agent for the Bonds (the "Paying Agent").

The District hereby covenants and agrees as follows:

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

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

"*Annual Report*" means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District (currently June 30^{th}), the first being March 31, 2017.

"*Dissemination Agent*" means, initially, Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means U.S. Bank National Association, or any successor thereto.

"*Participating Underwriter*" means Raymond James & Associates, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2017 with the report for the 2015-16 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4, *provided, that the first Annual Report due March 31, 2017, shall consist solely of the Official Statement*. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

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

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

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information:

(i) Assessed value of taxable property in the jurisdiction of the District for the most recently completed fiscal year;

(ii) Property tax collection delinquencies for the District for the most recently completed fiscal year, or if not available, for the previous fiscal year, but only if available from the County at the time of filing the Annual Report and only if the District's general obligation bond levies are not included in Kern County's Teeter Plan;

(iii) The District's most recently adopted Budget or approved interim report with budgeted figures, which is available at the time of filing the Annual Report; and

(iv) Such further information, if any, as may be necessary to make the statements made pursuant to (a) and (b) of this Section 4, in the light of the circumstances under which they are made, not misleading.

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

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

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

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

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

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

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

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

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

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

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Resolutions.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolutions for amendments to the Bond Resolutions with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

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

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: March 8, 2017

WASCO ELEMENTARY SCHOOL DISTRICT

By:__________________________________
Name: _______________________________
Title:_________________________________

ACCEPTANCE OF DUTIES AS DISSEMINATION AGENT:

ISOM ADVISORS, A DIVISION OF URBAN FUTURES, INC.

By:__________________________________
Name: _______________________________
Title: Managing Principal

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Wasco Elementary School District (the "District")
Name of Bond Issue:	$5,000,000 Wasco Elementary School District (Kern County, California) General Obligation Bonds, 2016 Election, Series 2017A-1 (Measure D)
	$5,000,000 Wasco Elementary School District (Kern County, California) General Obligation Bonds, 2016 Election, Series 2017A-2 (Measure E)
Date of Issuance:	March 8, 2017

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of March 8, 2017. The District anticipates that the Annual Report will be filed by ______________.

Dated:_____________

DISSEMINATION AGENT

By: ________________________________
Its: ________________________________

cc: Paying Agent and Participating Underwriter

APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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APPENDIX G

COUNTY INVESTMENT POLICY AND INVESTMENT REPORT

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OFFICE OF THE TREASURER-TAX COLLECTOR
COUNTY OF KERN

TREASURER'S STATEMENT OF INVESTMENT POLICY
Approved By the Board of Supervisors December 6, 2016

SCOPE:

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

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

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

FIDUCIARY RESPONSIBILITY:

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

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

PORTFOLIO OBJECTIVES:

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

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

AUTHORIZED INVESTMENTS:

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

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

PROHIBITED INVESTMENTS:

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

STAFF AUTHORIZED TO MAKE INVESTMENTS:

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

AUTHORIZED BROKER/DEALERS:

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

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

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

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

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

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

- Other institutions as authorized by law

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

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

DUE DILIGENCE:

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

INTERNAL CONTROL:

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

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

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

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

SECURITY CUSTODY & DELIVERIES:

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

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

COMPETITIVE PRICING:

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

LIQUIDITY:

The portfolio will maintain an effective duration no greater than 1.5. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio will maintain at least 40% of its total book value in securities having a maturity of one (1) year or less.

PORTFOLIO EVALUATION:

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

MITIGATING MARKET & CREDIT RISKS:

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

In the event of a downgrade of a security held in the portfolio, the Principal Treasury Investment Officer shall report the downgrade to the Treasurer promptly. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated on a case-by-case basis to determine whether the security shall be sold or held. It is preferred to sell such a security if there is no book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors.

TRADING & EARLY SALE OF SECURITIES:

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

PORTFOLIO REPORTS/AUDITING:

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

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

TREASURY OVERSIGHT COMMITTEE:

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

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

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph M. Brown Act. By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury.

QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:

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

QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:

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

WITHDRAWAL OF FUNDS:

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

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

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

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

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

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

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

ETHICS & CONFLICTS OF INTEREST:

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

POLICY ADOPTION & AMENDMENTS:

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

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OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

Schedule I

Authorized Investments

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

Commercial paper of U.S. Corps with total assets in excess of $500 MM	40% total for all Commercial Paper	Max 10% of outstanding paper of any one issuer & max. See Note 1	270 Days	Minimum A-1, P-1 or F-1
Asset-backed Commercial Paper	Included in Commercial Paper Requirements	Issuer must have program-wide credit enhancements	270 Days	Minimum A-1, P-1 or F-1
Local Agency Investment Fund (LAIF)	$50,000,000	LAIF Policies	Daily	Not Applicable
Negotiable CD's issued by US National or State chartered banks or a savings association or a federal association, a state or federal credit union, or by a federally licensed or state licensed branch of a foreign bank	30%	See Note 1	5 years	Minimum A-1, P-1 or F-1 for CDs issued with a maturity of one year or less. AA for CDs issued with a maturity of more than one year (must be rated by 2 of the 3 rating agencies)
Collateralized Certificates of Deposit/Deposits	10%	As stipulated in Article 2, Section 53630 et al of the Calif. Government Code	1 year	See Section 53630 et al of the California Government Code
Repurchase Agreements with 102% collateral	40%	Repurchase Agreements(contracts) must be on file	180 days	Restricted to Primary Dealers on Eligible Dealer list
Reverse Repurchase Agreements	10%	See Schedule II	92 days (See Schedule III)	Restricted to Primary Dealers on Eligible Dealer list
Medium Term Notes of corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.	30%	See Note 1	5 years	Minimum rating of AA for maturities exceeding 1 year. A for maturities of one year or less. (must be rated by 2 of the 3 rating agencies)
Money Market Mutual Funds that meet requirements of Calif. Gov't. Code	15%	Registered with SEC. No NAV adjustments. No Front-end loads.	Daily	AAAm or equivalent by at least 2 of the 3 rating agencies or advisor requirements

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

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

MATURITY STRUCTURE		
Maturity Range	No less Than	No more than
0-366 Days - 0 to 12months	40%	n/a
367- 1097 Days - 1 to 3 years	n/a	60%
1097-1827 Days - 3 to 5 years	n/a	20%

The effective duration of the portfolio will not exceed 1.5.

Some securities purchased by the Pool will be callable securities. Callable securities are subject to redemption prior to the final maturity date. For accounting purposes, premiums will be amortized to the next applicable call date, whereas discounts will be accreted to the final maturity date. Callable securities will not exceed 35% of the portfolio.

Some callable securities have coupons that increase at specified periods if the security is not called (step-up notes). Step-up notes will be included in the 35% allocation of callable notes, but will not exceed 20% of the total portfolio.

