PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 20, 2016

NEW ISSUE
DTC BOOK-ENTRY ONLY
BANK QUALIFIED

S&P Rating: "A+"
See "RATING" herein

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. It is also the opinion of Bond Counsel that the Bonds are "qualified tax-exempt obligations" under section 265(b)(3) of the Internal Revenue Code of 1986. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "LEGAL MATTERS—Tax Matters" herein.

$7,500,000*
MOTHER LODE UNION SCHOOL DISTRICT
(EL DORADO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2016
(BANK QUALIFIED)

DATED: Date of Delivery **DUE: August 1, as shown on the inside cover**

The Mother Lode Union School District (El Dorado County, California) General Obligation Bonds, Election of 2016, Series 2016 in the aggregate principal amount of $7,500,000* (the "Bonds") are being issued by the Mother Lode Union School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted September 14, 2016. The Bonds were authorized at an election of the registered voters of the District held on June 7, 2016, which authorized the issuance of $7,500,000* principal amount of general obligation bonds to (i) finance the renovation, construction and improvement of school facilities and (ii) pay costs of issuance of the Bonds. The Bonds are the first and only series of bonds to be issued under this authorization. See "THE BONDS—Authority for Issuance" and "—General Obligation Bond Election of 2016" herein.

The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by El Dorado County (the "County"). The Board of Supervisors of the County is empowered and obligated to annually levy and collect *ad valorem* property taxes without limitation as to rate or amount on all taxable property in the District (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.

The Bonds are being issued as current interest bonds issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds accrues from the date of delivery and is first payable on August 1, 2017, and semiannually thereafter on February 1 and August 1 of each year. The Bonds are subject to redemption prior to their maturity. See "THE BONDS—Redemption Provisions" herein.

The Bonds are being issued as fully registered bonds, without coupons, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry only form and only in authorized denominations as described in this Official Statement. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by Zions Bank, a division of ZB, National Association as paying agent (the "Paying Agent") to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners. See "APPENDIX E—DTC BOOK-ENTRY ONLY" attached hereto.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELEVANT TO AN INVESTMENT IN THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED WILL HAVE THE MEANINGS SET FORTH HEREIN.

MATURITY SCHEDULE

See Inside Cover

The Bonds are being purchased for reoffering by _________ as Underwriter of the Bonds. The Bonds are offered when, as and if issued by the District and received by the Underwriter, subject to approval as to legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel. It is anticipated that the Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about October 12, 2016.

This Official Statement is dated ________, 2016.

*Preliminary, subject to adjustment.

MATURITY SCHEDULE

$7,500,000*
MOTHER LODE UNION SCHOOL DISTRICT
(EL DORADO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2016
(BANK QUALIFIED)

Maturity Date August 1	Principal Amount*	Interest Rate	Reoffering Yield	Price	CUSIP+
2017	$130,000	_.___%	_.___%	$___.___	______ ___
2018	110,000	_.___	_.___	___.___	______ ___
2019	120,000	_.___	_.___	___.___	______ ___
2020	130,000	_.___	_.___	___.___	______ ___
2021	145,000	_.___	_.___	___.___	______ ___
2022	155,000	_.___	_.___	___.___	______ ___
2023	175,000	_.___	_.___	___.___	______ ___
2024	190,000	_.___	_.___	___.___	______ ___
2025	210,000	_.___	_.___	___.___	______ ___
2026	225,000	_.___	_.___	___.___	______ ___
2027	240,000	_.___	_.___	___.___	______ ___
2028	260,000	_.___	_.___	___.___	______ ___
2029	280,000	_.___	_.___	___.___	______ ___
2030	300,000	_.___	_.___	___.___	______ ___
2031	320,000	_.___	_.___	___.___	______ ___
2032	335,000	_.___	_.___	___.___	______ ___
2033	360,000	_.___	_.___	___.___	______ ___
2034	385,000	_.___	_.___	___.___	______ ___
2035	405,000	_.___	_.___	___.___	______ ___
2036	430,000	_.___	_.___	___.___	______ ___
2037	460,000	_.___	_.___	___.___	______ ___
2038	485,000	_.___	_.___	___.___	______ ___
2039	515,000	_.___	_.___	___.___	______ ___
2040	550,000	_.___	_.___	___.___	______ ___
2041	585,000	_.___	_.___	___.___	______ ___

* Preliminary; subject to adjustment

+ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

Use of Official Statement. This Official Statement is submitted with respect to 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 to be construed as a contract with the purchasers of the Bonds.

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 law of any state.

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

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

Information in Official Statement. The information set forth herein has been furnished by the District and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

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

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," expect," "estimate," "project," "budget" or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based change.

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

Stabilization of and Changes to Offering Prices. In connection with the offering, the Underwriter may over-allot or effect transactions that stabilize or maintain the market price of the Bonds offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof, and such public offering prices may be changed from time to time by the Underwriter.

$7,500,000*
MOTHER LODE UNION SCHOOL DISTRICT
(EL DORADO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2016
(BANK QUALIFIED)

DISTRICT ADMINISTRATION

Marceline M. Guthrie, Ed.D., Superintendent
Andrew Peters, Chief Business Official[1]

Mother Lode Union School District
3783 Forni Road
Placerville, California 95667
(530) 622-6464

MUNICIPAL ADVISOR

Government Financial Strategies inc.
1228 N Street, Suite 13
Sacramento, California 95814
(916) 444-5100

BOND COUNSEL

Quint & Thimmig LLP
900 Larkspur Landing Circle, Suite 270
Larkspur, California 94939-1726
(415) 925-4200

PAYING AGENT AND ESCROW AGENT

Zions Bank, a Division of ZB, National Association
550 South Hope Street, Suite 2875
Los Angeles, California 90071
(213) 593-3155

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* Preliminary; subject to adjustment

1 Andrew Peters is scheduled to resign effective September 30, 2016. The District has hired Lisa Donaldson as his replacement.

$7,500,000*
MOTHER LODE UNION SCHOOL DISTRICT
(EL DORADO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2016
(BANK QUALIFIED)

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* Preliminary; subject to adjustment

OFFICIAL STATEMENT

$7,500,000*
MOTHER LODE UNION SCHOOL DISTRICT
(EL DORADO COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2016
(BANK QUALIFIED)

INTRODUCTORY STATEMENT

The purpose of this Official Statement is to provide certain information concerning the sale and delivery of the Mother Lode Union School District (El Dorado County, California) General Obligation Bonds, Election of 2016, Series 2016, in the aggregate principal amount of $7,500,000* (the "Bonds").

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

The District

The Mother Lode Union School District (the "District"), a political subdivision of the State of California (the "State") established in 1954, occupies approximately 62 square miles in El Dorado County (the "County"), located in the northern central portion of the State. The District serves a population of approximately 15,600 people residing in the City of Placerville (the "City") and surrounding communities in the foothills of the Sierra Nevada Mountains. The District operates one elementary school and one middle school, serving a total of approximately 1,050 students in transitional kindergarten through eighth grade. A five-member Board of Trustees (the "District Board") governs the District. See "THE DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein.

Authority for Issuance

The Bonds are issued by the District under and pursuant to the provisions of the State Government Code, a resolution adopted by the District Board on September 14, 2016 (the "Resolution") and a paying agent agreement dated October 12, 2016 between the District and Zions Bank, a division of ZB, National Association (the "Paying Agent Agreement"). See "THE BONDS—Authority for Issuance" herein.

Purpose of Issue

The Bonds are being issued by the District to (i) finance the renovation, construction and improvement of school facilities and (ii) pay costs of issuance of the Bonds. See "THE BONDS—General Obligation Bond Election of 2016" herein.

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* Preliminary; subject to adjustment

Source of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes, which the Board of Supervisors of the County (the "County Board") is empowered and obligated to annually levy and collect, without limitation as to rate or amount, on all taxable property in the District (except for certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds are dated their date of original issuance and delivery and issued as fully registered bonds, without coupons in book-entry form only. The Bonds are initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). See "THE BONDS—Form and Registration" herein.

Payments of principal of and interest on the Bonds will be made by the paying agent to DTC for subsequent disbursement to DTC Participants (as defined in "APPENDIX E" attached hereto) who will remit such payments to the beneficial owners of the Bonds (the "Beneficial Owners"). See "APPENDIX E—DTC BOOK-ENTRY ONLY" attached hereto.

The Bonds are issued in denominations of $5,000 principal amount, or any integral multiple thereof, and mature on August 1 in each of the years and in the amounts set forth on the inside cover page hereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2017. Interest on the Bonds is computed on the basis of a 360-day year of twelve 30-day months. See "THE BONDS—Payment of Principal and Interest" herein.

The Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption Provisions" herein.

Bank Qualified Obligations

The Bonds are designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS—Tax Matters" herein.

Bond Insurance

The decision as to whether or not payment of debt service on the Bonds will be insured will be determined by the underwriter of the Bonds at the time of the sale of the Bonds.

Continuing Disclosure

The District will covenant for the benefit of holders and Beneficial Owners to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available is set forth in "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. See also "CONTINUING DISCLOSURE" herein.

Professionals Involved

Government Financial Strategies inc., Sacramento, California, has acted as municipal advisor (the "Municipal Advisor") with respect to the sale and delivery of the Bonds. See "MUNICIPAL ADVISOR" herein. All proceedings in connection with the sale and delivery of the Bonds are subject to the approving legal opinion of Quint & Thimmig LLP, Larkspur, California ("Bond Counsel"). Zions Bank, a division of ZB, National Association will act as paying agent (the "Paying Agent"). Quint & Thimmig LLP and Zions Bank, a division of ZB, National Association will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement may be considered current only as of its date that has been made a part of the cover page hereof, and the information contained herein is subject to change. A description of the Bonds and the District, together with summaries of certain provisions of the Resolution, the Paying Agent Agreement and other legal documents related to the Bonds, are included in this Official Statement. Such summaries do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to such documents.

Interested parties may obtain copies of the Resolution, the Paying Agent Agreement, audited financial statements, annual budgets, or any other information which is generally made available to the public by contacting the Mother Lode Union School District, 3783 Forni Road, Placerville, California 95667, telephone (530) 622-6464, Attention: Chief Business Official, or by contacting the Municipal Advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100.

THE BONDS

Authority for Issuance

School districts may incur bonded indebtedness upon approval by two-thirds of voters voting on the proposition under Article XIIIA Section 1(b)(2) of the State Constitution, or upon approval by 55 percent of voters under Article XIIIA Section 1(b)(3) of the State Constitution, subject to additional restrictions, and pursuant to the debt limitations set forth in Article XVI, Section 18 of the State Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES" herein. Upon such voter approval, a school district is authorized to issue general obligation bonds under either Article 1 of Chapter 1, Part 10, Division 1, Title I (Section 15100 *et seq*.) of the State Education Code or Article 4.5 of Chapter 3, Part 1, Division 2, Title 5 (Section 53506 *et seq*.) of the State Government Code.

The Bonds are being issued by the District under and pursuant to the provisions of Section 53506 *et seq*. of the State Government Code and all laws amendatory thereof or supplementary thereto, and pursuant to the provisions of the Resolution adopted by the District Board on September 14, 2016 and the Paying Agent Agreement dated October 12, 2016 between the District and Zions Bank, a division of ZB, National Association.

General Obligation Bond Election of 2016

Pursuant to provisions of the State Education Code and the State Elections Code (collectively, the "Law"), the District Board adopted a resolution calling for an election to authorize the issuance of $7,500,000 in aggregate principal amount of general obligation bonds for authorized school purposes. On June 7, 2016, at an election duly held pursuant to the Law (the "2016 Election"), more than 55 percent of the qualified voters within the boundaries of the District voted to approve "Measure C" as follows:

> *"To improve student safety, campus security, access for students with disabilities, and pick up and drop of zones to reduce traffic congestion; replace, repair and update aging classrooms and school facilities, including repairing deteriorating roofs, plumbing and electrical systems; remove asbestos and lead paint; and improve instructional technology and educational opportunities for students, shall the Mother Lode Union School District issue $7,500,000 in bonds at legal rates, with independent oversight, no money for administrators, and all funds used locally?"*

The El Dorado County Registrar of Voters certified the results of the election as follows:

Results of 2016 Election
Mother Lode Union School District

Yes Votes	No Votes
3,250 (58.1%)	2,344 (41.9%)

Source: Registrar of Voters, El Dorado County.

The Bonds represent the first and only series of bonds to be issued under the 2016 Election. Upon the issuance of the Bonds, the District will have no remaining authorization under the 2016 Election. The District has no other remaining unissued general obligation bond authorization. See "DISTRICT FINANCIAL INFORMATION—Long Term Borrowings" herein.

Form and Registration

The Bonds are dated their date of original issuance and delivery and issued as fully registered bonds, without coupons, in book-entry form only. Pursuant to the Resolution and the Paying Agent Agreement, the Paying Agent will keep and maintain for and on behalf of the District, books (the "Bond Register") for recording the owners of the Bonds (the "Registered Owners"), the transfer, exchange, and replacement of the Bonds, and the payment of the principal of and interest on the Bonds to the Registered Owners. All transfers, exchanges, and replacement of the Bonds will be noted in the Bond Register.

The Bonds are initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchases of principal of and interest on the Bonds will be made by the Paying Agent by or through a DTC Participant, and ownership interests in Bonds will be recorded as entries on the books of said DTC Participants. Except in the event that use of this book-entry system is discontinued for the Bonds, Beneficial Owners will not receive physical certificates representing their ownership interests in the Bonds. See "APPENDIX E—DTC BOOK-ENTRY ONLY" attached hereto.

So long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, references in this Official Statement to the Registered Owners shall mean Cede & Co., and shall not mean the purchasers or Beneficial Owners of the Bonds.

Payment of Principal and Interest

The Bonds are issued in denominations of $5,000 principal amount, or any integral multiple thereof, and mature on August 1 in each of the years and in the amounts set forth on the inside cover page hereof. Interest on the Bonds is payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing August 1, 2017. Interest on the Bonds is computed on the basis of a 360-day year of 12 30-day months.

Each Bond bears interest from the Interest Payment Date next preceding the date of registration and authentication thereof, unless i) it is registered and authenticated as of an Interest Payment Date, in which event it bears interest from such date, or (ii) it is registered and authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date (the "Record Date"), in which event it bears interest from such Interest Payment Date, or (iii) it is registered and authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it bears interest from its date of delivery; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond bears interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The principal of and interest on the Bonds is payable in lawful money of the United States of America by wire transfer on each payment date to Cede & Co., so long as Cede & Co. is the sole Registered Owner. In the event the book-entry system is no longer in use, principal is payable upon surrender thereof at maturity or earlier redemption at the principal office of the Paying Agent, and payments of interest will be made on each Interest Payment Date by check of the Paying Agent sent by first-class mail to the Registered Owner thereof on the Record Date, provided however, that payment of interest may be by wire transfer of immediately available funds to any Registered Owner in the aggregate principal amount of $1,000,000 or more who has provided the Paying Agent with wire transfer instructions on or before the applicable Record Date.

Redemption Provisions

Optional Redemption. The Bonds maturing on or before August 1, 2026 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2027, are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part on any date on or after August 1, 2026, at a redemption price equal to the principal amount of the Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bond maturing by its term on August 1, 20__ (the "20__ Term Bond") is subject to mandatory sinking fund redemption by the District prior to its maturity in part, by lot, from mandatory sinking fund redemption payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption without premium.

Mandatory Sinking Fund Redemption Schedule
20__ Term Bond

Year Ending August 1	Sinking Fund Amount
20__	$_____
20__ [1]	$_____

[1]Indicates maturity of the 20__ Term Bond.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds of more than one maturity, the Bonds to be redeemed will be selected by the District or, absent such selection by the District, on a *pro rata* basis among the maturities subject to redemption; and in each case, the Paying Agent will select the Bonds to be redeemed within any maturity by lot in any manner which the Paying Agent in its sole discretion deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate $5,000 portions and such portions will be treated as separate Bonds which may be separately redeemed.

Partial Redemption of Bonds. In the event that only a portion of any Bond is called for redemption, then upon surrender of such Bond the District will execute and the Paying Agent will authenticate and deliver to the Registered Owner thereof, at the expense of the District, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed. The Bonds need not be presented for mandatory sinking fund redemptions.

Notice of Redemption. The Paying Agent, on behalf of and at the expense of the District, will mail (by first class mail) notice of any redemption to (i) the respective Registered Owners of any Bonds designated for redemption, at least 30 but not more than 60 days prior to the redemption date, at their respective addresses appearing on the Bond Register, and (ii) DTC or a replacement municipal registered securities depository and the Electronic Municipal Market Access system ("EMMA") operated by the Municipal Securities Rulemaking Board (the "MSRB") or a replacement national information service, at least 20 but not more than 60 days prior to the redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the principal office of the Paying Agent for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

In the case of any optional redemption of the Bonds, the notice of redemption will state that the redemption is conditioned upon receipt by the Paying Agent of sufficient moneys to redeem the Bonds on the scheduled redemption date, and that the optional redemption will not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Bonds have not been deposited with the Paying Agent. In the event that the Paying Agent does not receive sufficient funds by the scheduled optional redemption date to so redeem the Bonds to be optionally redeemed, the Paying Agent will send written notice to the Registered Owners, to DTC or a replacement municipal registered securities depository and to one or more national information services that disseminate securities redemption notices to the effect that the redemption did not occur as anticipated, and the Bonds for which notice of optional redemption was given shall remain outstanding for all purposes.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest on the Bonds so called for redemption have been duly provided, such Bonds will cease to be entitled to any benefit other than the right to receive payment of the redemption price, and no interest will accrue from and after the redemption date specified in such notice.

Transfer and Exchange

If the book-entry system as described herein is no longer used with respect to the Bonds, the provisions in the Paying Agent Agreement summarized below will govern the registration, transfer, and exchange of the Bonds. See "APPENDIX E—DTC BOOK-ENTRY ONLY" attached hereto.

Any Bond may be transferred on the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the principal office at the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. 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. 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.

All fees and costs of any transfer or exchange of Bonds shall be paid by the Registered Owner requesting such transfer or exchange. The Paying Agent is not required to transfer or exchange any Bonds (i) 15 days prior to the date established by the Paying Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Defeasance

Bonds may be paid by the District in any of the following ways: (i) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable; (ii) by depositing with an escrow agent, in trust, at or before maturity, money or securities in the necessary amount, including investment earnings thereon, to pay or redeem such Bonds; or (iii) by delivering to the Paying Agent, for cancellation by it, such Bonds.

Upon the deposit in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any outstanding Bond, provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption will have been given, then all liability of the District in respect of such Bond will cease and be completely discharged, except that thereafter the Registered Owner thereof will be entitled to payment of the principal of and interest on or redemption price of such Bond, but only out of such money or securities deposited in trust.

Unclaimed Moneys

Any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Bonds and remaining unclaimed for one year after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Resolution), if such moneys were so held at such date, or one year after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, will, upon request of the District, be repaid to the District free from the trusts created by the Resolution, and all liability of the Paying Agent with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Paying Agent may (at the cost of the District) first mail to the Registered Owners of all Bonds which have not been paid at the addresses shown on the Bond Register a notice in such form as may be deemed appropriate by the Paying Agent, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

Paying Agent

Zions Bank, a division of ZB, National Association, will act as the transfer agent, bond registrar, authenticating agent and paying agent for the Bonds. 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 any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not effect the validity or sufficiency of the proceedings relating to the redemption of the Bonds or of any other action premised on such notice. The Paying Agent, the District, and the underwriter 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.

Sources and Uses of Funds

A portion of the proceeds from the sale of the Bonds (exclusive of any premium) will be transferred to the El Dorado County Treasurer/Tax Collector (the "County Treasurer") for deposit in the Mother Lode Union School District General Obligation Bonds, Election of 2016, Series 2016 Building Fund (the "Building Fund").

Premium, if any, that is received by the District from the sale of the Bonds will be transferred to the County Treasurer for deposit in the Mother Lode Union School District General Obligation Bonds Interest and Sinking Fund (the "Interest and Sinking Fund") to be used only for payments of principal of and interest on general obligation bonds of the District.

A portion of the proceeds from the sale of the Bonds will be retained by the Paying Agent in the Mother Lode Union School District General Obligation Bonds, Election of 2016, Series 2016 Costs of Issuance Fund (the "Costs of Issuance Fund") and used to pay costs associated with the issuance of the Bonds. Any proceeds deposited into the Costs of Issuance Fund not needed to pay the costs of issuance of the Bonds will be transferred by the Paying Agent to the County Treasurer for deposit in the Interest and Sinking Fund.

The sources and uses of funds in connection with the sale and delivery of the Bonds are set forth in the following table.

Sources and Uses of Funds
General Obligation Bonds, Election of 2016, Series 2016

SOURCES OF FUNDS	
Par Amount of Bonds	$
Net Original Issue Premium	
TOTAL SOURCES OF FUNDS	$
USES OF FUNDS	
Building Fund	$
Costs of Issuance Fund[1]	
Underwriter's Discount	
TOTAL USES OF FUNDS	$

[1]The Costs of Issuance Fund will be used to pay costs of issuance of the Bonds including fees and expenses of Bond Counsel, the Municipal Advisor, the Paying Agent, the ratings fee and all other expenses related to the issuance of the Bonds.

Moneys in the Interest and Sinking Fund will be invested by the County Treasurer in any lawful investment permitted by Sections 16429.1 and 53601 of the State Government Code, including but not limited to the County's investment pool (the "County Pool"). See "EL DORADO COUNTY TREASURY POOL" herein and "APPENDIX D—EL DORADO COUNTY STATEMENT OF INVESTMENT POLICY" attached hereto.

Debt Service Schedule

Scheduled debt service on the Bonds (without regard to optional redemption) is shown in the following table.

Debt Service Schedule
General Obligation Bonds, Election of 2016, Series 2016

Date	Principal	Interest	Semiannual Debt Service	Annual Debt Service
August 1, 2017	$	$	$	$
February 1, 2018				
August 1, 2018				
February 1, 2019				
August 1, 2019				
February 1, 2020				
August 1, 2020				
February 1, 2021				
August 1, 2021				
February 1, 2022				
August 1, 2022				
February 1, 2023				
August 1, 2023				
February 1, 2024				
August 1, 2024				
February 1, 2025				
August 1, 2025				
February 1, 2026				
August 1, 2026				
February 1, 2027				
August 1, 2027				
February 1, 2028				
August 1, 2028				
February 1, 2029				
August 1, 2029				
February 1, 2030				
August 1, 2030				
February 1, 2031				
August 1, 2031				
February 1, 2032				
August 1, 2032				
February 1, 2033				
August 1, 2033				
February 1, 2034				
August 1, 2034				
February 1, 2035				
August 1, 2035				
February 1, 2036				
August 1, 2036				
February 1, 2037				
August 1, 2037				
February 1, 2038				
August 1, 2038				
February 1, 2039				
August 1, 2039				
February 1, 2040				
August 1, 2040				
February 1, 2041				
August 1, 2041				
Total	$__,___,___	$	$	$

SECURITY AND SOURCE OF PAYMENT

General

The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County for the payment of principal and interest on the Bonds. The County Board is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) in order to provide sufficient funds for repayment of principal of and interest on the Bonds when due. In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in or overlapping with the District which is payable from *ad valorem* taxes levied on parcels in the District (see "—Direct and Overlapping Bonded Debt" herein). 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 (see "—Alternative Method of Tax Apportionment (Teeter Plan)" herein). When collected, the tax revenues are deposited in the Interest and Sinking Fund required to be maintained by the County and to be used solely for debt service on general obligation bonds of the District.

Although the County is obligated to levy and collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the County. In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Bonds, however nothing in the Resolution prevents the District from making advances of its moneys howsoever derived to any of the uses or purposes permitted by law.

Statutory Lien on *Ad Valorem* Tax Revenues (Senate Bill 222)

All general obligation bonds issued and sold by or on behalf of a local agency in the State, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax pursuant to Section 15251 of the State Education Code and Section 53515 of the State Government Code, which became effective with the passage of Senate Bill 222 as of January 1, 2016. The lien automatically arises without the need for any action or authorization by the local agency or its governing board and is valid and binding from the time the bonds are executed and delivered. In addition, the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will automatically attach to the revenues and be effective, binding, and enforceable against the local agency, such as the District, as applicable, its successor, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing, or further tax.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total net assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well.

Local property taxation is the responsibility of various county officers. The county assessor computes the value of locally assessed taxable property. Based on the net assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rates (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval.

The county tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the county treasurer, as *ex officio* treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by each county in which the property is located, though property in each county is taxed at the same rate (the District is located solely in the County). The State also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

All property, real, personal and intangible, is taxable unless an exemption is granted by the State Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Although most taxable property is assessed by the assessor of the county in which the property is located, some special classes of property are assessed by the State Board of Equalization, as described below under the heading "State-Assessed Property."

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. Under Proposition 13, an amendment to the State Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed two percent per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property and of similar properties more recently sold. Likewise, changes in ownership of property and reassessment of such property to market value commonly lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full two percent increase on any property that has not changed ownership. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES—Government Taxation and Appropriation."

Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, drought, *etc*., could cause a significant reduction in the net assessed value of taxable property within the District, and as a result there could be substantial delinquencies in the payment of *ad valorem* taxes within the District. With respect to drought specifically, the State is currently facing water shortfalls, and on January 17, 2014, the Governor declared a state of drought emergency, directing State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Thereafter, the 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 water conservation measures, including a requirement that the Water Board impose restrictions to achieve a statewide 25 percent reduction in urban water usage through the following year. 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 the taxable property within the District, or to what extent the drought could cause disruptions to economic activity within the boundaries of the District.

Appeals of Assessed Valuation. As established in Article XIII of the State Constitution and set forth in Section 1601 *et seq*. of Division 1, Part 3, Chapter 1, Article 1 of the State Revenue and Taxation Code, State law provides an appeal procedure to taxpayers who disagree with the assessed valuation of their taxable real property determined by the county assessor. Any such appeal must be made within four years of the date of a change in ownership or new construction. Taxpayers may appeal the assessment valuation to an administrative board, which will be either the county assessment appeals board or county board of supervisors performing the duties of a local board of equalization, referred to as an appeals board.

Temporary Reduction of Assessed Valuation (Proposition 8). State law requires a temporary reduction in the assessed value of real property when property value declines to the extent that the current market value of the property is less than the current assessed factored base year value of the property. The Proposition 8 assessment review process is performed by the county assessor and is in addition to the formal appeal process with the county assessment appeals board that is available to taxpayers. Some county assessors attempt to consider decline in value and to assess each property at the lesser of market value or factored base year value each year without the need for individual owners to make an informal request or file a formal appeal. In other counties, property owners must make a written application to the county assessor for a decline-in-value review. In either case, if the market value is less than its factored base year value, market value will be enrolled for that specific assessment year. Whenever such relief is provided, the assessor is obligated to annually review and enroll the property at the lesser of either the market value or the factored base year value, but never higher than the factored base year (Proposition 13) value. The assessed value of a property with such a Proposition 8 value in place may be increased each lien date by more than the standard two percent maximum allowed for properties assessed under Proposition 13. Once the value is fully restored to its factored base year value, it will no longer be annually reviewed and will be subject to assessment under Proposition 13 provisions. A property owner who disagrees with the county assessor's findings may file a formal appeal of Proposition 8 application assessment with the county assessment appeals board or the county board of equalization.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals of assessed valuation or applications for reductions is assessed valuation by taxpayers. 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 may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the county auditor-controller against all taxing agencies who received tax revenues, including the District.

State-Assessed Property. Under the State Constitution, the State Board of Equalization (the "SBE") assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The SBE also assesses pipelines, flumes, canals and aqueducts lying within two or more counties. Such property is known as "unitary property." The value of property assessed by the SBE is allocated by a formula to local jurisdictions, including school districts, and taxes are levied and collected on such property by county officials in the same manner as county-assessed property.

Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the SBE. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in the State, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among taxing jurisdictions in the County. The transfer of property located and taxed in the District to an SBE-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County.

The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Historical Assessed Valuation

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The method of collecting delinquent taxes is substantially different for the two classifications of property. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured" and is assessed on the "unsecured roll." 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 that 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. Property assessed by the State is commonly identified for taxation purposes as "utility" property. The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds.

Shown in the following table are 10 years of the District's historical assessed valuation. Total secured assessed values include net local secured, secured homeowner exemption and utility values. Total unsecured assessed values include net local unsecured and unsecured homeowner exemption values.

Historical Total Secured and Unsecured Assessed Valuation
Mother Lode Union School District

Year Ended June 30	Total Secured Assessed Value	Total Unsecured Assessed Value	Total Assessed Value	Percentage Change
2008	$1,665,597,696	$92,968,786	$1,758,566,482	--
2009	1,707,903,399	98,874,062	1,806,777,461	2.74%
2010	1,668,866,393	96,896,218	1,765,762,611	(2.27)
2011	1,595,774,988	94,078,864	1,689,853,852	(4.30)
2012	1,570,203,456	90,792,209	1,660,995,665	(1.71)
2013	1,566,800,586	86,904,686	1,653,705,272	(0.44)
2014	1,576,094,698	79,760,369	1,655,855,067	0.13
2015	1,612,725,620	83,834,393	1,696,560,013	2.46
2016	1,675,531,905	92,015,206	1,767,547,111	4.18
2017	1,766,835,722	98,472,634	1,865,308,356	5.53

Source: El Dorado County Assessor.

The District may not issue bonds in excess of 1.25 percent of the assessed valuation of taxable property within its boundaries. The District's gross bonding capacity in fiscal year 2016-17 is approximately $23.3 million. Upon issuance of the Bonds, the District will have remaining bonding capacity of approximately $15.8 million*.

* Preliminary; subject to adjustment

Shown in the following table is a distribution of taxable real property located in the District by principal purpose for which the land is used along with the local secured assessed valuation (excludes homeowners' exemption) and number of parcels for each use for fiscal year 2015-16.

Assessed Valuation and Parcels by Land Use
Mother Lode Union School District

	2015-16 Assessed Valuation[1]	Percent of Total	Number of Parcels	Percent of Total
Non-Residential				
Agricultural/Rural	$25,148,875	1.50%	243	3.56%
Commercial/Office	170,964,005	10.21	140	2.05
Vacant Commercial	11,783,244	0.70	54	0.79
Industrial	136,901,493	8.17	206	3.02
Vacant Industrial	9,373,529	0.56	71	1.04
Recreational	4,278,561	0.26	5	0.07
Government/Social/Institutional	728,973	0.04	13	0.19
Miscellaneous	17,805	0.00	3	0.04
Subtotal Non-Residential	$359,196,485	21.45%	735	10.77%
Residential				
Single Family Residence	$1,183,412,351	70.67%	4,591	67.29%
Mobile Home	62,855,795	3.75	671	9.83
Mobile Home Park	12,008,265	0.72	13	0.19
2-3 Residential Units	13,234,179	0.79	70	1.03
4+ Residential Units/Apartments	14,069,934	0.84	32	0.47
Miscellaneous Residential	7,539,909	0.45	70	1.03
Vacant Residential	22,325,843	1.33	641	9.39
Subtotal Residential	$1,315,446,276	78.55%	6,088	89.23%
Total	$1,674,642,761	100.00%	6,823	100.00%

[1]Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Largest Taxpayers in District

The more property (by assessed value) that is owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and their ability or willingness to pay property taxes. In fiscal year 2015-16, no single taxpayer owned more than 1.26 percent of the total secured taxable property in the District. However, each taxpayer listed is a unique name on the tax rolls. The District cannot determine from 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.