REPURCHASE AGREEMENTS

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

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

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OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

SCHEDULE II

POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS

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

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

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

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

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

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

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

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

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

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

OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

SCHEDULE III

POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS

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

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

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

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

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

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

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

OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

SCHEDULE IV

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

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

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

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

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

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

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

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

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

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

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

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

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

Counterparties must have:

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

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GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CUSIP – A unique identifier for a security developed by the Committee on Uniform Security

Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character *string*. The first six characters identify the issuer, the following two identify the issue, and the final character is a Check-digit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BROKER RECEIPT FOR INVESTMENT POLICY AND CERTIFICATE OF COMPLIANCE

TO:

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

By signing below, I__________________________ of __________________________
(Name) (Company)

hereby certify that:

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

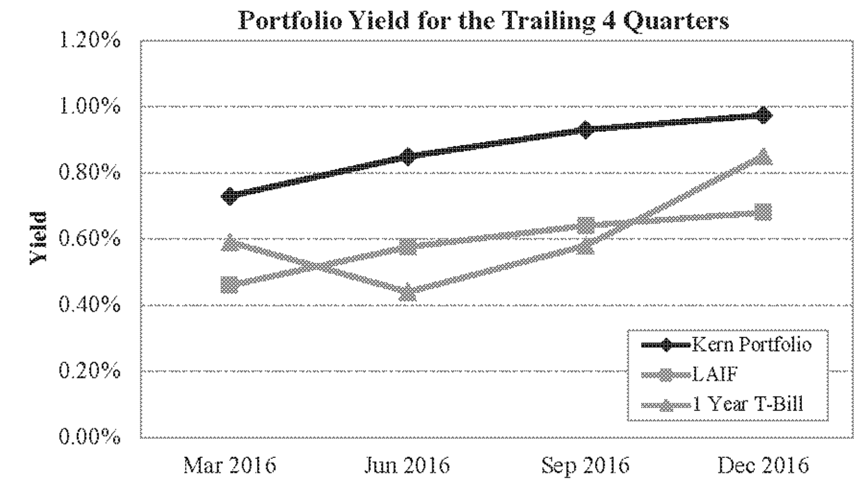
2) I further certify that I have not made, nor do I intend to make, political contributions to any candidate for any Kern County elective office.

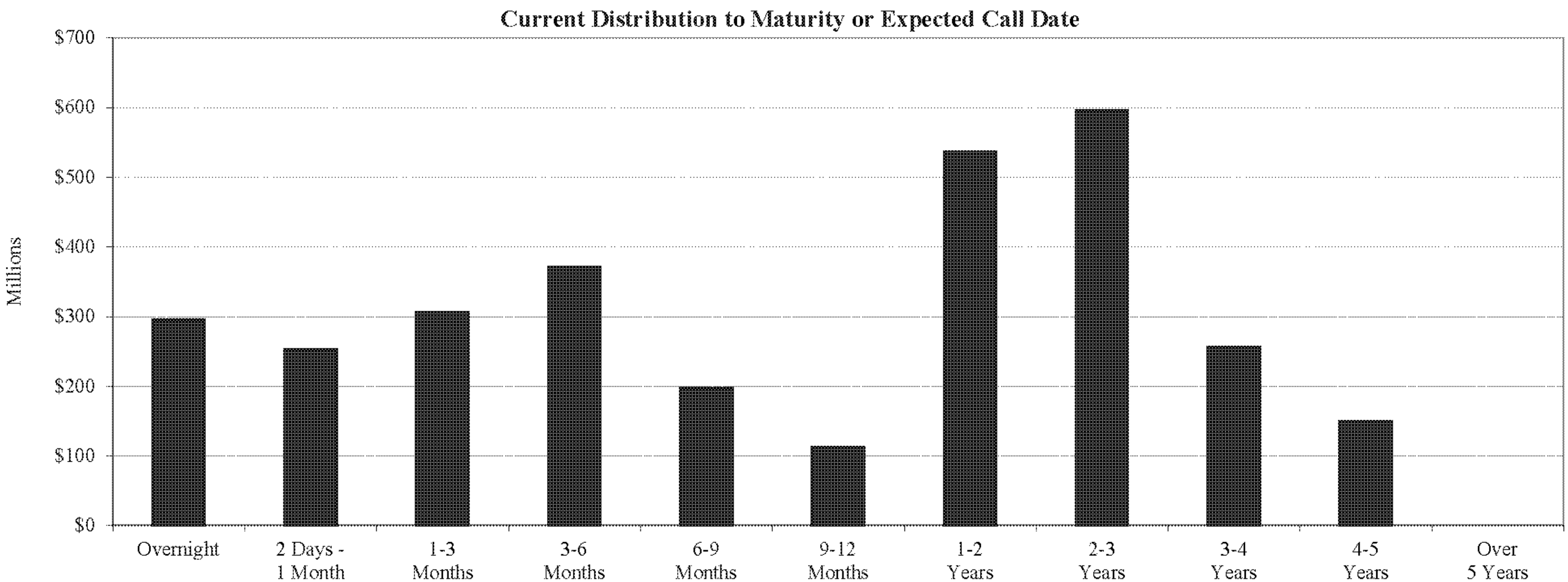
Signed:

______________________________________ Date:______________________

Kern County Treasurer's Pooled Cash
Portfolio Summary
December 31, 2016

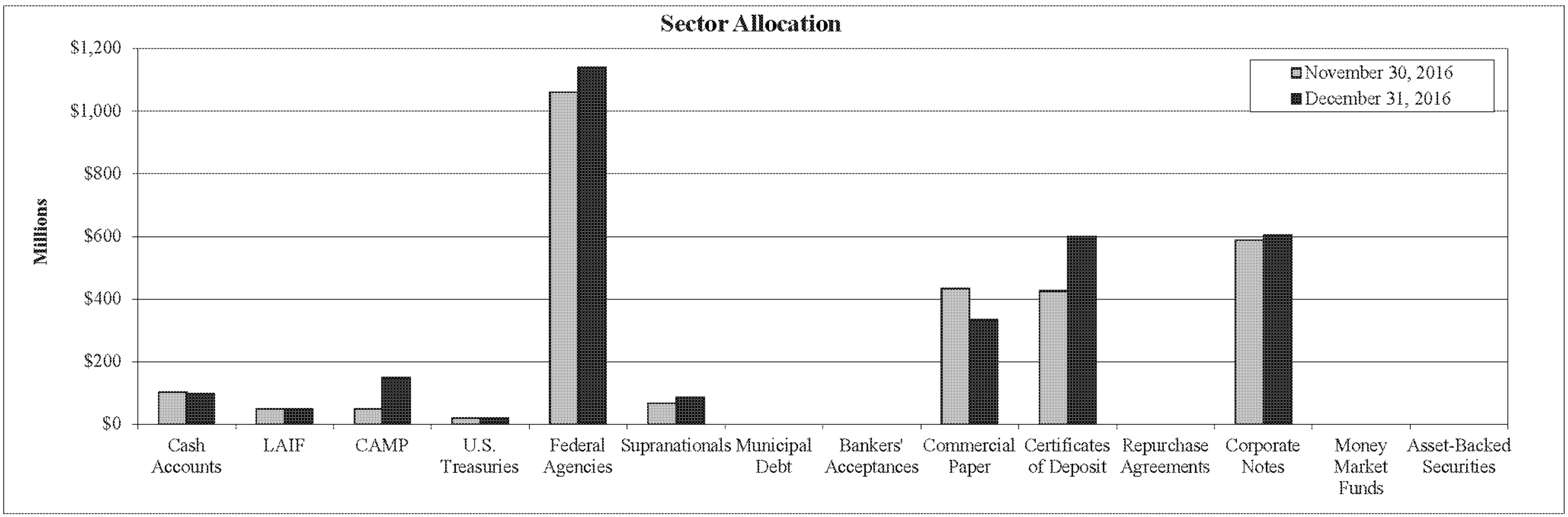
Total Market Value	$3,060,541,073
Total Accrued Interest	$6,889,288
Yield to Maturity at Cost	1.12%
Yield to Maturity at Market	1.26%
Effective Duration	1.31
Weighted Average Days to Maturity	518