The 20 taxpayers in the District with the greatest combined secured assessed valuation of taxable property on the fiscal year 2015-16 tax roll own property that comprises 8.49 percent of the local assessed valuation of secured property in the District. These taxpayers, ranked by aggregate assessed value of taxable property as shown on the fiscal year 2015-16 secured tax roll and the amount of each owner's assessed valuation for all taxing jurisdictions within the District are shown in the following table.

Largest Taxpayers
Mother Lode Union School District

	Property Owner	Primary Land Use	2015-16 Assessed Valuation	Percent of Total[1]
1.	WRI Golden State LLC	Shopping Center	$21,085,000	1.26%
2.	Wal Mart Real Estate Business Trust	Commercial Store	13,931,864	0.83
3.	Energy Transfer Partnership LP	Industrial/Propane Gas	12,502,001	0.75
4.	Safeway Inc.	Supermarket	11,347,123	0.68
5.	Donahue Schriber Realty Group	Shopping Center	10,705,277	0.64
6.	Waste Connections CA Inc.	Industrial/Recycling	9,393,100	0.56
7.	Angelo K. Tsakopoulos	Residential Lots	6,403,500	0.38
8.	Columbia II Raley's Center	Supermarket	6,090,000	0.36
9.	Caringello Investments III	Commercial Store/Pharmacy	5,750,000	0.34
10.	Lake Oaks Mobile Home Community	Mobile Home Park	5,470,067	0.33
11.	El Dorado Savings & Loan	Bank	5,125,284	0.31
12.	Missouri Flat Self-Storage	Public Storage	4,970,207	0.30
13.	Jai Shri Ram Hospitality Group	Hotel/Motel	4,650,000	0.28
14.	Missouri Flat Storage Depot	Public Storage	4,083,663	0.24
15.	DBW Partnership	Light Industrial	4,030,000	0.24
16.	Mallini Enterprises LP	Professional Building	3,756,540	0.22
17.	Grado Equities LLC	Professional Building	3,491,703	0.21
18.	Rancho Convenience Center	Service Station	3,396,350	0.20
19.	Golden Center Health Care Group	Professional Building	3,015,591	0.18
20.	Elias I. and Gladys E. Khoury	Commercial	3,000,000	0.18
		Total	$142,197,270	8.49%

[1]Local secured assessed valuation for fiscal year 2015-16: $1,674,642,761.
Source: California Municipal Statistics, Inc.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed one percent of the full cash value of the property, and State law requires the full one percent tax to be levied unless a jurisdiction receiving a share of the one percent tax requests a reduction. The levy of *ad valorem* property taxes in excess of the one percent levy is permitted as necessary to provide for debt service payments on school bonds and other voter-approved indebtedness. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES—Government Taxation and Appropriation" herein.

The rate of tax necessary to pay fixed debt service on the Bonds in a given year depends in large part on the net assessed value of taxable property in that year. The amount of 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. Unsecured property is taxed at the secured property tax rate from the prior year. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, drought, toxic dumping, *etc*., could cause a reduction in the net assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The following table shows *ad valorem* property tax rates per $100 of assessed value for the last five years in a typical tax rate area of the District (TRA 78-100). The fiscal year 2015-16 assessed valuation of TRA 78-100 is $815,316,789, approximately 48.06 percent of the total assessed value of taxable property in the District.

Typical Total Tax Rates per $100 of Assessed Valuation
TRA 78-100
Mother Lode Union School District

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
General Tax Rate	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
El Dorado Union High School District	0.020600	0.021100	0.021400	0.019900	0.019600
Los Rios Community College District	0.019200	0.019300	0.018100	0.011300	0.009100
Total Tax Rate	$1.039800	$1.040400	$1.039500	$1.031200	$1.028700
El Dorado Irrigation District (Land Only)	$0.010100	$0.009600	$0.010800	$0.010200	$0.009300

Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment (Teeter Plan)

The County Board approved implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") pursuant to Sections 4701 through 4717 of the State's Revenue & Taxation Code. The Teeter Plan guarantees distribution to each local agency an amount equal to 100 percent of the taxes levied on their behalf on the secured *ad valorem* roll within the County, with the County retaining all penalties and interest affixed upon delinquent properties and redemptions of subsequent collections.

The cash position of the County Treasurer is protected by a special fund, known as the "Tax Loss Reserve Fund," which accumulates moneys from interest and penalty collections. In any given fiscal year, when the amount in the Tax Loss Reserve Fund exceeds a specified amount as prescribed by law, such excess amounts may be credited for the remainder of that fiscal year to the County's general fund. Amounts required to be maintained in the Tax Loss Reserve Fund may be drawn on to the extent of the amount of uncollected taxes credited to each agency in advance of receipt.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The County Board may also, after holding a public hearing on the matter, discontinue the procedures with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls in that agency.

If the Teeter Plan were discontinued, only those secured property taxes actually collected would be allocated to political subdivisions, including the District. Further, the District's tax revenues would be subject to taxpayer delinquencies, and the District would realize the benefit of interest and penalties collected from delinquent taxpayers, pursuant to law.

Tax Collections and Delinquencies

The District's share of the one percent countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the County in fiscal year 1978-79, as adjusted according to a complex web of statutory modifications enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the

Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt. 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. Senate Bill 813 (1983), as amended, requires the county assessor to reappraise property upon a change of ownership or completion of new construction, and to issue a supplemental assessment reflecting the difference between the prior and new assessed value of the property. The amount of tax owed in addition to the regular tax bill is calculated by the county auditor and pro-rated by the number of months remaining in the fiscal year.

The county tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments. The first installment is due on November 1, and becomes delinquent at 5:00 p.m. December 10, after which time a 10 percent penalty attaches. The second installment is due on February 1 and becomes delinquent at 5:00 p.m. April 10, after which time a 10 percent penalty and $10 cost attach. If taxes remain unpaid by 12:01 a.m. July 1,, the tax is deemed to be in default and a redemption fee is immediately added and the delinquent bill accrues additional penalties per month until paid. After five years, generally the County has the power to sell tax-defaulted property that is not redeemed.

Annual bills for property taxes on the unsecured roll are mailed no later than August 1. Taxes on the unsecured roll as of July 31, if unpaid are delinquent at 5:00 p.m. on August 31, and thereafter subject to a 10 percent penalty as well as an additional $10 fee. Taxes added to the unsecured roll after July 31, if unpaid are delinquent and subject to a penalty at 5:00 p.m., or the close of business, whichever is later, on the last day of the month succeeding the month of enrollment. The County has four methods of collecting delinquent taxes due on unsecured personal property: (i) a civil action against the taxpayer; (ii) a judgment lien on certain property belonging to the taxpayer obtained by filing a certificate with the county clerk; (iii) a lien on certain property belonging to the taxpayer obtained by filing a certificate of delinquency with the county recorder; or (iv) seizure and sale of personal property, improvements, or possessory interests belonging or assessed to the taxpayer. The County has only one method of collecting delinquent taxes due on property on the secured roll: the sale of the property securing the taxes for the amount for which the taxes are delinquent.

The following table shows a five-year history of real property tax collections and delinquencies in the District.

Secured Tax Charges and Delinquencies
Mother Lode Union School District

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent As of June 30	Percent Delinquent As of June 30
2010-11	$16,013,051.59	$497,813.80	3.11%
2011-12	15,908,943.45	436,768.65	2.75
2012-13	15,943,409.80	310,790.52	1.95
2013-14	16,053,560.10	262,257.83	1.63
2014-15	16,410,839.44	247,359.25	1.51

[1]All secured *ad valorem* taxes collected by the County for property located within the District, except for El Dorado Irrigation District *ad valorem* tax for land only property.
Source: California Municipal Statistics, Inc.

As long as the Teeter Plan remains in effect in the County, the District will be credited with the full amount of the tax levy no matter the delinquency rate within the District.

Direct and Overlapping Bonded Debt

The statement of direct and overlapping bonded debt relating to the District, which is set forth below, was prepared by California Municipal Statistics, Inc. It has been included for general information purposes only. The District has not reviewed the statement for completeness or accuracy and makes no representations in connection with the statement.

Contained within the District's boundaries are numerous overlapping local entities providing public services. These local entities may have outstanding bonds issued in the form of general obligation, lease revenue and special assessment bonds. The first column in the table names each public agency which has outstanding debt as of September 1, 2016 and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The following table generally includes long-term obligations sold in the public credit markets by the public agencies listed. 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. In addition, property owners within the District may be subject to other special taxes and assessments levied by other taxing authorities that provide services within the District. Such non-*ad valorem* special taxes and assessments (which are not levied to fund debt service) are not represented in the statement of direct and overlapping bonded debt.

Statement of Direct and Overlapping Bonded Debt (As of September 1, 2016)
Mother Lode Union School District

2015-16 Assessed Valuation: $1,767,547,111

	Percent Applicable	Debt as of September 1, 2016
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Los Rios Community College District	1.078%	$3,666,278
El Dorado Union High School District	9.154	6,109,371
El Dorado Irrigation District	9.515	132,734
Mother Lode Union School District	**100.000**	-- [1]
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$9,908,383
OVERLAPPING GENERAL FUND DEBT:		
Los Rios Community College District Certificates of Participation	1.078%	$10,241
El Dorado Union High School District Certificates of Participation	9.154	675,363
TOTAL OVERLAPPING GENERAL FUND DEBT		$685,604
COMBINED TOTAL DEBT		$10,593,987 [2]

Ratios to 2015-16 Assessed Valuation:

Direct Debt	**- %**
Total Direct and Overlapping Tax and Assessment Debt	0.56%
Combined Total Debt	0.60%

[1]Excludes the Bonds to be sold.
[2]Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

EL DORADO COUNTY TREASURY POOL

This section provides a summary description of the County's investment policy and current portfolio holdings. Certain information has been obtained from the County for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the El Dorado County Treasurer/Tax Collector, 360 Fair Lane, Placerville, California 95667, telephone (530) 621-5800.

State law requires that all moneys of the County, school districts, and certain special districts be held in the County treasury by the County Treasurer. The County Treasurer has the authority to implement and oversee the investment of funds held in the County Pool in accordance with State Government Code Section 53600 *et seq*. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and federal funding and other fees and charges. The County Treasurer accepts funds only from agencies located within the County.

General participants in the County Pool are those government agencies within the County for which the County Treasurer is statutorily designated as the custodian of such funds. The County Treasurer is the *ex officio* treasurer of each of these participating entities, which therefore are legally required to deposit their cash receipts and revenues in the County treasury. Under State law, withdrawals are allowed only to pay for expenses that have become due. The governing board of each school district and special district within the County may allow, by appropriate board resolution, certain withdrawals of non-operating funds for purposes of investing outside the County Pool. Other local agencies, such as special districts and cities for which the County Treasurer is not the statutory designated fund custodian, may participate in the County Pool. Such participation is subject to the consent of the County Treasurer and must be in accordance with State law.

The County Treasurer manages the County Pool in accordance with the El Dorado County Pooled Investments: Statement of Investment Policy (the "Investment Policy," see "APPENDIX D—EL DORADO COUNTY STATEMENT OF INVESTMENT POLICY" attached hereto) and various sections of the State Government Code. The Investment Policy sets forth the County Treasurer's investment objectives: safety of principal, liquidity, public trust, and yield. In addition, the Investment Policy describes the instruments eligible for inclusion in the County Pool and the limitations applicable to each type of investment. Legislation that would modify the currently authorized investments and place restrictions on the ability of municipalities to invest in various securities is considered from time to time by the State Legislature. Therefore, there can be no assurances that the current investments in the County Pool will not vary significantly from the investments described herein.

A summary description of the composition and book value of the County Pool as of August 31, 2016 is provided in the following table.

County Pool Investments as of August 31, 2016
El Dorado County Treasury Pool

Investments	Book Value	Percent of Portfolio	Average Term	Average Days to Maturity	Yield to Market 360 Equivalent
Local Agency Investment Fund	$52,000,000	12.74%	1	1	0.580%
Treasury Securities – Coupon	251,062,686	61.50	575	263	0.650
Certificates of Deposit – Bank	77,190,434	18.91	1,196	554	0.904
Money Market Account	27,953,700	6.85	1	1	0.379
Total Investments and Averages	$408,206,820	100.00%	580	232	0.671%

Source: El Dorado County Treasurer.

CITY AND COUNTY ECONOMIC PROFILE

The information in this section concerning the County economy is provided as supplementary information only, and is not intended to be an indication of security for the Bonds. The Bonds are payable from the proceeds of an ad valorem *tax, approved by the voters of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

General Information

The County, located in the eastern central portion of the State, was founded in 1850 as one of the original counties in the State. The County encompasses 1,805 square miles of rolling hills and mountainous terrain, extending from Folsom Lake in the west to the State border on the east, with its northeastern corner extending into the Lake Tahoe basin. There are two incorporated cities in the County, the City of South Lake Tahoe and the City of Placerville (the "City"). Based on data compiled by CoreLogic, the median sale price of a single-family home in the County was $430,000 in July 2016, an increase of approximately 7.5 percent from $400,000 in July 2015.

The City, comprised of approximately 5.8 square miles, is located in the southwestern region of the County. Founded during the Gold Rush beginning in 1848, the City was incorporated in 1854. Once a regional hub during the Gold Rush, industry in the City is currently based on lumber, tourism, recreation and light manufacturing. Based on data compiled by CoreLogic, the median sale price of a single-family home in the City was $299,500 in July 2016, a decrease of approximately 3.3 percent from $309,750 in July 2015.

Population

The following table displays estimated population data as of January 1 for the current year and the past four years for the City and County.

Historical Population
City of Placerville and El Dorado County

	2012	2013	2014	2015	2016
City of Placerville	10,441	10,488	10,648	10,684	10,702
El Dorado County	180,952	180,588	181,731	182,743	183,750

Source: State Department of Finance.

Personal Income

Personal income is a significant indicator of future consumer demand. Total personal income includes income from all sources including net earnings, dividends, interest and rent, and personal current transfer receipts received by residents in the region. *Per capita* personal income ("PCPI") was $56,965 in the County in 2014, an increase of 3.19 percent from 2013 levels, compared to an increase of 3.86 percent Statewide and 3.63 percent nationally. The following table shows PCPI for the County as well as for the State for the past five years data is available. Data for the County for 2015 is not yet available.

***Per Capita* Personal Income**
El Dorado County and the State of California

	2011	2012	2013	2014	2015
El Dorado County	$50,571	$53,961	$55,204	$56,965	n/a
State of California	44,852	47,614	48,125	49,985	$52,651

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

Labor Force and Employment

The following table contains a summary of the City's historical unemployment data for the past four years and for the current year as of the most recent month available, not seasonally adjusted.

Historical Unemployment
City of Placerville

	Annual 2012	Annual 2013	Annual 2014	Annual 2015	August 2016[1]
Total Labor Force	5,400	5,300	4,600	4,600	4,700
Number of Employed	4,600	4,600	4,200	4,300	4,400
Number of Unemployed	800	700	400	400	300
Unemployment Rate	15.3%	12.7%	9.4%	7.7%	7.0%

[1]Preliminary.
Source: State Employment Development Department.