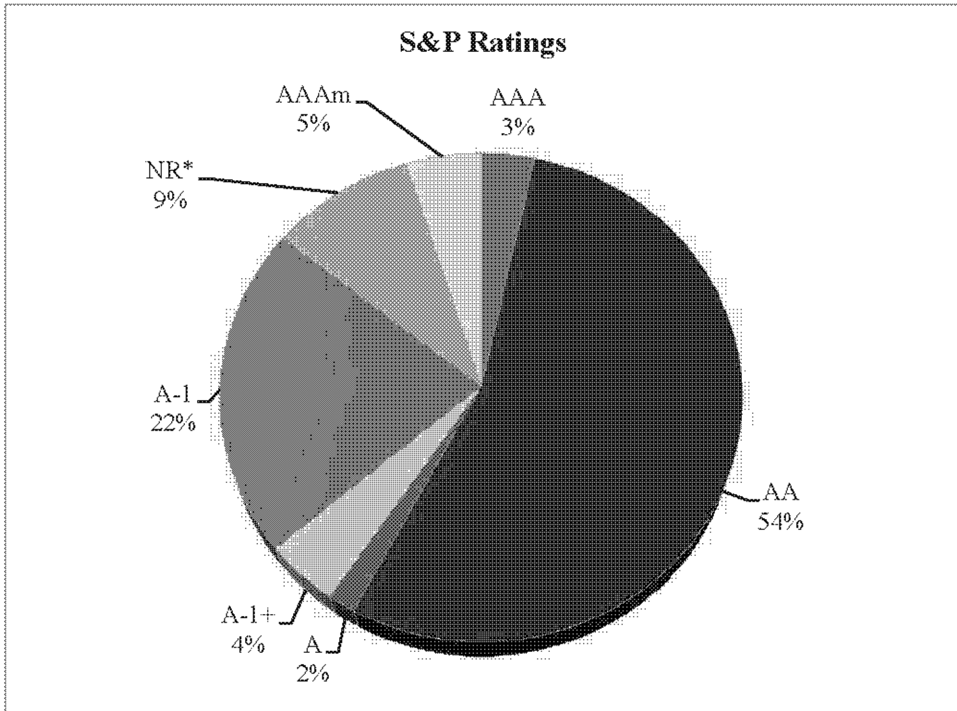
Kern County Treasurer's Pooled Cash
Portfolio Summary
December 31, 2016

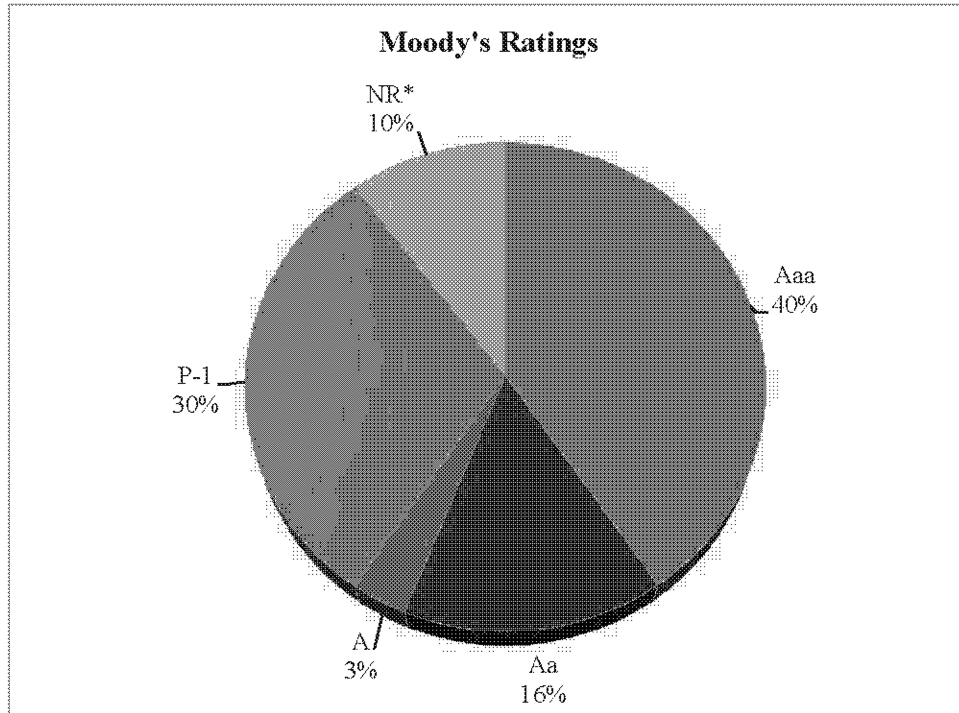
Sector	Par Amount (000s)	Original Cost (000s)	Market Value (000s)	Accrued Interest (000s)	Original Yield	% of Total Assets	Policy Limit Rating	Effective Duration	Days to Maturity
Local Agency Investment Fund	48,358.13	48,358.13	48,358.13	-	0.68%	1.57%	$50,000	0.00	1
California Asset Management Program	149,212.81	149,212.81	149,212.81	-	0.72%	4.85%	10%	0.00	1
Money Market Accounts	46,486.56	46,486.56	46,486.56	-	0.45%	1.51%	$50,000	0.00	1
U.S. Treasuries	20,000.00	19,848.57	19,902.34	21.41	0.88%	0.64%	100%	1.32	485
Federal Agencies	1,137,071.00	1,139,056.37	1,132,314.37	2,425.27	1.27%	37.01%	75%	2.17	886
Supranationals	85,000.00	85,217.50	84,365.43	225.89	1.46%	2.77%	10%	2.37	1098
Negotiable CDs	600,000.00	600,024.11	599,581.06	1,544.45	0.96%	19.50%	30%	0.38	141
Commercial Paper	336,000.00	334,343.60	335,391.81	-	0.96%	10.86%	40%	0.16	60
Corporate Notes	591,553.00	603,579.10	593,325.85	2,672.27	1.31%	19.61%	30%	1.64	625
Total Securities	**3,013,681.49**	**3,026,126.74**	**3,008,938.36**	**6,889.29**	**1.12%**	**98.32%**		**1.31**	**518**
Total Cash	51,602.72	51,602.72	51,602.72	-	0.02%	1.68%		1.00	1
Total Assets	**3,065,284.21**	**3,077,729.46**	**3,060,541.07**	**6,889.29**		**100.00%**			



Kern County Treasurer's Pooled Cash
Portfolio Ratings and Maturity Structure
December 31, 2016

Maturity Range	Par Amount (000s)	Original Cost (000s)	Market Value (000s)	% of Total Assets	Permitted Minimum	Permitted Maximum
0 - 366 Days (0 to 12 months)	1,511,198.21	1,516,727.12	1,511,502.25	49.28%	40%	n/a
367 - 1097 Days (1 to 3 years)	1,144,034.00	1,149,316.65	1,141,873.54	37.34%	n/a	60%
1098 - 1827 Days (3 to 5 years)	410,052.00	411,685.68	407,165.28	13.38%	n/a	20%
Over 1828 Days (Over 5 years)	-	-	-	0.00%	n/a	0%
Total Assets	**3,065,284.21**	**3,077,729.46**	**3,060,541.07**	**100.00%**		





*Includes LAIF, Cash, FICA Account, and all securities without a rating from the respective rating agency. Includes CAMP for Moody's Ratings, CAMP is rated AAAm by S&P.
**Percentages may not sum to 100% due to rounding.

Kern County Treasurer's Pooled Cash
Portfolio Details
December 31, 2016

Issuer	Settlement	Coupon	Maturity	Original Yield	Par Amount (000s)	Original Cost (000s)	Market Value (000s)	S&P Rating	Moody's Rating	Effective Duration	Days to Maturity
Pooled Funds											
Local Agency Investment Fund	n/a	n/a	n/a	0.68	48,358.13	48,358.13	48,358.13	NR	NR	0.00	1
California Asset Management Program	n/a	n/a	n/a	0.72	149,212.81	149,212.81	149,212.81	AAAm	NR	0.00	1
Total Pooled Funds				0.71	197,570.93	197,570.93	197,570.93			0.00	1
Money Market Accounts											
Stonecastle-FICA	n/a	n/a	n/a	0.45	46,486.56	46,486.56	46,486.56	NR	NR	0.00	1
Total Money Market Accounts				0.45	46,486.56	46,486.56	46,486.56			0.00	1
U.S. Treasuries											
U.S. Treasury	4/13/2015	0.63	4/30/2018	0.91	10,000.00	9,915.63	9,951.17	AA+	Aaa	1.32	485
U.S. Treasury	4/21/2015	0.63	4/30/2018	0.85	10,000.00	9,932.95	9,951.17	AA+	Aaa	1.32	485
Total U.S. Treasuries				0.88	20,000.00	19,848.57	19,902.34			1.32	485
Federal Agencies											
Federal Farm Credit Bank	4/27/2015	0.70	4/6/2017	0.60	10,000.00	10,019.00	10,003.54	AA+	Aaa	0.27	96
Federal Home Loan Mortgage Corp	4/27/2015	0.67	5/30/2017	0.63	10,000.00	10,007.80	10,002.14	AA+	Aaa	0.42	150
Federal Home Loan Bank	12/5/2012	0.75	6/5/2017	0.75	10,000.00	10,000.00	10,000.77	AA+	Aaa	0.42	156
Federal Farm Credit Bank	9/28/2015	0.78	8/28/2017	0.78	10,000.00	10,000.00	9,993.58	AA+	Aaa	0.65	240
Federal National Mortgage Assoc	8/27/2015	2.50	9/14/2017	0.77	10,000.00	10,350.70	10,124.13	AA+	Aaa	0.70	257
Federal Farm Credit Bank	12/21/2015	0.79	9/18/2017	1.05	10,000.00	9,955.00	9,990.06	AA+	Aaa	0.59	261
Federal Farm Credit Bank	12/18/2015	1.13	9/22/2017	1.04	10,000.00	10,014.30	10,022.97	AA+	Aaa	0.72	265
Federal Farm Credit Bank	4/10/2015	1.00	9/25/2017	0.74	10,000.00	10,063.70	10,012.44	AA+	Aaa	0.73	268
Federal Farm Credit Bank	4/16/2015	1.00	9/25/2017	0.74	10,000.00	10,062.50	10,012.44	AA+	Aaa	0.73	268
Federal Home Loan Mortgage Corp	2/24/2016	1.13	10/10/2017	0.81	10,000.00	10,050.30	10,021.33	AA+	Aaa	0.77	283
Federal Home Loan Bank	12/10/2015	1.13	12/8/2017	1.03	10,000.00	10,019.00	10,024.87	AA+	Aaa	0.93	342
Federal Home Loan Bank	12/30/2015	1.13	12/8/2017	1.13	10,000.00	9,998.20	10,024.87	AA+	Aaa	0.93	342
Federal National Mortgage Assoc	2/3/2015	2.00	1/30/2018	1.09	5,000.00	5,133.50	5,002.49	AA+	Aaa	0.08	395
Financing Corporation	1/6/2015	-	2/8/2018	1.32	10,000.00	9,602.60	9,862.75	NR	NR	1.10	404
Federal Home Loan Bank	4/21/2015	1.38	3/9/2018	0.88	10,000.00	10,140.50	10,035.77	AA+	Aaa	1.17	433
Federal Home Loan Bank	4/13/2015	1.38	3/9/2018	0.94	10,000.00	10,123.50	10,035.77	AA+	Aaa	1.17	433
Federal Farm Credit Bank	4/13/2015	1.13	3/12/2018	0.92	10,000.00	10,058.90	10,009.47	AA+	Aaa	1.18	436
Federal Home Loan Bank	4/13/2015	1.13	4/17/2018	0.93	10,000.00	10,057.00	10,006.27	AA+	Aaa	1.28	472
Federal Home Loan Bank	4/10/2015	1.13	4/17/2018	0.93	10,000.00	10,057.10	10,006.27	AA+	Aaa	1.28	472
Federal Farm Credit Bank	4/12/2016	0.75	4/18/2018	0.82	10,000.00	9,986.40	9,924.28	AA+	Aaa	1.28	473
Federal Home Loan Bank	4/27/2015	0.95	4/27/2018	0.95	10,000.00	10,000.00	9,961.92	AA+	Aaa	1.31	482
Federal Home Loan Bank	4/27/2015	0.88	4/27/2018	0.88	10,000.00	10,000.00	9,956.63	AA+	Aaa	1.31	482
Federal National Mortgage Assoc	12/15/2014	0.88	5/21/2018	1.17	10,000.00	9,900.00	9,972.02	AA+	Aaa	1.37	506
Federal Farm Credit Bank	7/27/2015	1.10	6/1/2018	1.09	10,000.00	10,002.40	9,992.39	AA+	Aaa	1.40	517
Federal Home Loan Bank	8/3/2015	1.15	8/3/2018	1.15	10,000.00	10,000.00	9,988.09	AA+	Aaa	1.56	580
Federal National Mortgage Assoc	10/29/2014	1.88	9/18/2018	1.33	10,000.00	10,207.00	10,115.90	AA+	Aaa	1.68	626
Federal Home Loan Bank	8/26/2016	0.88	10/1/2018	0.91	10,000.00	9,993.20	9,944.97	AA+	Aaa	1.73	639
Tennesee Valley Authority	11/26/2014	1.75	10/15/2018	1.35	5,111.00	5,187.36	5,154.86	AA+	Aaa	1.75	653
Tennesee Valley Authority	11/20/2013	1.75	10/15/2018	1.41	10,000.00	10,160.40	10,085.82	AA+	Aaa	1.75	653
Federal National Mortgage Assoc	9/24/2015	1.63	11/27/2018	1.08	10,000.00	10,168.40	10,075.38	AA+	Aaa	1.87	696
Federal National Mortgage Assoc	11/4/2014	1.63	11/27/2018	1.50	10,000.00	10,048.60	10,075.38	AA+	Aaa	1.87	696
Federal National Mortgage Assoc	11/26/2014	1.63	11/27/2018	1.43	10,000.00	10,074.40	10,075.38	AA+	Aaa	1.87	696
Federal National Mortgage Assoc	12/12/2014	1.63	11/27/2018	1.46	10,000.00	10,064.80	10,075.38	AA+	Aaa	1.87	696
Federal National Mortgage Assoc	12/18/2014	1.63	11/27/2018	1.39	10,000.00	10,090.57	10,075.38	AA+	Aaa	1.87	696
Federal Home Loan Bank	12/5/2014	1.75	12/14/2018	1.46	10,000.00	10,113.20	10,104.69	AA+	Aaa	1.92	713
Federal Home Loan Bank	11/24/2014	1.75	12/14/2018	1.52	8,075.00	8,146.63	8,159.54	AA+	Aaa	1.92	713
Federal National Mortgage Assoc	11/3/2015	1.13	12/14/2018	1.17	10,000.00	9,985.10	9,979.37	AA+	Aaa	1.92	713
Federal Home Loan Bank	12/30/2015	1.75	12/14/2018	1.41	10,000.00	10,098.10	10,104.69	AA+	Aaa	1.92	713
Federal Farm Credit Bank	12/14/2015	1.30	12/14/2018	1.31	10,000.00	9,995.80	10,006.10	AA+	Aaa	1.92	713
Federal Farm Credit Bank	12/14/2015	1.30	12/14/2018	1.34	10,000.00	9,989.74	10,006.10	AA+	Aaa	1.92	713
Federal National Mortgage Assoc	12/3/2015	1.13	12/14/2018	1.30	10,000.00	9,948.80	9,979.37	AA+	Aaa	1.92	713
Federal Home Loan Bank	1/14/2016	1.75	12/14/2018	1.26	10,000.00	10,140.40	10,104.69	AA+	Aaa	1.92	713
Federal Home Loan Mortgage Corp	1/26/2016	5.00	12/14/2018	1.22	10,938.00	12,107.05	11,707.40	AA+	Aaa	1.87	713
Federal Home Loan Bank	12/28/2015	1.33	12/28/2018	1.33	10,000.00	10,000.00	10,060.52	AA+	Aaa	1.96	727
Federal Home Loan Bank	12/13/2016	1.25	1/16/2019	1.27	10,000.00	9,996.70	9,996.51	AA+	Aaa	2.01	746
Federal National Mortgage Assoc	2/23/2015	1.38	2/22/2019	1.31	10,450.00	10,476.13	10,451.82	AA+	Aaa	1.79	783
Federal National Mortgage Assoc	8/29/2016	1.00	2/26/2019	0.93	10,000.00	10,017.20	9,937.83	AA+	Aaa	2.11	787
Federal Home Loan Bank	2/2/2016	1.50	3/8/2019	1.14	10,000.00	10,109.00	10,030.15	AA+	Aaa	2.13	797
Federal Home Loan Bank	2/2/2016	1.88	3/8/2019	1.16	10,000.00	10,216.70	10,116.13	AA+	Aaa	2.13	797