The following table contains a summary of the County's historical unemployment data for the past four years and for the current year as of the most recent month available, not seasonally adjusted.

Historical Unemployment
El Dorado County

	Annual 2012	Annual 2013	Annual 2014	Annual 2015	August 2016[1]
Total Labor Force	90,500	89,300	89,100	89,100	91,000
Number of Employed	81,100	81,700	82,900	84,100	86,300
Number of Unemployed	9,400	7,500	6,200	5,100	4,700
Unemployment Rate	10.3%	8.5%	7.0%	5.7%	5.2%

[1]Preliminary.
Source: State Employment Development Department.

Employment by Industry

The following table shows the County's labor patterns by type of industry for the past five years.

Historical Employment by Industry
El Dorado County

	Annual 2011	Annual 2012	Annual 2013	Annual 2014	Annual 2015
Total Wage and Salary	47,400	48,200	50,000	50,900	52,500
Total Farm	300	400	500	500	500
Total Nonfarm	47,100	47,900	49,500	50,400	52,000
Goods Producing	4,600	4,700	5,100	5,300	6,200
Mining and Logging	100	100	100	100	100
Construction	3,000	3,100	3,300	3,500	3,700
Manufacturing	1,600	1,500	1,600	1,700	2,500
Service Providing	42,400	43,200	44,500	45,100	45,700
Trade, Transportation & Utilities	6,800	6,800	7,000	7,000	7,000
Information	400	500	500	500	500
Professional & Business Services	5,600	5,600	5,400	5,300	5,100
Leisure & Hospitality	7,400	7,500	8,000	8,400	8,700
Other Services	1,600	1,700	1,800	1,800	1,900
Government	10,500	10,300	10,300	10,500	10,900
Federal Government	800	800	700	700	700
State Government	600	500	600	600	600
Local Government	9,100	9,000	9,000	9,200	9,500

Source: State Employment Development Department.

Major Employers

The following table provides a list of the 10 largest employers in the County, type of employment, corresponding number of employees and percent of total employment in the County.

Major Employers
El Dorado County

Employer	Type of Employment	Number of Employees	Percent of Total County Employment
Blue Shield of California	Healthcare	2,069	2.5%
El Dorado County	Government	1,859	2.2
Red Hawk Casino	Casino / Entertainment	1,250	1.5
Marshall Medical Center	Healthcare	1,154	1.4
DST Output	Manufacturing / Technology	850	1.0
Barton Healthcare Systems (Hospital)	Healthcare	839	1.0
State of California	Government	764	0.9
El Dorado Union High School District	Education	670	0.8
El Dorado County Office of Education	Education	664	0.8
Sierra-at-Tahoe Ski Resort	Ski Resort	650	0.8
	Total	10,769	12.9%

Source: Sacramento Business Journal, May 8, 2015.

The following table provides a list of the largest employers in the City and type of employment as of calendar year 2013, the most recent year available.

Major Employers
City of Placerville

Employer	Type of Employment
Child Development Programs	Child Care
El Dorado County	Government
El Dorado Union High School District	Education
El Dorado Irrigation District	Utility – Water / Sewage
Marshall Hospital	Hospital
MORE Recycling Centers	Recycling Wholesale
Placerville Union School District	Education

Source: State Employment Development Department.

Commercial Activity

Total taxable sales reported during calendar year 2014 in the City were reported to be $316,827,000, a 1.1 percent increase from the total taxable sales of $313,366,000 reported during calendar year 2013.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the City for the past five years is presented in the following table. Data for calendar year 2015 is not yet available.

Taxable Retail Sales
City of Placerville

	2010	2011	2012	2013	2014
Sales Tax Permits	586	580	634	688	783
Taxable Sales (000's)	$246,875	$268,451	$287,904	$313,366	$316,827

Source: State Board of Equalization.

Total taxable sales reported during calendar year 2014 in the County were reported to be $1,946,126,000, a 3.7 percent increase from the total taxable sales of $1,877,143,000 reported during calendar year 2013.

The number of establishments selling merchandise subject to sales tax and the valuation of taxable transactions in the County for the past five years is presented in the following table. Data for calendar year 2015 is not yet available.

Taxable Retail Sales
El Dorado County

	2010	2011	2012	2013	2014
Sales Tax Permits	5,702	5,589	5,627	5,783	5,974
Taxable Sales (000's)	$1,561,471	$1,651,689	$1,740,172	$1,877,143	$1,946,126

Source: State Board of Equalization.

Construction Activity

The number of residential building permits, which are required for all new residential construction, is an indicator of residential building activity in the near future. Estimated new residential building permits and total construction costs in the County for the past five years are shown in the following table.

New Residential Building Permits
El Dorado County

	2011	2012	2013	2014	2015
Single Family Residential Units	141	182	205	162	584
Multi-Family Residential Units	0	79	0	28	0
Total New Building Permits (All Types)	141	261	205	190	584
Total Construction Costs	$54,457,486	$79,918,683	$87,537,892	$87,273,851	$186,073,938

Source: U.S. Bureau of the Census, Building Permit Estimates.

THE DISTRICT

The information in this section concerning the operations of the District and its 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 from the proceeds of an ad valorem *tax, approved by the voters of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

General Information

The District was established in 1954 by the consolidation of three schools located in the foothills of the Sierra Nevada Mountains in the northern central portion of the State. The District is an elementary school district occupying approximately 62 square miles in the southwestern portion of the County, serving a population of approximately 15,600 people residing in the City and neighboring communities. The District operates one elementary school and one middle school, serving a total of approximately 1,050 students in transitional kindergarten through eighth grade.

The District Board of Trustees and Key Administrative Personnel

The District Board governs all activities related to public education within the jurisdiction of the District. The District Board has the decision-making authority, the power to designate management, the responsibility to significantly influence operations and is accountable for all fiscal matters relating to the District.

The District Board consists of five members. Each District Board member is elected by the public for a four-year term of office. Elections for the District Board are held every two years, alternating between two and three positions available. A president of the District Board is elected by members each year.

The current members of the District Board, together with their office and the date their term expires, are set forth in the following table.

District Board of Trustees
Mother Lode Union School District

Name	Title	Term Expires
Chuck Wolfe	President	December 2018
John Parker	Clerk	December 2018
Gene Bist Sr.	Member	December 2016
John "Pat" Nordquist	Member	December 2016
Janet VanderLinden	Member	December 2018

The Superintendent of the District is appointed by and reports to the District Board. The Superintendent is responsible for managing the District's day-to-day operations and supervising the work of other key District administrators. The current members of the District's administration and positions held are set forth on page "iv" of this Official Statement.

Enrollment

Student enrollment determines to a large extent the amount of funding a State public school district receives for program, facilities and staff needs. Average daily attendance ("ADA") is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. See "STATE FUNDING OF PUBLIC EDUCATION" herein.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

Set forth in the following table is the historical and budgeted ADA for the District as of the second period report ("P-2"), the last day of the last full attendance month concluding prior to April 15. P-2 ADA is used by the State as the basis for State apportionments.

Average Daily Attendance
Mother Lode Union School District

	2011-12	2012-13	2013-14	2014-15	2015-16[1]	2016-17[2]
Total P-2 ADA	1,145	1,097	1,068	1,048	1,023	1,014

[1]Unaudited.
[2]Budgeted.

Charter Schools

To the extent charter schools draw students from school district schools and reduce school district enrollment, charter schools can adversely affect school district revenues. However, certain per-pupil expenditures of a school district also decrease based upon the number of students enrolled in charter schools. Pursuant to Proposition 39, school districts are required to provide facilities comparable to those provided to regular district students for charter schools having a projected average daily attendance of at least 80 or more students from that district.

There are no charter schools operating within the District.

Pupil-to-Teacher Ratios

Set forth in the following table are the pupil-to-teacher ratios of the District in fiscal year 2015-16.

Pupil-to-Teacher Ratios
Mother Lode Union School District

Level	Pupil-to-Teacher Ratio
Transitional kindergarten – third grade	24 : 1
Fourth – sixth grade	30 : 1
Seventh – eighth grade	21 : 1

Employee Relations

State law provides that employees of public school districts of the State are to be divided into appropriate bargaining units which then may be represented by an exclusive bargaining agent. The District has two recognized bargaining agents for its employees. The Mother Lode Teachers Association ("MLTA") represents certain non-management certificated staff. The California School Employees Association, Chapter 661 ("CSEA #661") represents the District's classified non-management employees.

Set forth in the following table are the District's bargaining units, number of full-time equivalents ("FTEs") budgeted for fiscal year 2016-17, and contract status.

Bargaining Units, Number of Employees and Contract Status
Mother Lode Union School District

Bargaining Unit	Full-Time Equivalents	Contract Status
MLTA	51	In negotiations for fiscal year 2016-17
CSEA #661	33	In negotiations for fiscal year 2016-17

The District has budgeted for fiscal year 2016-17 an additional 10 FTEs not represented by a bargaining unit.

Pension Plans

All full-time employees of the District, as well as certain part-time employees, are eligible to participate under defined benefit retirement plans maintained by agencies of the State. Qualified certificated employees are eligible to participate in the cost-sharing multiple-employer State Teachers' Retirement System ("STRS"). Qualified classified employees are eligible to participate in the cost-sharing multiple-employer Public Employees' Retirement Fund of the Public Employees' Retirement System ("PERS"), which acts as a common investment and administrative agent for participating public entities within the State.

The District accounts for its pension costs and obligations pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 67, Financial Reporting for Pension Plans ("GASB 67") and Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68") which replaced GASB Statements Nos. 25 and 27, respectively. GASB 68 requires an employer that provides a defined benefit pension, such as the District, to recognize and report its long-term obligation for pension benefits as a liability as it is earned by employees. The District implemented the new reporting standards as reflected in the District's financial statements for fiscal year 2014-15. See "APPENDIX A—THE FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDED JUNE 30, 2015" attached hereto.

STRS—Description and Contributions. STRS operates under the State Education Code sections commonly known as the State Teachers' Retirement Law. Membership is mandatory for all certificated employees of State public schools meeting the eligibility requirements. STRS provides retirement, disability and death benefits based on an employee's years of service, age and final compensation. Employees vest after five years of service and may receive early retirement benefits as early as age 50 or normal retirement either at age 60 or 62 depending on their hire date. Except as required for employees hired after January 1, 2013, STRS employee contribution rates are established by the State Legislature. The fiscal year 2016-17 contribution requirement for active plan members with an enrollment date prior to January 1, 2013 is 10.25 percent of salary. For active plan members with an enrollment date on or after January 1, 2013, the employee contribution rate is at least 50 percent of the total annual normal cost of their pension benefit each year as determined by an actuary (9.205 percent in fiscal year 2016-17). Because STRS contribution rates are established by statute, unlike typical defined benefit programs, the District's contribution rate does not vary annually to make up funding shortfalls or assess credits based on actuarial determinations.

State Assembly Bill 1469, signed into law as part of the fiscal year 2014-15 State budget (the "2014-15 State Budget"), established a plan to eliminate the unfunded STRS liability over a period of approximately 30 years through a combination of State funding and increased school district and employee payments. Employee contributions increase to 10.25 percent of pay by fiscal year 2016-17, employer contributions increase to 19.1 percent of eligible pay by fiscal year 2020-21, and State contributions increase by 4.311 percent by fiscal year 2016-17.

The District's STRS contributions for the past six years and budgeted for fiscal year 2016-17 are set forth in the following table.

STRS Employer Contributions
Mother Lode Union School District

Fiscal Year	District Contributions[1]	District Contribution Rate	Total Governmental Funds Expenditures	District Contributions as Percentage of Total Governmental Funds Expenditures
2010-11	$337,820	8.25%	$9,519,914	3.55%
2011-12	314,191	8.25	9,349,528	3.36
2012-13	292,350	8.25	8,898,200	3.29
2013-14	328,152	8.25	9,440,983	3.48
2014-15	334,363	8.88	10,390,946	3.16
2015-16	692,219 [2]	10.73	10,585,374	6.54 [2]
2016-17	504,530 [3]	12.58	10,772,735	4.68 [3]

[1]In each instance equal to 100 percent of the required contribution.
[2]Unaudited.
[3]Budgeted.

PERS—Description and Contributions. All full-time classified employees of the District as well as certain part-time classified employees participate in PERS, which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries based on an employee's years of service, age and final compensation. Employees hired before January 1, 2013 fully vest after five years of service and may receive retirement benefits at age 50; employee hired after that date fully vest at age 52. These benefit provisions and all other requirements are established by State statute and District resolution. Active plan members with an enrollment date prior to January 1, 2013 are required to contribute seven percent of their salary, while active plan with an enrollment date on or after January 1, 2013 are required to contribute the greater of 50 percent of normal costs or six percent of their salary. The District is required to pay an actuarially determined rate.

The District's PERS contributions for the past six years and budgeted for fiscal year 2016-17 are set forth in the following table.

PERS Employer Contributions
Mother Lode Union School District

Fiscal Year	District Contributions[1]	District Contribution Rate	Total Governmental Funds Expenditures	District Contributions As Percentage of Total Governmental Funds Expenditures
2010-11	$155,212	10.707%	$9,519,914	1.63%
2011-12	155,656	10.923	9,349,528	1.66
2012-13	155,693	11.417	8,898,200	1.75
2013-14	163,247	11.442	9,440,983	1.73
2014-15	165,856	11.771	10,390,946	1.60
2015-16	188,074 [2]	11.847	10,585,374	1.78 [2]
2016-17	227,247 [3]	13.888	10,772,735	2.11 [3]

[1]In each instance equal to 100 percent of the required contribution.
[2]Unaudited.
[3]Budgeted.

Unfunded Liabilities and Pension Expense Reporting. Both STRS and PERS have substantial statewide, unfunded liabilities. The amount of these liabilities will vary depending on actuarial assumptions, returns on investment, salary scales and participant contributions. The actuarial funding method used in the STRS Actuarial Valuation as of June 30, 2014 is the entry age normal cost method, and assumes, among other things, a 7.5 percent investment rate of return, 4.5 percent interest on member accounts, projected 3.0 percent inflation, and projected payroll growth of 3.75 percent.

The following table shows the statewide funding progress of the STRS plan for the last six years. Actuarial valuation data as of June 30, 2016 is not yet available.

Funding Progress
California State Teachers' Retirement System (STRS)[1]

Actuarial Valuation Date as of June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
2010	$140,291	$196,315	$56,024	71%	$26,275	213%
2011	143,930	208,405	64,475	69	26,592	242
2012	144,232	215,189	70,957	67	26,404	269
2013	148,614	222,281	73,667	67	26,483	278
2014	158,495	231,213	72,718	69	26,398	275
2015	165,553	241,753	76,200	69	n/a	n/a

[1]Dollars in millions.
Source: California State Teachers' Retirement System, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015; California State Teachers' Retirement System Defined Benefit Program Actuarial Evaluation for Fiscal Year Ended June 30, 2015.

The actuarial funding method used in the PERS Schools Pool Actuarial Valuation as of June 30, 2014 is the individual entry age normal cost method, and assumes, among other things, a 7.5 percent investment rate of return and projected 2.75 percent inflation; projected payroll growth varies by entry age and service.

The following table shows the statewide funding progress of the PERS plan for the past six years. Actuarial valuation as of June 30, 2016 is not yet available.

Funding Progress
Public Employees' Retirement System (PERS)[1]

Actuarial Valuation Date as of June 30	Market Value of Plan Assets	Actuarial Accrued Liability	Total Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
2010	$38,435	$55,307	$16,872	70%	$11,283	150%
2011	45,901	58,358	12,457	79	10,540	118
2012	44,854	59,439	14,585	76	10,242	142
2013	49,482	61,487	12,005	81	10,424	115
2014	56,838	65,600	8,761	87	11,294	78
2015	56,814	73,325	16,510	78	n/a	n/a

[1]Dollars in millions.
Source: California Public Employees' Retirement Schools Pool Actuarial Valuation as of June 30, 2015.