Kern County Treasurer's Pooled Cash
Portfolio Details
December 31, 2016

Issuer	Settlement	Coupon	Maturity	Original Yield	Par Amount (000s)	Original Cost (000s)	Market Value (000s)	S&P Rating	Moody's Rating	Effective Duration	Days to Maturity
Federal Home Loan Bank	4/7/2015	1.50	3/8/2019	1.18	10,000.00	10,122.00	10,030.15	AA+	Aaa	2.13	797
Federal Farm Credit Bank	11/26/2014	1.75	3/18/2019	1.58	10,000.00	10,070.90	10,097.18	AA+	Aaa	2.16	807
Federal Home Loan Mortgage Corp	6/22/2016	1.25	3/22/2019	1.25	10,000.00	10,000.00	9,952.74	AA+	Aaa	1.91	811
Federal Home Loan Mortgage Corp	5/24/2016	1.13	4/15/2019	1.13	10,000.00	9,999.50	9,959.53	AA+	Aaa	2.25	835
Federal Home Loan Mortgage Corp	10/1/2015	1.75	5/30/2019	1.15	10,000.00	10,213.00	10,094.22	AA+	Aaa	2.36	880
Federal Farm Credit Bank	6/3/2016	1.06	6/3/2019	1.14	10,000.00	9,977.00	9,896.81	AA+	Aaa	2.38	884
Federal Farm Credit Bank	6/3/2016	1.06	6/3/2019	1.14	15,000.00	14,962.95	14,845.22	AA+	Aaa	2.38	884
Financing Corporation	1/7/2015	-	6/6/2019	1.70	10,000.00	9,279.60	9,606.96	NR	NR	2.41	887
Federal National Mortgage Assoc	6/13/2016	1.40	6/13/2019	1.40	10,000.00	10,000.00	9,948.45	AA+	Aaa	1.96	894
Federal Home Loan Mortgage Corp	6/14/2016	0.88	6/14/2019	1.45	10,000.00	10,000.00	9,969.09	AA+	Aaa	1.49	895
Federal Home Loan Bank	5/26/2016	1.63	6/14/2019	1.15	15,000.00	15,214.65	15,072.77	AA+	Aaa	2.40	895
Federal Home Loan Bank	9/24/2015	1.63	6/14/2019	1.28	10,000.00	10,124.00	10,048.51	AA+	Aaa	2.40	895
Federal National Mortgage Assoc	11/9/2015	1.75	6/20/2019	1.45	10,000.00	10,105.10	10,104.86	AA+	Aaa	2.41	901
Federal Home Loan Mortgage Corp	9/27/2016	0.88	7/19/2019	0.97	10,000.00	9,974.50	9,867.91	AA+	Aaa	2.50	930
Federal National Mortgage Assoc	8/12/2016	1.13	7/26/2019	1.12	10,000.00	10,000.00	9,882.41	AA+	Aaa	2.49	937
Federal Home Loan Mortgage Corp	12/1/2015	1.25	8/1/2019	1.51	10,000.00	9,907.50	9,958.83	AA+	Aaa	2.52	943
Federal National Mortgage Assoc	12/2/2016	1.26	8/2/2019	1.46	10,000.00	9,949.10	9,928.49	AA+	Aaa	2.39	944
Federal National Mortgage Assoc	12/21/2016	1.26	8/2/2019	1.56	10,000.00	9,922.50	9,930.36	AA+	Aaa	2.03	944
Federal Home Loan Bank	8/29/2016	0.88	8/5/2019	1.06	10,000.00	9,947.30	9,858.47	AA+	Aaa	2.54	947
Federal Home Loan Mortgage Corp	9/27/2016	1.40	8/23/2019	0.98	5,000.00	5,059.70	4,986.08	AA+	Aaa	2.58	965
Federal National Mortgage Assoc	9/29/2016	1.13	9/6/2019	1.12	12,440.00	12,440.00	12,243.76	AA+	Aaa	2.62	979
Federal Home Loan Bank	9/9/2016	1.00	9/26/2019	1.03	10,000.00	9,991.30	9,880.84	AA+	Aaa	2.68	999
Federal Farm Credit Bank	10/4/2016	0.96	10/4/2019	0.96	10,000.00	10,000.00	9,848.73	AA+	Aaa	2.70	1007
Federal National Mortgage Assoc	7/14/2016	-	10/9/2019	1.20	10,000.00	9,620.20	9,483.03	AA-	Aa2	2.75	1012
Federal National Mortgage Assoc	11/5/2015	-	10/9/2019	1.97	10,000.00	9,258.90	9,483.03	AA-	Aa2	2.75	1012
Federal National Mortgage Assoc	5/19/2016	-	10/9/2019	1.43	15,005.00	14,297.51	14,229.29	AA-	Aa2	2.75	1012
Federal Home Loan Mortgage Corp	4/18/2016	1.23	10/18/2019	1.23	10,000.00	10,000.00	9,868.43	AA+	Aaa	2.71	1021
Federal Home Loan Mortgage Corp	4/28/2016	1.20	10/28/2019	1.20	10,000.00	10,000.00	9,843.59	AA+	Aaa	2.75	1031
Federal Home Loan Mortgage Corp	4/28/2016	1.20	10/28/2019	1.20	10,000.00	10,000.00	9,843.59	AA+	Aaa	2.75	1031
Federal Farm Credit Bank	1/6/2015	1.80	11/5/2019	1.64	10,000.00	10,076.40	10,066.57	AA+	Aaa	2.76	1039
Federal National Mortgage Assoc	12/2/2016	1.40	11/25/2019	1.51	10,000.00	9,967.00	9,942.73	AA+	Aaa	2.28	1059