For the year ended June 30, 2015, the District's recognized pension expense was $535,600. The District's net pension liability (the "NPL") as of June 30, 2015 was $6,218,891. The District's recognized pension expenses and NPL as reported financial statements for fiscal year 2014-15 are set forth in the following table.

Recognized Pension Expenses as of June 30, 2015
Mother Lode Union School District

Plan	District's Proportion of Statewide Liability	District's Proportionate Share of Statewide Liability	District Covered Employee Payroll	District's Proportionate Share of Statewide Liability as Percentage of Covered Employee Payroll
STRS	$4,674,960	0.0080%	$3,977,600	118%
PERS	1,543,931	0.0136	1,426,735	108

The District is unable to predict future amount of State pension liabilities and amount of required District contributions. Pension plan, annual contribution requirements and liabilities are more fully described in "APPENDIX A—THE FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDED JUNE 30, 2015."

Other Postemployment Benefits (OPEB)

In addition to the pension benefits described above, the District provides postemployment health care benefits (known as "other postemployment benefits," or "OPEB"), in accordance with District employment contracts, to retirees meeting certain eligibility requirements. The plan provides medical benefits to eligible retirees and beneficiaries.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45") requires public agency employers providing health care 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, in order to quantify a government agency's current liability for future benefit payments. GASB 45 is directed at quantifying and disclosing OPEB obligations, and does not impose any requirement on public agencies to fund such obligations.

The District completed an actuarial study assessing the District's OPEB liability as of July 1, 2013. Based on the study, the District's actuarial accrued liability (the "AAL"), which can also be considered to be the present value of all benefits earned to date assuming that an employee accrues retiree health care benefits ratably over their career, was $2,210,980. The AAL is an actuarial estimate that depends on a variety of assumptions about future events, such as health care costs and beneficiary mortality. Every year, active employees earn additional future benefits, an amount known as the "normal cost," which is added to the AAL. To the extent that the District has not set aside moneys in an irrevocable trust with which to pay these accrued and accruing future liabilities, there is an unfunded actuarial accrued liability ("UAAL"). As of July 1, 2014, the District had not set aside any funds in an irrevocable trust to fund its AAL, as a result, the District's UAAL was $2,210,980.

The annual required contribution ("ARC") is the amount required if the District were to fund each year's normal cost plus an annual amortization of the unfunded actuarial accrued liability, assuming the UAAL will be fully funded over a 30-year period. If the amount budgeted and funded in any year is less than the ARC, the difference reflects the amount by which the UAAL is growing. Combining the normal cost with the initial and residual UAAL amortization calculated an ARC of $251,237.

The District funds its OPEB liability on a "pay-as-you go" basis. The required contribution is based on projected pay-as-you-go financing requirements. The District paid $216,894 in OPEB expenditures in fiscal year 2014-15, paid $172,915 in OPEB expenditures in fiscal year 2015-16 (unaudited), and is budgeted to pay $216,888 in OPEB expenditures in fiscal year 2016-17.

See "APPENDIX A—THE FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDED JUNE 30, 2015" attached hereto for additional information regarding the District's OPEB.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and its finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem *tax, approved by the voters of the District pursuant to applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property in the District in an amount sufficient for the timely payment of principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT" herein.*

Accounting Practices

The District accounts for its financial transactions in accordance with the policies and procedures of the State Department of Education's *California School Accounting Manual*, which, pursuant to Section 41010 of the State Education Code, is to be followed by all school districts in the State. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

The District's financial statements consist of government-wide statements and fund-based financial statements. Government-wide statements, consisting of a statement of net assets and a statement of activities, report all the assets, liabilities, revenue and expenses of the District and are accounted for using the economic resources measurement focus and accrual basis of accounting. The fund-based financial statements consist of a series of statements that provide information about the District's major and non-major funds. Governmental funds, including the District's General Fund, special revenues funds, capital project funds and debt service funds, are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, while expenditures are recognized in the period in which the liability is incurred, if measurable. Proprietary funds and fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting. See "NOTE 1" in "APPENDIX A" attached hereto for a further discussion of applicable accounting policies.

The independent auditor for the District in fiscal year 2014-15 was Goodell, Porter, Sanchez & Bright, LLP, Sacramento, California (the "Auditor"). The financial statements of the District as of and for the year ended June 30, 2015, are set forth in "APPENDIX A" attached hereto. The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. The Auditor has not performed any subsequent events review or other procedures relative to these audited financial statements since the date of its letter.

Budget and Financial Reporting Process

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as federal and State school apportionments, taxes, use of money and property, and aid from other governmental agencies.

The District is required by provisions of the State Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed revenues plus the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting format for all school districts.

The fiscal year for all State school districts is July 1 to June 30. The same calendar applies to county offices of education, although their budgets and reports are reviewed by the State Superintendent of Public Instruction (the "State Superintendent"). Because most school districts depend on State funds for a substantial portion of revenue, the State budget is an extremely important input in the school district budget preparation process. However, there is very close timing between final approval of the State budget (legally required by June 15), the adoption of the associated school finance legislation, and the adoption of local school district budgets. In some years, the State budget is not approved by the legal deadline which forces school districts to begin the new fiscal year with only estimates of the amount of funding they will actually receive.

The school district budgeting process involves continuous planning and evaluation. Within the deadlines, school districts work out their own schedules for considering whether or not to hire or replace staff, negotiating contracts with all employees, reviewing programs, and assessing the need to repair existing or acquire new facilities. Decisions depend on the critical estimates of enrollment, fixed costs, commitments in contracts with employees as well as best guesses about how much money will be available for elementary and secondary education. The timing of some decisions is forced by legal deadlines. For example, preliminary layoff notices to teachers must be delivered in March, with final notices in May. This necessitates projecting enrollments and determining staffing needs long before a school district will know either its final financial position for the current year or its revenue for the next year.

School districts must adopt an annual budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The governing board of the school district must not adopt a budget before the governing board adopts a local control and accountability plan (the "LCAP") for that budget year. See "STATE FUNDING OF PUBLIC EDUCATION—Sources of Revenue for Public Education" herein.

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 school district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the school district to meet its multi-year financial commitments, and will determine if the budget ensures the fiscal solvency and accountability for the goals outlined in the LCAP. On or before September 15, the county superintendent will approve or disapprove the adopted budget for each school district within its jurisdiction based on these standards. The school district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the school district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than October 22, the county superintendent must notify the State Superintendent of all school districts whose budget may be disapproved, and no later than November 8, the county superintendent must notify the State Superintendent of all school district budgets that have been disapproved or budget committees waived.

For school districts whose budgets have been disapproved, the school district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to State Education Code Section 42127.1. Until a school district's budget is approved, the school 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.

Under the provisions of State Assembly Bill 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. Each school district is required by the State Education Code to file two interim reports each year—the first report for the period ending October 31 by not later than December 15, and the second report for the period ending January 31 by not later than March 15. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years. If either the first or second interim report is not positive, the county superintendent may require the school district to provide a third interim report by June 1 covering the period ending April 30. If not required, a third interim report is generally not prepared (though may be at the election of the school district).

The county superintendent must annually present a report to the governing board of the school district and the State Superintendent of Public Instruction regarding the fiscal solvency of any school district with a disapproved budget, qualified interim certification, or negative interim certification, or that is determined at any time to be in a position of fiscal uncertainty, pursuant to State Education Code Section 42127.6. Any school district with a qualified or negative certification must allow the county office of education at least 10 working days to review and comment on any proposed agreement made between its bargaining units and the school district before it is ratified by the school district board (or the state administrator). The county superintendent will notify the school district, the county board of education, the school district governing board and the school district superintendent (or the state administrator), and each parent and teacher organization of the school district within those 10 days if, in his or her opinion, the agreement would endanger the fiscal well-being of the school district. Also, pursuant to State Education Code Section 42133, a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or the next succeeding fiscal year, non-voter approved debt unless the county superintendent of schools determines that the repayment of that debt by the school district is probable.

The filing status of the District's interim reports for the past five years appears in the following table.

Certifications of Interim Financial Reports
Mother Lode Union School District

Fiscal Year	First Interim	Second Interim
2011-12	Positive	Positive
2012-13	Positive	Positive
2013-14	Positive	Positive
2014-15	Positive	Positive
2015-16	Positive	Positive

Financial Statements

Figures presented in summarized form herein have been gathered from the District's financial statements. The audited financial statements of the District for the fiscal year ending June 30, 2015, have been included in the appendix to this Official Statement. See "APPENDIX A" attached hereto. Audited financial statements and other financial reports for prior fiscal years are on file with the District and available for public inspection during normal business hours. Copies of financial statements relating to any year are available to prospective investors and or their representatives upon request by contacting the Mother Lode Union School District, 3783 Forni Road, Placerville California 95667, telephone (530) 622-6464, Attention: Chief Business Official, or by contacting the Municipal Advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100.

The following table sets forth the District's audited General Fund balance sheet data for fiscal years 2011-12 through 2014-15.

General Fund Balance Sheet
Mother Lode Union School District

	2011-12 Audited	2012-13 Audited	2013-14 Audited	2014-15 Audited
ASSETS				
Cash	$221,411	$820,563	$754,092	$1,232,382
Accounts Receivable	1,495,810	1,048,000	927,996	303,313
Due From Other Funds	6,598	0	18,735	56,500
Stores Inventories	0	0	0	0
TOTAL ASSETS	$1,723,819	$1,868,563	$1,700,823	$1,592,195
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$110,858	$127,943	$171,285	$84,691
Deferred Revenue	38,750	0	0	0
Due to Other Funds	0	0	0	6,203
Unearned Revenue	0	0	0	30
TOTAL LIABILITIES	$149,608	$127,943	$171,285	$90,924
FUND BALANCES				
Nonspendable	$1,000	$1,000	$1,000	$1,000
Restricted	44,867	0	202,878	120,222
Committed	0	0	0	0
Assigned	123,097	863,338	423,318	446,243
Unassigned	1,405,247	876,282	902,342	933,806
TOTAL FUND BALANCES	$1,574,211	$1,740,620	$1,529,538	$1,501,271
TOTAL LIABILITIES AND FUND BALANCES	$1,723,819	$1,868,563	$1,700,823	$1,592,195

The following table sets forth the District's audited General Fund activity for fiscal years 2012-13 through 2014-15, unaudited activity for fiscal year 2015-16 and budgeted activity for fiscal year 2016-17.

General Fund Activity
Mother Lode Union School District

	2012-13 Audited	2013-14 Audited	2014-15 Audited	2015-16 Unaudited	2016-17 Budgeted
BEGINNING BALANCE	$1,574,211	$1,740,620	$1,529,538	$1,501,271	$2,205,583
REVENUIES					
Revenue Limit/LCFF	$5,820,648	$7,322,741	$7,887,969	$8,660,772	$8,884,410
Federal Revenue	421,487	389,138	383,554	457,225	492,052
Other State Revenues	1,795,007	621,017	523,025	1,199,449	527,498
Other Local Revenues	642,350	629,448	688,580	623,491	674,370
TOTAL REVENUES	$8,679,492	$8,962,344	$9,483,128	$10,940,937	$10,578,330
EXPENDITURES					
Certificated Salaries	$3,680,317	$3,814,972	$3,892,553	$4,020,283	$4,084,129
Classified Salaries	1,294,047	1,360,385	1,358,694	1,549,093	1,544,168
Employee Benefits	2,125,614	2,246,923	2,320,806	2,445,023	2,566,130
Books and Supplies	329,848	448,013	357,729	589,125	477,833
Services /Other Operating Exp.	856,840	1,035,111	1,224,688	1,205,081	1,340,917
Capital Outlay	161,486	8,359	15,593	31,555	15,500
Other Outgo	64,931	109,663	186,332	224,465	$176,277
TOTAL EXPENDITURES	$8,513,083	$9,023,426	$9,356,395	$10,064,625	$10,204,954
OTHER FINANCING SOURCES	$0	($150,000)	($155,000)	($172,000)	($172,000)
NET INCREASE (DECREASE)	$166,409	($211,082)	($28,267)	$704,312	$201,376
ENDING BALANCE	$1,740,620	$1,529,538	$1,501,271	$2,205,583	$2,406,959

Revenues

The District categorizes its General Fund revenues into four primary sources: revenue limit / LCFF sources, federal revenues, other state revenues and other local revenues.

Revenue Limit / Local Control Funding Formula (LCFF). For nearly half a century, State school districts operated under general purpose revenue limit funding based on a district's average daily student attendance, much of which was restricted by category as to how each dollar could be spent. Revenue limit funding was calculated by multiplying a school district's ADA (using the greater of the current or prior year P-2 ADA) by the school district's revenue limit funding per ADA, with certain adjustments.

In landmark legislation effective fiscal year 2013-14, the State introduced a new formula, LCFF, to be phased in through fiscal year 2020-21. LCFF consolidates most categorical programs in order to give school districts more control over how to spend their revenues. At full implementation of LCFF, school districts will receive a uniform base grant per student based on grade span, a supplemental grant based on an unduplicated count of the targeted disadvantaged students ("unduplicated students") in the school district, and an additional concentration grant based on the number of unduplicated students in the school district above 55 percent, with qualifying schools receiving an additional necessary small school allowance. Approximately 57.6 percent of the District's students were unduplicated students as of the fiscal year 2015-16 second period report. The base, supplemental, and concentration grant amounts per student were set in fiscal year 2012-13 and are subject to cost-of-living adjustments thereafter. School districts that would otherwise receive less funding at full implementation of LCFF than they did under the revenue-limit system are also guaranteed an additional Economic Recovery Target ("ERT") grant to restore funding to at or above their pre-recession funding, adjusted for inflation. The ERT add-on is paid incrementally over the LCFF implementation period. In fiscal year 2015-16, the District's LCFF funding at full implementation was calculated to be $9,474,560, comprised of $8,029,680 in base grant funding, $925,179 in supplemental grant funding, $104,787 in concentration grant funding and $414,914 in add-on funding. See "STATE FUNDING OF PUBLIC EDUCATION—Sources of Revenue for Public Education" herein.

To calculate LCFF funding during the phase-in period, school districts calculate their "funding gap," the difference between LCFF funding calculated at full implementation and their "funding floor," an amount based on fiscal year 2012-13 funding levels under the revenue limit system adjusted for prior LCFF phase-in adjustments. School districts receive their funding floor plus a percentage of their funding gap as specified in the State budget. In fiscal year 2015-16, the State budgeted funding of 51 percent of the funding gap, and the District received an estimated $7,789,485 as its floor entitlement and $885,635 in gap funding under LCFF. See "STATE FUNDING OF PUBLIC EDUCATION—Sources of Revenue for Public Education" herein for more information about LCFF.

Set forth in the following table is the District's actual LCFF funding per ADA for fiscal years 2013-14, 2014-15 and 2015-16 and budgeted LCFF funding per ADA for fiscal year 2016-17.

LCFF Funding per ADA
Mother Lode Union School District

Fiscal Year	Funded ADA[1]	Average LCFF Funding per ADA[2]	Average LCFF Funding per ADA at Full Implementation
2013-14	1,112	$6,582	$8,541
2014-15	1,084	7,276	8,748
2015-16 [3]	1,067	8,124	8,807
2016-17 [4]	1,112	8,118	8,809

[1]Funded ADA is the greater of current year P-2 ADA and prior year P-2 ADA.
[2]Represents average LCFF funding per ADA across grade spans.
[3]Unaudited.
[4]Budgeted.