Federal National Mortgage Assoc	12/24/2015	1.75	11/26/2019	1.63	10,000.00	10,044.60	10,076.48	AA+	Aaa	2.82	1060
Federal Home Loan Bank	12/15/2014	2.38	12/13/2019	1.74	10,000.00	10,302.90	10,243.05	AA+	Aaa	2.84	1077
Federal Home Loan Mortgage Corp	4/8/2016	1.38	12/30/2019	1.38	10,000.00	10,000.00	9,883.05	AA+	Aaa	2.81	1094
Federal Home Loan Bank	2/3/2015	2.00	1/30/2020	1.57	4,500.00	4,592.97	4,504.09	AA+	Aaa	0.57	1125
Federal Home Loan Mortgage Corp	5/10/2016	1.32	2/10/2020	1.32	15,000.00	15,000.00	14,807.63	AA+	Aaa	2.37	1136
Federal Home Loan Mortgage Corp	11/10/2016	1.18	2/10/2020	1.18	15,000.00	15,000.00	14,776.22	AA+	Aaa	3.04	1136
Federal Home Loan Mortgage Corp	8/25/2016	1.25	2/25/2020	1.25	10,000.00	10,000.00	9,831.24	AA+	Aaa	0.00	1151
Federal Home Loan Bank	11/30/2016	1.20	2/28/2020	1.20	15,000.00	15,000.00	14,767.88	AA+	Aaa	2.67	1154
Federal Home Loan Mortgage Corp	12/13/2016	1.38	5/1/2020	1.56	10,000.00	9,938.80	9,922.46	AA+	Aaa	3.24	1217
Federal Home Loan Mortgage Corp	10/21/2016	1.55	5/8/2020	1.15	6,737.00	6,830.37	6,721.91	AA+	Aaa	3.25	1224
Federal Home Loan Bank	11/15/2016	1.20	5/15/2020	1.20	10,000.00	10,000.00	9,856.36	AA+	Aaa	3.21	1231
Federal National Mortgage Assoc	11/22/2016	1.25	5/22/2020	1.25	9,500.00	9,500.00	9,315.06	AA+	Aaa	3.15	1238
Federal Home Loan Mortgage Corp	5/26/2016	1.45	5/26/2020	1.45	15,000.00	15,000.00	14,783.28	AA+	Aaa	0.49	1242
Federal Home Loan Bank	9/30/2016	1.75	6/12/2020	1.05	8,965.00	9,191.81	8,972.05	AA+	Aaa	3.33	1259
Federal National Mortgage Assoc	9/27/2016	1.50	6/22/2020	1.05	10,000.00	10,165.80	9,953.38	AA+	Aaa	3.37	1269
Federal National Mortgage Assoc	10/21/2016	1.50	6/22/2020	1.12	5,000.00	5,067.90	4,976.69	AA+	Aaa	3.37	1269
Federal National Mortgage Assoc	11/10/2016	1.50	6/22/2020	1.24	10,000.00	10,093.40	9,953.38	AA+	Aaa	3.37	1269
Federal National Mortgage Assoc	10/27/2016	1.50	6/22/2020	1.15	10,000.00	10,125.50	9,953.38	AA+	Aaa	3.37	1269
Federal National Mortgage Assoc	12/8/2016	1.50	6/22/2020	1.56	10,000.00	9,979.40	9,953.38	AA+	Aaa	3.37	1269
Federal National Mortgage Assoc	12/29/2016	1.70	6/29/2020	1.70	10,000.00	10,000.00	9,988.54	AA+	Aaa	2.31	1276
Federal National Mortgage Assoc	12/30/2016	1.82	6/30/2020	1.82	10,000.00	10,000.00	10,007.36	AA+	Aaa	2.26	1277
Federal Farm Credit Bank	2/4/2016	1.45	8/4/2020	1.36	10,000.00	10,037.80	9,834.95	AA+	Aaa	3.46	1312
Federal National Mortgage Assoc	11/30/2016	1.43	11/30/2020	1.43	10,000.00	10,000.00	9,871.30	AA+	Aaa	3.69	1430
Federal Home Loan Mortgage Corp	4/28/2016	1.00	4/28/2021	1.79	15,350.00	15,350.00	15,314.68	AA+	Aaa	3.29	1579
Federal National Mortgage Assoc	11/30/2016	1.80	5/26/2021	1.80	20,000.00	20,000.00	19,825.88	AA+	Aaa	3.27	1607
Federal National Mortgage Assoc	12/1/2016	1.75	6/1/2021	1.75	15,000.00	15,000.00	14,799.24	AA+	Aaa	3.33	1613
Federal National Mortgage Assoc	12/29/2016	1.91	6/29/2021	1.91	10,000.00	10,000.00	9,973.60	AA+	Aaa	3.12	1641
Federal National Mortgage Assoc	12/9/2016	1.25	8/17/2021	1.86	10,000.00	9,727.20	9,664.70	AA+	Aaa	4.44	1690
Federal National Mortgage Assoc	12/7/2016	1.38	10/7/2021	1.90	10,000.00	9,757.60	9,728.70	AA+	Aaa	4.57	1741
Federal Home Loan Bank	12/15/2016	1.88	11/29/2021	1.97	10,000.00	9,953.90	9,935.62	AA+	Aaa	4.66	1794
Federal Home Loan Bank	12/7/2016	1.88	11/29/2021	1.92	10,000.00	9,978.13	9,935.62	AA+	Aaa	4.66	1794
Total Federal Agencies				1.27	1,137,071.00	1,139,056.37	1,132,314.37			2.17	886