Funding of the District's revenue limit and LCFF is accomplished by a mix of a) local taxes (composed predominantly of property taxes, and including miscellaneous taxes and community redevelopment funds, if any) and b) State apportionments. The majority of the District's revenue limit / LCFF funding comes from State apportionments.

LCFF revenues were 83.2 percent of General Fund revenues in fiscal year 2014-15, were 79.2 percent of General Fund revenues in fiscal year 2015-16 (unaudted), and are budgeted to be 84.0 percent of General Fund revenues in fiscal year 2016-17.

Federal Revenues. The federal government provides funding for several District programs, including special education programs and specialized programs such as the No Child Left Behind Act. These federal revenues, most of which historically have been restricted, were 4.0 percent of General Fund revenues in fiscal year 2014-15, were 4.2 percent of General Fund revenues in fiscal year 2015-16 (unaudited), and are budgeted to be 4.7 percent of General Fund revenues in fiscal year 2016-17.

Other State Revenues. In addition to apportionment revenues, the State provides funding to the District for categorical programs. Many categorical programs previously classified as other State revenues were incorporated under LCFF in fiscal year 2013-14, causing a reduction in other State revenues. These other State revenues were 5.5 percent of General Fund revenues in fiscal year 2014-15, were 11.0 percent of General Fund revenues in fiscal year 2015-16, (unaudited), and are budgeted to be 5.0 percent of General Fund revenues in fiscal year 2016-17. Included in other State revenues are proceeds received from the State from the State lottery.

Other Local Revenues. Revenues from other local sources were 7.3 percent of General Fund revenues in fiscal year 2014-15, were 5.7 percent of General Fund revenues in fiscal year 2015-16 (unaudited), and are budgeted to be 6.4 percent of General Fund revenues in fiscal year 2016-17.

Expenditures

The largest components of a school district's general fund expenditures are certificated and classified salaries and employee benefits. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits. Even with no negotiated salary increases or changes in staffing levels, normal "step and column" advancements on the salary scale result in increased salary expenditures.

The District has not completed negotiations with its certificated or classified bargaining units to finalize salary and benefit increases for fiscal year 2016-17. As a result, the District did not include certificated and classified employee salary and benefit increases in its fiscal year 2016-17 budget. Each one percent increase in salary for certificated and classified staff is budgeted to increase fiscal year 2016-17 expenditures by $37,640 and $13,285 respectively.

Employee salaries and benefits were 80.9 percent of General Fund expenditures in fiscal year 2014-15, were 79.6 percent of General Fund expenditures in fiscal year 2015-16, and are budgeted to be 80.3 percent of General Fund expenditures in fiscal year 2016-17.

Short-Term Borrowings

The District has no short-term debt outstanding.

The District has in the past issued short-term tax and revenue anticipation notes. Proceeds from the issuance of notes by the District have been used to reduce inter-fund dependency and to provide the District with greater overall efficiency in the management of its funds. The District has never defaulted on any of its short-term borrowings.

Capitalized Lease Obligations

The District has made use of various capital lease arrangements in the past. The District has no capital leases currently outstanding. The District has never defaulted on any of its capitalized lease obligations.

Long-Term Borrowings

On June 7, 2016, voters within the District approved the issuance of not to exceed $7,500,000 aggregate principal amount of general obligation bonds for authorized school purposes. The Bonds represent the first series of bonds to be issued under the authorization of the 2016 Election.

Prior to the issuance of the Bonds, the District had no long-term debt outstanding.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES

Overview

For more than a century, funding for public school districts in the State has consisted of a combination of local property tax revenue and State general funds. From the Separation of Sources Act (1910) until Proposition 13 (1978), local governments had control over property tax rates and revenues within their jurisdiction. Voter approval was not required for most taxes, charges or fees imposed by local governments. Each school district in the State raised revenue by taxing local property owners according to a tax rate established by its governing board, subject to voter approval, and received some supplemental funds from the State. The State's role in providing for public education and education facilities was limited during this time. Local school districts relied largely on general obligation bonds as the primary source of funding for school facilities.

The passage of Proposition 13 (1978) brought this local property tax system to an end, fundamentally changing local government finance. Local government entities are no longer authorized to levy a general tax rate. Instead, they share in the revenues generated by Proposition 13's countywide tax rate, which is (generally) one percent of a property's assessed value, as of its amount on the fiscal year 1975-76 tax roll, adjusted for inflation, or thereafter when newly built or sold. In the year following the passage of Proposition 13, local property tax revenue across the State fell approximately 60 percent. In order for school districts to continue operating, the State had to assume primary responsibility for public school funding, replacing the lost property tax revenue with moneys from the State general fund. As a result of Proposition 13, control over revenues shifted away from local school districts to the State government. Proposition 13 also eliminated the ability of school districts to issue bonds; for a decade, the State provided some of the cost of school facilities projects until the passage of Proposition 46 (1986) restored the ability of school districts to issue such bonds.

After 1978, local governments sought revenue to fund public services and improvements from other sources such as assessments, property-related fees, and various small general-purpose taxes not subject to the limit on *ad valorem* taxes, and from the tax increment revenues from redevelopment agencies, discussed below. For more than a decade, local governments and anti-tax interest groups struggled over the difference between general and special taxes and voter approval requirements. Proposition 218 (1996) defined any tax imposed to pay for a specific government program, including any tax levied by a special-purposes agency such as a school district, as a "special" tax, and any special tax must be approved by two-thirds of the voters, thereby significantly restricting the ability of local government entities to raise revenue. In addition, the law required that the two-thirds voter requirement for special taxes applied whether the revenue funds were placed in the entities' general fund. The law also extended the requirement that general taxes be approved by a majority of voters (already required in general law cities and counties since 1986 under Proposition 62) to all charter law cities and counties.

In the year following Proposition 13, another measure was enacted that limited government spending to the inflation-adjusted amount appropriated in the prior year and returned any excess tax revenues to taxpayers (Proposition 4, 1979). In the decades following these limits on both government's power to tax and its power to increase spending even when revenues grew, billions of dollars in excess revenues were returned to taxpayers while the State dropped to nearly the bottom of the national ranking in per pupil education spending. In reaction, voters passed Proposition 98 (1988), an initiative measure dedicating a significant portion of the State general fund as well as excess tax revenues to public education.

As a result of Proposition 13, which made school districts dependent on the State for the bulk of their funding, funding for public education has been more vulnerable to the economic cycle because of their reliance on revenues from sales and income taxes, which tend to be more volatile from year to year than revenues from local property taxes. In years of economic hardship, the State has struggled to maintain its funding obligation to school districts, and has sought to shift local tax revenues from other local governments to school districts, or, after that practice was prohibited by Proposition 22 (2010), to defer payments owed to school districts. Recent legislative and initiative measures have focused on the need for budgetary reserves and long-term forecasting to attempt to bring stability to the State general fund and education funding. All of the initiatives discussed above have been subject to initiative and legislative amendments, which are discussed below along with other relevant law.

Government Taxation and Appropriation

Limit on Ad Valorem *Property Tax*. Article XIIIA, added to the State Constitution by Proposition 13 and amended over time, limits the *ad valorem* tax rate that can be levied on real property to one percent of its "full cash value" except to pay debt service, discussed below. "Full cash value" is defined as the property's assessed value as of the fiscal year 1975-76 tax bill, annually increased by the lesser of either two percent or the rate of inflation. Subsequently, the property is reappraised for tax purposes upon a change in ownership or new construction. Several types of changes in ownership and construction have been exempted from the reassessment requirement by amendment, including improvements for seismic retrofit, solar energy, fire prevention, disability access, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property is destroyed in a declared disaster, and certain transfers of property between family members.

Any increase or decrease in assessed valuation is allocated among the various jurisdictions. In most years, the market value of a property increases at a rate greater than the two percent increase a county is allowed to calculate. As amended by Proposition 8 (1978), Article XIIIA allows for the county to temporarily reduce the assessed value to current market value when the market value of the property falls below the property's adjusted acquisition value due to an economic recession, natural disaster or other cause of damage. In years in which reduced reassessments are widespread, property tax revenue available to local governments such as school districts is reduced. Pursuant to interpretation of the State Revenue and Taxation Code and upheld by State courts, once the market has rebounded or the property has been repaired to substantially its original condition, a county may recapture the loss from the decreased value by increasing the assessed value of the property at a rate greater than two percent annually until it has regained the property's pre-decline assessed value.

The one percent tax is levied and collected by each county, and the revenue is apportioned by the county to each local government agency in the taxing area roughly in proportion to the relative shares of taxes as levied prior to 1979. Local government agencies, including school districts, may not directly levy any *ad valorem* tax, unless the tax is levied to repay voter-approved indebtedness.

Tax May Exceed One Percent Only to Pay Voter-Approved Debt Service. As enacted by Proposition 13, the one percent limit on *ad valorem* taxes on real property does not apply to taxes levied to pay debt service (interest and redemption charges) on a local government's indebtedness approved by the voters prior to July 1, 1978, or, thereafter, as amended by Proposition 46 (1986), bonded indebtedness for the acquisition or improvement of real property approved by a two-thirds majority. In addition, Proposition 39 (2000) added a provision allowing for a lowered voter approval rate specifically for bonds to fund school facilities projects. A school district or community college district may levy *ad valorem* taxes in excess of one percent with 55 percent voter approval if the bonds will be used for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities. The measure must include the specific list of projects to be funded and certification that the school district's governing board has evaluated safety, class size reduction, and information technology needs in developing the list, and must 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. Pursuant to legislation, the projected tax rate per $100,000 of taxable property value levied as the result of any single election may be no more than $60 in a unified school district, $30 in a high school or elementary school district, or $25 in a community college district.

Protection For Owners of Municipal Securities. State law imposes a duty on the county treasurer-tax collector to levy a property tax sufficient to pay debt service on voter-approved indebtedness as discussed above. The initiative power cannot be used to reduce or repeal the authority and obligation of a local government, such as a school district, to levy taxes pledged as security for payment of general obligation bonds or to otherwise interfere with performance of the duty of a local government, such as a school district, and the county with respect to such taxes. Although the initiative power may be used to reduce or repeal other types of charges or taxes imposed by local governments under Article XIIIC, discussed below, the law may not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

State-Assessed Unitary Property. Property that is part of a larger, integrated utility system with components located in more than one taxing jurisdiction is referred to as "unitary property," such as property owned or used by regulated railway, telegraph and telephone companies, companies selling or transmitting gas or electricity, and pipelines, flumes, canals, ditches and aqueducts located in more than one county. Unitary property is assessed by the State as a whole, on a statewide basis, rather than by individual counties. These properties are not subject to Article XIIIA and are reappraised annually at their market value. The State allocates the property to the counties and other local tax jurisdictions in which the property is located; the taxes are levied and collected in the same manner as county-assessed property at the assessed value determined by the State.

Voter Approval Requirements for Taxation. Articles XIIIC and XIIID, added to the State Constitution by Proposition 218 (1996) and amended over time, limit the ability of local governments, including school districts, to levy and collect other non-*ad valorem* taxes, assessments, fees and charges. The law established that every tax must be either a "general tax," the proceeds of which can only be used for general government purposes, requiring the approval of a simple majority of voters, or a "special tax," if the proceeds will be used for a specific purpose or if it is levied by a special-purpose government agencies, including school districts, requiring the approval of two-thirds of voters. Special purpose government agencies, such as school districts, cannot levy general taxes. Any tax levied on property, other than the *ad valorem* tax governed by Article XIIIA, is a special tax that must be approved by two-thirds of voter approval. The initiative power can be used to reduce or repeal local taxes, assessments, fees and charges. Article XIIID deals with assessments and property-related fees and charges and expressly cautions that its provisions shall not be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is available to repeal or reduce developer and mitigation fees imposed by the District.

Any Charge Imposed By Government Is A Tax. As amended by Proposition 26 (2010), the law defines any levy, charge, or exaction of any kind imposed by a local government as a tax. The following exceptions do not require voter approval: a reasonable charge for a specific benefit, privilege, product or service that is received only by the payor of the charge; a reasonable charge for regulatory costs of issuing a license or permit, performing an inspection or audit, or enforcing an order; a charge for use, rental, or purchase of government property; a charge, fine or penalty for violation of law; and assessments and property-related fees imposed as a condition of property development. Although such fees and charges levied by one taxing jurisdiction do not directly impact the amount of revenue available to another taxing jurisdiction from *ad valorem* property taxes, if the ability to impose the fee or charge is restricted, it could have an indirect affect on such revenues. For instance, if a school district shares taxing jurisdiction with another local government that charges certain properties for a benefit that increases the assessed value of the property, but then must discontinue the benefit, the lowered property values could impact the school district's share of the available revenues.

Limits on Government Spending. Article XIIIB, added to the State Constitution by Proposition 4 (1979) (the "Gann Limit"), later amended by Proposition 111 (1990), limits the amount of tax revenue that may be spent each year by the State, counties, cities, and special districts, including school districts, to the amount appropriated by that entity in the prior year, adjusted for change in population and inflation (modified by Proposition 111, see below). Among other amendments made by Proposition 111, the spending limit is also adjusted when responsibility for the provision of a service is transferred from one government entity to another. The appropriation limit was initially to be calculated from the base year of fiscal year 1986-87; as amended by Proposition 111, it is calculated using fiscal year 1990-91.

As a result of several amendments, certain types of payments are exempted from the appropriations limit calculation, including debt service payments on indebtedness existing prior to January 1, 1979, or thereafter as approved by voters; certain benefit payments; court- or federally-mandated expenses; subventions, including certain State payments to K-12 school districts and community college districts (together, "K-14 school districts"); certain increases in revenues gained from fuel, vehicle and tobacco taxes; certain emergency appropriations; and qualified capital outlay projects (projects involving fixed assets such as land or construction that have an expected life of more than 10 years and a value greater than $100,000).

Adjustments to Government Spending Limits. The method by which annual adjustments to the appropriation limit are made has significant impact. Initially tied to the rate of inflation, the adjustment is now more closely linked to the rate of economic growth by measuring the change in *per capita* personal income in the State, as amended by Proposition 111. Change in cost of living for the State and K-14 school districts is measured by the percentage change over the prior year in State *per capita* personal income. Change in population for K-14 school districts is measured by the prior year's average daily attendance; the State uses a complex formula that takes into account both changes in State population and changes in public school enrollment.

Taxpayer Rebates. As initially enacted, Article XIIIB required that any tax revenues received by the State in excess of its appropriation limit be returned to taxpayers. As amended by Proposition 111, the excess tax revenues are now divided between increased education funding and taxpayer rebates. Calculated over two years so that government does not have to return excess tax revenues from one year if in the following year its appropriations are below its limit, half of any excess is transferred to K-14 school districts and half is returned to taxpayers through a revision of tax rates within two fiscal years. All excess tax revenues received by any local government entity must be returned to taxpayers. Any such excess revenues transferred to K-14 school districts are not counted as part of the school districts' base expenditures for calculating their entitlement for State aid in the next year, nor is the State's appropriations limit increased by this amount. If a K-14 school district's revenues exceed its appropriations limit, the school district may increase its appropriations limit to equal its spending by borrowing from the State's appropriations limit.

Proposition 98's Minimum Guarantee of Education Funding. Article XVI, added to the State Constitution by Proposition 98 (1988), requires that "from all State revenues there shall first be set apart the moneys to be applied by the State for support of the public school system and higher education." Known as the Proposition 98 minimum guarantee, funding for K-14 school districts, made up of a combination of State general fund income tax revenues and local property tax revenues, must be the greater of either the same percentage of State general fund revenues as was appropriated in fiscal year 1986-87, or the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. Each year, the exact amount allocated as the minimum guarantee, which is approximately equal to 40 percent or more of State general fund revenues, is determined by a set of tests.