Supranationals

Kern County Treasurer's Pooled Cash
Portfolio Details
December 31, 2016

Issuer	Settlement	Coupon	Maturity	Original Yield	Par Amount (000s)	Original Cost (000s)	Market Value (000s)	S&P Rating	Moody's Rating	Effective Duration	Days to Maturity
International Bank of Reconstruction & Development	1/16/2015	0.70	1/17/2017	0.70	10,000.00	10,000.00	9,999.70	AAA	Aaa	0.05	17
International Bank of Reconstruction & Development	1/16/2015	1.35	1/16/2019	1.35	10,000.00	10,000.00	9,995.33	AAA	Aaa	1.99	746
International Bank of Reconstruction & Development	5/25/2016	1.25	7/26/2019	1.19	10,000.00	10,017.30	9,893.05	AAA	Aaa	2.50	937
Inter-American Development Bank	2/3/2016	1.75	10/15/2019	1.34	10,000.00	10,148.50	10,025.71	AAA	Aaa	2.70	1018
International Finance Corporation	4/15/2015	1.00	4/15/2020	2.01	10,000.00	10,000.00	9,918.99	AAA	Aaa	2.45	1201
Inter-American Development Bank	9/30/2016	1.88	6/16/2020	1.15	5,000.00	5,131.10	5,000.50	AAA	Aaa	3.33	1263
International Bank of Reconstruction & Development	10/27/2016	1.20	12/1/2020	1.40	10,000.00	9,920.60	9,630.30	AAA	Aaa	3.79	1431
International Bank of Reconstruction & Development	12/22/2016	1.87	6/22/2021	1.87	10,000.00	10,000.00	9,974.20	AAA	Aaa	3.58	1634
International Bank of Reconstruction & Development	12/28/2016	2.00	9/28/2021	2.00	10,000.00	10,000.00	9,927.65	AAA	Aaa	1.46	1732
Total Supranationals				1.46	85,000.00	85,217.50	84,365.43			2.37	1098
Negotiable CDs											
Landesbank Baden-Wu	12/16/2016	0.75	1/20/2017	0.75	25,000.00	25,000.00	25,001.84	NR	P-1	0.05	20
Landesbank Baden-Wu	12/28/2016	0.73	1/20/2017	0.73	25,000.00	25,000.00	25,001.27	NR	P-1	0.05	20
Toronto Dominion	12/5/2016	0.93	3/6/2017	0.93	25,000.00	25,000.00	25,005.46	A-1+	P-1	0.18	65
Bank Of Tokyo Mitsubishi UFJ	12/29/2016	0.78	3/6/2017	0.78	50,000.00	50,000.00	49,983.71	A-1	P-1	0.18	65
Mizuho Bank NY	12/23/2016	1.05	3/23/2017	1.05	25,000.00	25,000.00	25,008.29	A-1	P-1	0.22	82
Landesbank Baden-Wu	6/23/2016	1.12	3/28/2017	0.78	25,000.00	25,000.00	25,012.02	NR	P-1	0.24	87
Societe Generale	6/23/2016	1.08	3/31/2017	0.77	25,000.00	25,000.00	25,005.02	A-1	P-1	0.25	90
Bank of Montreal Chicago	12/28/2016	1.08	4/4/2017	1.04	25,000.00	25,005.33	25,005.20	A-1	P-1	0.26	94
Sumitomo Mitsui Trust NY	12/29/2016	1.09	5/3/2017	1.09	50,000.00	50,000.00	49,989.82	A-1	P-1	0.34	123
Nordea Bank	10/27/2016	1.08	5/9/2017	0.15	25,000.00	25,000.00	24,989.16	A-1+	P-1	0.35	129
Nordea Bank	12/14/2016	1.04	5/23/2017	1.04	25,000.00	25,000.00	24,973.13	A-1+	P-1	0.39	143
Credit Agricole	5/25/2016	1.29	5/25/2017	1.31	25,000.00	25,000.00	25,018.38	A-1	P-1	0.39	145
Toronto Dominion	8/26/2016	1.30	5/26/2017	0.78	25,000.00	25,018.79	25,021.54	A-1+	P-1	0.40	146
Union Bank	6/23/2016	0.97	6/6/2017	0.93	25,000.00	25,000.00	24,944.57	A-1	P-1	0.43	157
UBS AG Stamford CT	6/23/2016	1.15	6/20/2017	1.15	25,000.00	25,000.00	24,972.52	A-1	P-1	0.47	171
UBS AG Stamford CT	6/23/2016	1.15	6/20/2017	1.15	25,000.00	25,000.00	24,972.52	A-1	P-1	0.47	171
Mizuho Bank NY	9/30/2016	1.30	6/27/2017	0.85	25,000.00	25,000.00	25,023.38	A-1	P-1	0.48	178
Wells Fargo	7/20/2016	1.18	7/20/2017	1.20	25,000.00	25,000.00	24,985.40	A-1+	P-1	0.55	201
UBS AG Stamford CT	9/8/2016	1.52	8/29/2017	1.48	25,000.00	25,000.00	24,902.02	A-1	P-1	0.66	241
Canadian Imperial Bank of Commerce	12/9/2016	1.28	9/12/2017	0.87	25,000.00	25,000.00	24,890.45	A-1	P-1	0.69	255
Bank of Nova Scotia	12/22/2016	1.43	10/24/2017	1.16	25,000.00	25,000.00	24,938.05	A-1	P-1	0.81	297
Bank of Nova Scotia	12/8/2016	1.38	11/7/2017	1.25	25,000.00	25,000.00	24,937.34	A-1	P-1	0.85	311
Total Negotiable CDs				0.96	600,000.00	600,024.11	599,581.06			0.38	141
Commercial Paper											
Bank Of Tokyo Mitsubishi UFJ	11/28/2016	-	1/3/2017	0.60	25,000.00	24,985.00	24,998.13	A-1	P-1	0.01	3
JP Morgan Chase	4/11/2016	-	1/6/2017	1.01	25,000.00	24,812.50	24,997.58	A-1	P-1	0.02	6
Landesbank Baden-Wuerttemberg	4/12/2016	-	1/6/2017	1.11	25,000.00	24,794.51	24,997.13	NR	P-1	0.02	6
Abbey National Treasury Services	4/13/2016	-	1/6/2017	0.96	25,000.00	24,823.19	24,997.00	A-1	P-1	0.02	6
BNP Paribas	12/6/2016	-	1/20/2017	0.59	25,000.00	24,981.56	24,990.25	A-1	P-1	0.05	20
Bank Of Tokyo Mitsubishi UFJ	12/21/2016	-	1/23/2017	0.72	25,000.00	24,983.50	24,988.03	A-1	P-1	0.06	23
Landesbank Baden-Wuerttemberg	11/22/2016	-	1/31/2017	0.70	25,000.00	24,965.97	24,978.70	NR	P-1	0.08	31
Toyota	5/18/2016	-	2/7/2017	0.96	11,000.00	10,923.08	10,991.74	A-1+	P-1	0.10	38
ING Funding LLC	8/29/2016	-	2/14/2017	1.19	25,000.00	24,861.51	24,972.60	A-1	P-1	0.12	45
ING Funding LLC	9/9/2016	-	3/14/2017	1.22	25,000.00	24,843.71	24,951.55	A-1	P-1	0.20	73
Abbey National Treasury Services	6/23/2016	-	3/20/2017	1.06	25,000.00	24,803.13	24,953.90	A-1	P-1	0.22	79
Natixis NY	12/13/2016	-	4/25/2017	1.00	25,000.00	24,907.64	24,912.03	A-1	P-1	0.31	115
Credit Agricole CIB NY	12/19/2016	-	7/3/2017	1.19	25,000.00	24,839.39	24,838.90	A-1	P-1	0.50	184
Credit Agricole CIB NY	12/9/2016	-	7/18/2017	1.19	25,000.00	24,818.90	24,824.30	A-1	P-1	0.54	199
Total Commercial Paper				0.96	336,000.00	334,343.60	335,391.81			0.16	60
Corporate Notes											
Colgate-Palmolive	7/31/2015	1.30	1/15/2017	0.74	9,000.00	9,073.35	9,000.59	AA-	Aa3	0.04	15
JP Morgan Chase	3/3/2016	1.35	2/15/2017	1.22	40,538.00	40,587.05	40,544.89	A-	A3	0.12	46
New York Life	7/16/2014	1.13	3/1/2017	0.92	10,000.00	10,053.00	9,999.33	AA+	Aaa	0.17	60
MassMutual Global Funding	5/12/2014	2.00	4/5/2017	1.00	10,000.00	10,284.80	10,024.74	AA+	Aa2	0.26	95
MetLife	4/11/2014	1.30	4/10/2017	1.05	10,000.00	10,073.60	10,005.63	AA-	Aa3	0.28	100
MetLife	4/25/2014	1.30	4/10/2017	1.08	10,000.00	10,063.80	10,005.63	AA-	Aa3	0.28	100
New York Life	5/2/2014	1.65	5/15/2017	1.04	10,000.00	10,181.80	10,024.00	AA+	Aaa	0.37	135
Berkshire Hathaway	2/1/2013	1.60	5/15/2017	0.95	10,000.00	10,272.60	10,018.65	AA	Aa2	0.37	135
XTO Energy Inc	10/3/2012	6.25	8/1/2017	0.70	10,000.00	12,630.00	10,295.49	AA+	Aaa	0.57	213
Toyota	12/21/2012	1.25	10/5/2017	1.00	10,000.00	10,116.50	9,998.68	AA-	Aa3	0.75	278
General Electric	10/23/2014	5.25	12/6/2017	1.28	10,000.00	11,209.80	10,359.35	AA-	A1	0.91	340