Test 1 ("Share of the State General Fund"). Test 1 allocates approximately 41 percent of the State general fund revenue to K-14 school districts. Test 1 only applies if Test 2 or Test 3 does not result in additional funding for K-14 school districts. Test 1 has been used 4 times in the last 28 years, including fiscal year 2014-15.

Test 2 ("Personal Income"). Test 2 provides that K-14 school districts shall receive at least the same amount of combined State aid and local tax dollars as was received in the prior year, adjusted for the statewide growth in K-12 ADA and an inflation factor equal to the annual percentage change in *per capita* personal income. Test 2 is used if it results in more funding for K-14 school districts than Test 1 (unless Test 3 applies instead). Test 2 has been used in 14 of the past 28 years, including fiscal year 2015-16.

Test 3 ("Available Revenues"). Test 3 only applies in years in which the annual percentage change in *per capita* State general fund tax revenues plus one-half percent is lower than the "Test 2" inflation factor (*i.e.*, the change in *per capita* personal income), in which case the inflation factor is reduced to the annual percentage change in *per capita* State general fund tax revenues plus one-half percent. Test 3 has been used 8 of the past 28 years, including fiscal year 2013-14.

Maintenance Factor. In any year in which Test 3 is used, the difference between the amount appropriated under Test 3 and the amount that would have been appropriated under Test 2 is considered a credit to K-14 school districts (the "maintenance factor") to be restored in future years when State revenue growth rebounds to exceed personal income. The State has carried an outstanding maintenance factor in 20 of the past 25 years, including an estimated $2.6 billion as of the end of fiscal year 2014-15. In fiscal year 2015-16 the State is budgeted to reduce the maintenance factor obligation to approximately $772 million. In years of economic hardship, the State Legislature can suspend the minimum guarantee for a year by a two-thirds vote, which also triggers the maintenance factor obligation, to be restored in later years. Such suspension has only occurred twice, in fiscal years 2004-05 and 2010-11. The State Legislature has the authority to spend more than the minimum guarantee, although any increase creates a higher minimum floor for the following year; this has occurred from time to time. At times, the State also has had outstanding one-time Proposition 98 obligations known as "settle-up" obligations. A settle-up obligation is created when the minimum guarantee increases midyear and the State does not make an additional payment within that fiscal year to meet the higher guarantee. The increased amount is used as the base for the following year's minimum guarantee. Settle-up funds can be used for any educational purpose, including paying off other state one-time obligations, such as deferrals and mandates.

Temporary Tax Increase To Fund Education and Repay Debt. From 2008 to 2012, the State eliminated more $56 billion from State and local funding of services including education, police, fire, and health care. The passage of Proposition 30 (2012) allowed the State to levy a temporary sales tax (lasting four years) and income tax (lasting seven years), the revenues of which would be used to support increased funding for education and to help balance the State budget. Existing law requires that in years in which the State's general fund revenues grow by a large amount funding for education must also be increased by a large amount. The tax revenues allocated to education as part of the minimum guarantee are deposited into the Education Protection Account (the "EPA") and distributed quarterly to K-14 school districts (89 percent to K-12 school districts and 11 percent to community college districts) as a continuing appropriation not subject to budget adoption. The funds are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district receives less than $200 per unit of ADA, and no community college district receives less than $100 per full time equivalent student. The $200 per ADA minimum funding guarantee of Proposition 30 is in addition to the $120 ADA constitutional guarantee under Proposition 98. Each fiscal year, every school district's proportionate share of the EPA will be recalculated four times. K-14 school districts have discretion to determine how the funding is spent as long as it is for any educational purpose and not for administrative costs, salaries or benefits. The Proposition 30 tax revenue is included in the Proposition 98 calculation, raising the guarantee by billions each year. The remaining Proposition 30 tax revenues will be used to balance the budget.

Community Redevelopment Agencies and Dissolution: Reduced Revenues For Local Governments and Increased State Education Costs. Beginning with the enactment of the Community Redevelopment Act (1945), superseded by the Community Redevelopment Law (1951) under Article XVI of the State Constitution, until the termination of the program by the State in 2011, a local government could improve an economically depressed area by creating a redevelopment agency (an "RDA"). The mechanism allowed the RDA to pay for development projects with the future increase in property tax revenue, or "tax increment," attributable to the growth in assessed value of taxable property within the project area when the project was complete. However, the allocation of the tax increment to the local RDA caused a reduction in the one percent countywide property tax levy for other local taxing agencies, including school districts, although *ad valorem* property taxes in excess of the one percent property tax levy collected for payment of debt service on school district bonds were not affected. To recover some of the lost tax revenue, school districts could negotiate with the RDA for "pass-through" payments of local tax revenues. However, because property tax revenues redirected to redevelopment agencies were replaced by increased State aid to the school district, in some cases there was little incentive for school districts to negotiate for greater amounts of pass-through from the RDAs; thus, the State's share of reimbursements to such school districts soared into the hundreds of millions of dollars per year. However, basic aid school districts, in which there are unusually high property tax revenues per pupil, sustained property tax revenue losses unless pass-through payments were negotiated.

In 2011, the State Legislature approved Assembly Bill, First Extended Session 26 ("AB1X 26") dissolving the more than 400 RDAs in the State to preserve core public services at the local level. The State Supreme Court upheld the legislation against legal challenges, ruling in California Redevelopment Association v. Matosantos (2011) that Proposition 22 did not prevent the State from ending the redevelopment program. RDAs were officially dissolved as of February 1, 2012 and successor agencies were established to facilitate the dissolution by managing projects underway, making payments on enforceable obligations, and disposing of assets and properties. Property taxes that would have been allocated to each RDA were deposited into a "redevelopment property tax trust fund" created and held for each former RDA by the county auditor-controller. Amounts in the redevelopment property tax fund, after payment of the county auditor-controller administrative costs, are applied each January 2 and June 1 in the following priority: (i) to pay pass-through payments to affected tax entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided however that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller verifies such determination, pass-through payments that had previously been subordinated to debt service may be reduced; (ii) to the former redevelopment agency's successor agency for payments listed on the successor agency's recognized obligation payment schedule for the ensuing six month period; (iii) to the former redevelopment agency's successor agency for payment of administrative costs; and (iv) to school entities and local taxing agencies any remaining balance.

AB1X 26 contained language stating that agreements between an RDA and the city or county that created it were not enforceable obligations. However, Senate Bill 107, signed into law by the Governor on September 22, 2015, enacted to help give local governments more economic development tools to help improve struggling communities by streamlining the current dissolution process, enhance affordable housing by providing increased statewide funding and improving transparency, and expand types of loans for which cities and counties can seek reimbursement, defines the following agreements as enforceable obligations: (i) agreements between a city and RDA entered into at the time an indebtedness obligation to refund an obligation existing prior to January 1, 2011 is issued, or no later than June 27, 2011; (ii) agreements regarding certain highway infrastructure improvement projects entered into prior to June 28, 2011 or (iii) certain agreements regarding federal grants or loans.

Some school districts receive pass-through payments during the dissolution process. See "DISTRICT FINANCIAL INFORMATION—Revenues" herein.

State Authority Over Local Government Funds

Disbursement of State Funds Without Enacted Budget—Jarvis v. Connell. In years in which the State Legislature has not been able to enact a budget by the deadline, the fiscal year begins without an enacted budget, and the State has, in some cases, issued registered warrants, or IOUs, to pay certain State employees' wages and State debts. In 1988, during such a budgetary impasse, a taxpayers' association sued the State Controller over these payments, arguing they were not authorized without an enacted budget. In the case, known as Jarvis v. Connell, the State Court of Appeal held that without an enacted budget, State funds may not be disbursed unless the payment is authorized by the State Constitution, as a continuing appropriation, or by federal mandate. This could affect school district budgets to the extent that, if there is neither an enacted budget nor emergency appropriation, State payments owed to school districts could be delayed unless they are required as a continuing appropriation or federal mandate. As upheld by the State Supreme Court in 2003, the State is not authorized to disburse funds without an enacted budget or other appropriation, but under federal law is required to pay State employees who are protected by federal wage laws under the Fair Labor Standards Act.

Local Property Tax Revenue May Not Be Diverted From Local Governments. State and local governments' funding and responsibilities are interrelated. Both levels of government share revenues raised by certain taxes such as sales and fuel taxes, and both also share in the costs for some programs such as health and social services. Although the State does not receive local property tax revenue, it has had authority over the distribution of these revenues among local agencies and school districts. Under Article XIIIA, the State had the authority to permanently shift property taxes among local governments. At times, the State fulfilled some portion of the Proposition 98 minimum guarantee by shifting some of the property tax revenues share belonging to cities, counties, other special districts and redevelopment agencies, to K-14 school districts through an Educational Revenue Augmentation Fund (the "ERAF") established in each county; conversely shifting costs for courts to the State, which reduced court costs for local governments. The passage of Proposition 1A (2004), amending Articles XI and XIII, reduced the State's authority over major local government revenue sources by preventing the State from reducing the property tax share allocated to cities, counties, and special districts—changing the allocation of property tax revenues between local governments now required two-thirds approval of the State Legislature. However, Proposition 1A did not prevent the State from transferring property taxes to schools in the case of severe fiscal hardship and a two-thirds vote by the State Legislature.

The passage of Proposition 22 (2010) amended Articles XIII and XIX of the State Constitution to prevent the State government, even during times of severe fiscal hardship, from taking revenue derived from locally imposed taxes, such as parcel taxes, hotel taxes, utility taxes, and sales taxes, the revenues of which are dedicated to local cities, counties, school districts or other special districts and are used to fund public safety, emergency response, and other local services, or from taking local public transit or transportation funds, such as funds from certain fuel taxes, for State uses. The measure also prevented the State from delaying distribution of tax revenues to local governments, redirecting redevelopment agency property tax revenue to other local governments such as school districts, or shifting money to the school districts under the ERAF program. One objective of the measure was to stabilize local government revenue sources by restricting the State's control over local property taxes. As a result of Proposition 22, the State would have to take other actions to balance its budget in some years, such as reducing State spending or increasing State taxes. Proposition 22's restriction of the State's ability to shift local funds made K-14 school districts more directly dependent on the State general fund for Proposition 98 funding.

Deferrals of Payments Owed to K-14 School Districts. Beginning fiscal year 2001-02, as a temporary budget solution, the State postponed, or deferred, payments owed to K-14 school districts for a few weeks, allowing the State to save money while school districts continued to operate by borrowing money or dipping into reserves. Because the deferral lasted only a matter of weeks, there was little impact on school district finances or operations. However, especially during the last recession, the State came to rely excessively on deferrals of payments to K-14 school districts to balance the State budget. As both the length and the amount of deferrals increased, the State withheld several billions of dollars from school districts, resulting in a financial crisis for K-14 school districts which could no longer borrow enough or find reserves to cover the funding shortfall, and program reduction and teacher layoffs ensued. State reliance on payment deferrals peaked in fiscal year 2011–12 when the State deferred approximately 20 percent of all K-14 school district funding. Increasing deferrals authorize school districts to spend at a level of programming the State cannot afford, making the State budget less transparent, and create large future obligations of the State to repay the deferrals. However, as the economy has rebounded, the State has made the repayment of deferrals a priority, and repayment of current deferrals is budgeted to be complete in fiscal year 2015-16.

Returning Control Over Revenues to Local School Districts. In the post-Proposition 13 era of limited local tax revenue, the State's assumption of responsibility for school district funding also resulted in State control over how those revenues were to be spent. Although much of the funds were appropriated for general-purpose operating costs, an increasing proportion was funneled from the State to school districts through categorical programs, which were restricted as to how such funds could be spent, required complex paperwork and administration, and were inequitable, varying between school districts by thousands of dollars in per pupil spending. In a landmark effort to return local control over funding decisions to school districts, the State Legislature enacted Assembly Bill 97 (2013) introducing a new funding system called the Local Control Funding Formula (the "LCFF") which simplifies the funding stream and provides additional funding for the education of high-needs student populations. See "STATE FUNDING OF PUBLIC EDUCATION—Sources of Revenue For Public Education" herein.

State and School District Reserves

Balanced Budget and State Reserves. Proposition 58 (2004) amended Article IV of the State Constitution to require that the State enact a balanced budget in which estimated revenues would meet or exceed estimated expenditures in each year, and that mid-year adjustments be made if the budget falls out of balance if estimates are incorrect. The law also established the Budget Stabilization Account (the "BSA") in the State's general fund, which required a deposit of three percent of the general fund each year, although rules regarding how money would be deposited to the BSA and how such deposits may be spend were amended by Proposition 2, discussed below.

New Formula to Build State Reserves and Repay Debt. The passage of Proposition 2 (2014) addressed the need for long-term financial stability in the State in the face of economic volatility by devoting funds to paying down the State's debt and changing the State's reserve policies, revising the rules for the State's existing BSA and creating a new budget reserve for K-14 school districts called the Public School System Stabilization Account (the "PSSSA"). The law reduced legislative discretion over certain budget decisions regarding how quickly to repay State debts and when reserve funds are needed, requiring that 1.5 percent of the State general fund be deposited into the BSA annually, plus an additional amount when the

State receives spikes in capital gains tax revenue exceeding eight percent of State general fund revenues. The PSSSA, which would also be funded with the capital gains spikes, would be drawn on when the State support required by Proposition 98 exceeded available general fund and property tax revenues. The new law requires that for the following 15 years, half of the funds deposited each year into the BSA must be used to pay fiscal obligations such as budget loans and unfunded State level pension plans. After 15 years, half of the deposited amount must be saved, and the other half will be used to pay debt payments or for further savings. Funds may be withdrawn from BSA only for a disaster or if, over three years, spending does not rise above the highest level of spending. In the case of a recession, only half of the funds can be withdrawn. As a result of Propositions 98 and 2, a large amount of incremental gains in the State's general fund revenues are allocated to building reserves and repaying debt. The law also requires multi-year budgetary forecasting. However, these calculations depend largely on estimates of capital gains taxes, a variable that is largely unknown for two years after a budget is enacted for a fiscal year. The law also included trailing legislation providing that in the event of the PSSSA receiving large enough deposits, individual school districts would not be allowed to keep as much of their own funds set aside in reserves.

Limits On School District Reserves—Minimum and Maximum Amounts. The State has a constitutional obligation to ensure that school districts continue to operate even in times of financial difficulty so that the education of students in the State is not disrupted. To prevent a school district from entering into a financial crisis that would require an emergency loan from the State, the State requires school districts to maintain a minimum reserve in its general fund's Reserve for Economic Uncertainties to help school districts manage cash flow, address unexpected costs, save for large purchases, reduce costs of borrowing money, and mitigate the volatility in funding produced by the reliance on tax revenue funding sources. The minimum reserve amount required depends on the size of the school district's enrollment. Smaller school districts are required to keep a higher percentage of reserves because they are more easily overwhelmed by unexpected costs, such as a single major facility repair, which could deplete most of its reserves in a single year. School districts with enrollment of 300 or fewer students, which represent 25 percent of school districts, must keep a minimum reserve of five percent of expenditures. School districts with enrollment of 301 to 1,000 students, which represent 17 percent of school districts, must keep a minimum reserve of four percent. School districts with enrollment of 1,001 to 30,000 students, which represent 55 percent of school districts, must keep a minimum reserve of three percent. School districts with enrollment of 30,001 to 400,000 students, which represent three percent of school districts, must keep a minimum reserve of two percent. The one school district in the State with an enrollment of 400,001 or more students must keep a minimum reserve of one percent. Many school districts attempt to keep their reserve levels higher than State minimum requirements, from five percent to as much as 25 percent of expenditures. A 17 percent reserve is equal to approximately two months of expenditures and is a standard reserve level for local public agencies.