Kern County Treasurer's Pooled Cash
Portfolio Details
December 31, 2016

Issuer	Settlement	Coupon	Maturity	Original Yield	Par Amount (000s)	Original Cost (000s)	Market Value (000s)	S&P Rating	Moody's Rating	Effective Duration	Days to Maturity
General Electric	11/19/2013	5.25	12/6/2017	1.16	10,000.00	11,612.40	10,359.35	AA-	A1	0.91	340
Toyota	2/1/2013	1.38	1/10/2018	1.02	10,000.00	10,170.70	9,987.35	AA-	Aa3	1.01	375
MetLife	1/28/2013	1.50	1/10/2018	1.10	10,000.00	10,192.80	10,001.64	AA-	Aa3	1.01	375
Wells Fargo	3/7/2016	1.65	1/22/2018	1.47	10,000.00	10,034.00	9,999.73	AA-	Aa2	1.04	387
IBM	2/6/2015	1.13	2/6/2018	1.23	10,000.00	9,969.50	9,977.27	AA-	Aa3	1.08	402
IBM	5/4/2015	1.13	2/6/2018	1.11	10,000.00	10,003.00	9,977.27	AA-	Aa3	1.08	402
Toyota	3/19/2015	1.25	3/19/2018	1.50	10,000.00	10,000.00	9,944.54	AA-	Aa3	0.55	443
Coca-Cola Company	7/14/2015	1.15	4/1/2018	1.17	10,000.00	9,994.90	9,977.34	AA-	Aa3	1.23	456
Toyota	4/13/2016	1.20	4/6/2018	1.12	10,000.00	10,015.60	9,955.57	AA-	Aa3	1.25	461
Wal-Mart	1/13/2016	1.13	4/11/2018	1.13	8,700.00	8,698.96	8,679.75	AA	Aa2	1.26	466
Colgate-Palmolive	1/26/2015	0.90	5/1/2018	1.12	10,000.00	9,929.30	9,948.54	AA-	Aa3	1.32	486
Apple	5/4/2015	1.00	5/3/2018	1.11	10,000.00	9,968.80	9,962.50	AA+	Aa1	1.32	488
Apple	5/4/2015	1.00	5/3/2018	1.13	10,000.00	9,963.00	9,962.50	AA+	Aa1	1.32	488
Apple	4/27/2015	1.00	5/3/2018	1.10	10,000.00	9,971.60	9,962.50	AA+	Aa1	1.32	488
ANZ Banking Group	7/20/2015	1.45	5/15/2018	1.53	10,000.00	9,976.80	9,954.67	AA-	Aa2	1.35	500
Berkshire Hathaway	1/21/2015	5.40	5/15/2018	1.32	10,000.00	11,320.60	10,524.40	AA	Aa2	1.32	500
Chevron Corp	9/1/2015	1.72	6/24/2018	1.48	10,000.00	10,064.50	10,030.62	AA-	Aa2	1.46	540
Toyota	1/29/2016	1.55	7/13/2018	1.41	10,000.00	10,034.60	9,997.51	AA-	Aa3	1.50	559
Commonwealth Bank of Australia	2/4/2015	2.50	9/20/2018	1.57	10,000.00	10,328.40	10,115.38	AA-	Aa2	1.67	628
Coca-Cola Company	4/22/2015	1.65	11/1/2018	1.11	10,000.00	10,186.20	10,039.96	AA-	Aa3	1.80	670
Microsoft	4/23/2015	1.63	12/6/2018	1.09	10,000.00	10,191.00	10,055.95	AAA	Aaa	1.89	705
Microsoft	4/27/2015	1.63	12/6/2018	1.14	10,000.00	10,171.20	10,055.95	AAA	Aaa	1.89	705
IBM	5/27/2016	1.95	2/12/2019	1.29	10,000.00	10,175.80	10,061.36	AA-	Aa3	2.05	773
Toyota	3/28/2016	1.70	2/19/2019	1.44	10,359.00	10,433.79	10,326.27	AA-	Aa3	2.07	780
Toyota	4/29/2016	1.70	2/19/2019	1.33	10,000.00	10,102.30	9,968.40	AA-	Aa3	2.07	780
Colgate-Palmolive	7/14/2015	1.75	3/15/2019	1.64	10,000.00	10,039.80	10,037.73	AA-	Aa3	2.15	804
IBM	3/16/2016	1.80	5/17/2019	1.64	10,000.00	10,048.20	10,004.27	AA-	Aa3	2.31	867
Wells Fargo	6/22/2016	1.75	5/24/2019	1.41	10,000.00	10,097.80	9,951.65	AA-	Aa2	2.33	874
Wells Fargo	8/8/2016	1.75	5/24/2019	1.20	11,826.00	12,005.76	11,768.82	AA-	Aa2	2.33	874
Wells Fargo	6/2/2016	1.75	5/24/2019	1.62	10,000.00	10,037.40	9,951.65	AA-	Aa2	2.33	874
Coca-Cola Company	12/20/2016	1.38	5/30/2019	1.62	7,070.00	7,028.57	7,023.02	AA-	Aa3	2.36	880
Toyota	1/20/2016	2.13	7/18/2019	1.83	10,000.00	10,098.10	10,043.39	AA-	Aa3	2.45	929
Apple	9/12/2016	1.10	8/2/2019	1.08	10,000.00	10,005.65	9,850.60	AA+	Aa1	2.52	944
Apple	9/6/2016	1.10	8/2/2019	1.17	20,290.00	20,251.65	19,986.87	AA+	Aa1	2.52	944
Berkshire Hathaway	12/2/2014	2.10	8/14/2019	1.80	5,000.00	5,067.35	5,045.00	AA	Aa2	2.52	956
JP Morgan Chase	10/24/2016	1.65	9/23/2019	1.47	10,000.00	10,051.10	9,900.53	A+	Aa3	2.64	996
US Bank	6/28/2016	2.13	10/28/2019	1.38	10,770.00	11,030.31	10,808.91	AA-	A1	2.70	1031
US Bank	6/28/2016	2.13	10/28/2019	1.39	10,000.00	10,239.80	10,036.13	AA-	A1	2.70	1031
US Bank	9/20/2016	2.13	10/28/2019	1.39	8,000.00	8,178.16	8,028.90	AA-	A1	2.70	1031
Apple	3/4/2015	1.55	2/7/2020	1.75	10,000.00	9,905.90	9,877.76	AA+	Aa1	2.99	1133
General Electric	11/15/2016	4.38	9/16/2020	1.73	10,000.00	10,978.60	10,748.51	AA-	A1	3.40	1355
Coca-Cola Company	11/3/2015	1.88	10/27/2020	1.97	10,000.00	9,955.10	9,915.02	AA-	Aa3	3.66	1396
Apple	10/31/2016	2.85	5/6/2021	1.72	10,000.00	10,489.20	10,207.46	AA+	Aa1	4.06	1587
Apple	12/16/2016	2.85	5/6/2021	2.24	10,000.00	10,253.50	10,207.46	AA+	Aa1	4.06	1587
Procter & Gamble Co	12/20/2016	1.70	11/3/2021	2.22	10,000.00	9,761.10	9,828.88	AA-	Aa3	4.60	1768
Total Corporate Notes				1.31	591,553.00	603,579.10	593,325.85			1.64	625
Total Securities					3,013,681.49	3,026,126.74	3,008,938.36				
Total Cash				0.02	51,602.72	51,602.72	51,602.72			0.00	1
Total Assets					**3,065,284.21**	**3,077,729.46**	**3,060,541.07**				

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APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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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)

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA 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

ACCRETED VALUE

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

Re: Bonds Maturing on

It is further understood that with respect to the Bonds maturing on the dates referenced above, the amount insured under this Policy is that portion of the accreted value (as set forth in the bond documents under which the Bonds are issued) of said Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

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

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