However, Proposition 2 included trailing legislation that would cap the maximum amount a school district could keep in its reserve in a year following one in which the State makes a deposit into the PSSSA. The State would make a PSSSA deposit if all of the following conditions were met: in a Test 1 year, wherein Proposition 98 has not been suspended by a vote of the State Legislature, the Proposition 98 maintenance factor is completely restored and no new maintenance factor is created, and State capital gains tax revenue is more than eight percent of State general fund revenues. The 2015-16 State Budget (defined herein) provides for substantial restoration of the maintenance factor, and the maintenance factor could be eliminated as of fiscal year 2016-17. If the State's capital gains tax revenues continue to be substantial, the school district reserve cap could be triggered as early as fiscal year 2017-18, but it is not possible to predict with certainty. In a year following a PSSSA deposit, a school district could not adopt a budget with total ending assigned and unassigned reserves of more than twice the applicable State minimums for reserves, with such minimums ranging from one to five percent of expenditures depending on the size of the school district. County education officials could exempt a school district from the cap if the school district demonstrates that it faces extraordinary fiscal circumstances, including undertaking multi-year infrastructure or technology projects. In anticipation of a future maximum cap on reserves, some school districts may start to spend reserves on teacher pay, books, and other costs in the next few years. Other school districts may wait until after a PSSSA deposit occurs to either spend large amounts all at once or seek exemptions from county education officials to keep their reserves above the maximum levels. If a school district has a smaller reserve as a result, it could affect the school district's financial condition at the time of an economic downturn.

Impact of Future Changes to the Law

Laws affecting school district funding and the power of State and local governments to raise and spend revenue have been subject to many changes as voters and lawmakers react to economic and political cycles. The complex patchwork of the many different provisions at times results in uncertainty regarding their operation or interpretation. Many of the laws discussed above were enacted through the State's initiative process. Initiative constitutional amendments may be changed only by another statewide initiative. Legislative constitutional provisions may be changed by a majority vote of both houses of the State Legislature and approval by the Governor, if the change furthers the purposes of the provision. The District cannot predict whether or when the voters in the State or the State Legislature will approve further legislation that could restrict the District's sources of revenue or its ability to spend that revenue, or require the District to appropriate additional revenue.

STATE FUNDING OF PUBLIC EDUCATION

Sources of Revenue for Public Education

There are four general sources of funding for K-12 public education in the State: the federal government, local property taxes, other local funding sources and State funding, the principal source of funding for most school districts. Besides the sources discussed below, no other source of general-purpose revenue is currently permitted for schools. Proposition 13 eliminated the possibility of raising additional *ad valorem* property taxes above one percent for general-purpose school support, and the courts have declared school districts may not charge fees for school-related activities, unless the charge is specifically authorized by law for a particular program or activity. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES—Government Taxation and Appropriation" herein.

State Funds. Many school districts in the State receive the majority of their funds from the State. In fiscal year 2014-15, State funds are expected to account for approximately 61 percent of K-12 public education funding in the State. There are three sources of State funds for K-12 public education: a guaranteed minimum level under Proposition 98, comprised of a combination of State general fund revenues and local property tax revenues, representing the majority (88 percent in fiscal year 2014-15) of State funding; additional State funds for targeted programs such as facilities and the remaining categorical programs including special education, nutrition, afterschool programs, and home-to-school transportation; and State lottery funds, a portion of which may only be used for instructional purposes. The Proposition 98 guaranteed minimum amount is set forth each year in the State budget. See "—The State Budget Process" herein.

More than sixty percent of the State's general fund revenue comes from personal income taxes, with capital gains taxes representing more than 10 percent of the State's general fund revenue, so a downturn in the stock market may significantly impact the State's general fund. Because funding for education in the State depends on the amount of money available in the State general fund, the linkage can result in significant volatility in education funding. For instance, during the recent recession in fiscal year 2011-12, State general fund revenues available for education funding were approximately eight percent less than the amount available four years prior. Provisions added to the State Constitution and statutes in 2013 and 2014 attempted to provide funding stability to public education by capturing spikes in capital gains revenue to use for paying down debts and obligations and to create reserves. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES—State and School District Reserves" and "—State Budget Process" herein.

Approximately 10 percent of school districts in the State receive more from local property tax revenue than their calculated State funding level. Such school districts are called "basic aid districts." As discussed below, though these districts receive more from local property tax revenue than their calculated State funding level, they continue to receive State funding, called the Minimum State Aid or "hold harmless" funding provision (the "MSA").

The State Revenue Limit. The State Revenue Limit was instituted in fiscal year 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district, community college district or county office of education is entitled to receive from State and local sources. Each school district had its own target amount of funding from State funds and local property taxes per average daily attendance. This target was known as revenue limit, and the funding from this calculation formed the bulk of school districts' income. The State Legislature usually granted annual cost-of-living adjustments ("COLAs") to revenue limits. The exact amount of the COLA depended on whether the school district is an elementary, high school or a unified school district. The funding level set by the revenue limit for each school district or county office of education was funded first by the property tax revenue available to that district, and the remaining balance was filled by State funds. Basic aid districts, in which the revenue limit was completely paid for from local property tax revenue, were allowed to keep all excess property tax revenue from within their district, but they received no general purpose State revenue limit funding. However, such districts did receive the constitutionally required minimum funding, or basic aid, of a set amount per pupil. Basic aid districts also continued to receive the categorical State and federal aid that was restricted to specific programs and purposes.

Local Control Funding Formula (LCFF). In landmark legislation, the fiscal year 2013-14 State budget replaced the existing revenue limit allocation formula with a new formula, the Local Control Funding Formula. The general-purpose funds for school districts are now funneled through LCFF, and funds received through categorical programs are greatly reduced. As under the revenue limit system, the amount a school district is entitled to receive for general purpose LCFF funds is financed through the local property tax revenue available to the school district, with the remaining balance funded by the State. Because the amount that school districts are entitled to receive under LCFF is greater than under the previous revenue limit allotment, some school districts that were basic aid districts under the previous system will no longer be if the property tax revenue available to the school district no longer funds or exceeds the amount the school district is entitled to receive under LCFF. The vast majority of school districts will receive more State aid than was received under the previous revenue limit system. Under the "hold harmless" provision, no school district will receive less State aid than it received in fiscal year 2012-13.

While several calculations are involved in determining the amount a school district will receive each year under LCFF, the core components of the LCFF are the calculation of each school district's floor entitlement, MSA entitlement, LCFF target entitlement, and ERT entitlement, if eligible.

The LCFF transfers control over spending decisions to local authorities, requiring community input about those spending decisions along with increased transparency and accountability for the outcomes of those decisions. Most public education funding from the State is provided through the LCFF. In fiscal year 2015-16, 79 percent of Proposition 98 funding for K-12 public education is provided through LCFF. Under LCFF, school districts across the State receive the same base grants for each grade span, based on ADA. As under the previous system, school districts continue to receive funds based on the greater of prior year or current year ADA figures. In fiscal year 2015-16, the base grants are $7,820 for grades K-3, $7,189 for grades 4-6, $7,403 for grades 7-8, and $8,801 for grades 9-12, which include adjustment increases for class size reduction and career technical education for grade spans K-3 and 9-12 receive, respectively. A school district's average K-3 class size target enrollment is not more than 24 students per teacher at each school site, as may be amended by union contract. Charter schools are not required to make progress towards or to meet this enrollment ratio goal.

School districts receive a supplemental grant of 20 percent of the base grant for each unduplicated student in the school district, defined as low-income, English-learner, or foster youth. Enrollment counts are unduplicated, such that students may not be counted as both English-learner and low-income (foster youth automatically meet the eligibility requirements for free or reduced-price meals, and are therefore not discussed separately). School districts with more than 55 percent enrollment of unduplicated students receive concentration funding. The concentration grant is an additional 50 percent of the base grant for each unduplicated student above the threshold. The concentration grants are intended to address the additional academic challenges faced by such students when their peers are similarly disadvantaged. The supplemental and concentration factors are allocated so that as a school district's proportion of unduplicated students increases, so does its total funding allocation. A school district in which 100 percent of enrollment is unduplicated students will receive 42.5 percent more total funding than a school district with no unduplicated students. For accounting purposes, all LCFF funds will be accounted for as an unrestricted resource. School districts have broad discretion to decide how to spend the base grant. The supplemental and concentration grants must be used to increase or improve services to the population they are intended to serve, although some services may be provided district- or site-wide. The supplemental and concentration grant amounts are based on the unduplicated count of pupils divided by the total enrollment in the school district, based on the fall P-1 certified enrollment report.

Most districts will receive more funding at full implementation of LCFF than they did previously under the revenue-limit system. For some school districts, their per-pupil undeficited fiscal year 2012-13 funding was higher than their LCFF entitlement at full implementation. Such districts will have their undeficited funding level restored through a supplemental ERT add-on payment. School districts that are eligible for ERT funding will receive the difference between their LCFF target and their LEA's fiscal year 2012-13 undeficited funding, adjusted for cost of living increases. The ERT add-on will be paid incrementally over the LCFF implementation period. See "DISTRICT FINANCIAL INFORMATION—Revenues" herein.

Basic aid districts, defined as school districts that do not receive State aid to fund their floor entitlement for transition to LCFF or any portion of LCFF at full implementation because they receive the full amount from local property tax revenue, continue to receive State funding from fiscal year 2012-13 levels. The transition entitlement for such school districts is comprised of its floor entitlement, gap funding, ERT, and MSA funding amounts. The MSA allotted to a school district is at least the amount of funding received by the school district in fiscal year 2012-13. The MSA amount is calculated based on the categorical allocation net of 8.92 percent fair share reduction. However, the fair share reduction is limited by the school district's property taxes, including one-time redevelopment agency revenue, in excess of its fiscal year 2012-13 revenue limit, and by the total of all categorical funds enumerated by the LCFF. Basic aid school districts receive the $200 per ADA as additional revenue. In the case of a school district that transitions out of basic aid status because its State entitlement increased under LCFF, such school districts may receive a proportional offset for the $200 per ADA. See "DISTRICT FINANCIAL INFORMATION—Revenues" herein. LCFF does not change the minimum required reserve that be kept by a school district for economic uncertainties. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES—State and School District Reserves" herein. LCFF does not change the minimum required reserve that be kept by a school district for economic uncertainties.

The implementation of LCFF began in fiscal year 2013-14, with full implementation planned within eight years, fiscal year 2020-21. Until full implementation has occurred, the difference between the actual amount districts receive in a year and the target amount they will receive as of full implementation is referred to as the "funding gap." The funding gap is determined by the difference between the "funding floor," or amount of funding a school district received the prior year, and the target amount of funding the school district will receive at full implementation. The funding floor consists of fiscal year 2012-13's deficited revenue limit divided by ADA multiplied by current year ADA, plus the sum of any categorical funding. Sufficient funding was available to fund 12 percent of the funding gap in fiscal year 2013-14 and 30 percent of the gap in fiscal year 2014-15; the State is budgeted to fund 52 percent of the funding gap in fiscal year 2015-16, the third year of implementation of LCFF.

The LCFF does not alter the budget adoption process for school districts. The State funds school districts in monthly installments based on calculations made in a series of three apportionments throughout the fiscal year. Each apportionment includes funding for the LCFF and for other State programs. The amount of each apportionment is based on calculations made by each school district and reviewed by its county office of education. The Advance Principal Apportionment ("Advance Apportionment"), certified by July 20, sets forth the amount the school district will receive for the year, paid in a series of installments from August through January. The First Principal Apportionment ("P-1 Apportionment"), certified by February 20, set forth a new calculation based on the school district's first period ADA determined as of December, for installments that will be paid to the school district from February through June. The Second Principal Apportionment ("P-2 Apportionment"), certified July 2, based on second period ADA determined as of April, recalculates the amount of the final installment for the fiscal year paid to the school district in July. At the close of the fourth quarter, a final annual recalculation ("Annual Apportionment") provides an updated estimate of the prior year's adjustment. In addition, under the EPA, districts receive a quarterly allocation of the tax revenue received from the temporary tax increase under Proposition 30. The funds in the EPA are allocated between K-14 school districts by 89 percent and 11 percent, respectively, in quarterly allocations made in September, December, March and June each year. The amount received by a school district under EPA is a reduction to the aid the school district receives from the State applied at each principal apportionment certification. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND EXPENDITURES—Government Taxation and Appropriation" herein.

The LCFF requires each school district to demonstrate that its spending decisions are producing the desired results of increased student performance as stated in each school district's own LCAP. Each school district must create its own annually updated LCAP with input from teachers, parents and the community, including the parents or guardians of unduplicated students. School districts must review and share the results to determine whether spending achieved the goals stated in the LCAP, for each school site and for the school district as a whole. All school districts must use the State's LCAP template beginning fiscal year 2014-15. The LCAP must include a description of the annual goals to be achieved for each student group for each state priority, including the content standards adopted by the State Board of Education. The LCAP of each school district is overseen and approved by the county superintendent.

Charter schools must comply with LCFF and receive mostly the same funds as public schools, although calculation of targeted disadvantaged students differs somewhat to prevent abuse of the system. There are also differences in the process of LCAP adoption and assessment. In the case of a charter school that fails to perform according to its LCAP, the State is not required to provide the same support that a public school district or county office of education receives, and its charter can be revoked.

Federal Funds. In fiscal year 2014-15, federal revenues are expected to account for approximately 10 percent of K-12 public education funding within the State. Approximately 95 percent of these funds are designated for particular purposes such as special education, the No Child Left Behind Act, Drug Free Schools, and Title I programs for economically or otherwise disadvantaged students.

Local Property Taxes. In fiscal year 2014-15, local property taxes are expected to account for approximately 19 percent of K-12 public education funding within the State. Property taxes are constitutionally limited to one percent of the property's value, except to repay voter-approved debt. Approximately 10 percent of school districts in the State receive more from local property tax revenue than they would under the State formulas. These basic aid districts are allowed to keep any property tax revenue they receive above and beyond the amount of funding calculated under LCFF. Basic aid districts must still comply with the accountability requirements adopted with LCFF. The District is not a basic aid district. See "DISTRICT FINANCIAL INFORMATION—Revenues" herein.

Other Local Funds. In fiscal year 2014-15, miscellaneous local sources are expected to account for approximately five percent of K-12 public education funding within the State. There are several types of revenue a school district may receive from other local sources, including developer fees, parcel taxes, property lease revenues, and private donations. A school district may levy developer fees on new residential or commercial development within the school district's boundaries to finance the construction or renovation of school facilities. A school district may, with two-thirds approval from local voters, levy special taxes on parcels to fund specific programs within the school district. A school district may lease or sell its unused sites or facilities as another source of revenue. A school district may also seek contributions, sometimes channeled through private foundations established to solicit donations from local families and businesses.

In addition, a significant number of school districts have secured voter approval, with either a two-thirds vote or a 55 percent majority, to sell general obligation bonds or to establish special taxing districts for the construction of schools. Use of such taxes is restricted by law. Such taxes are expected to account for approximately five percent of K-12 public education funding in the State in fiscal year 2014-15.

The State Budget Process

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation authorized by law. The primary source of annual appropriations authorizations is the Budget Act approved by the State Legislature and signed by the Governor, which can provide for projected expenditures only to the amount of projected revenues and balances available from prior fiscal years.

The annual budget cycle begins when the Governor releases a proposed budget in January for the next fiscal year, which starts each July 1 and ends June 30. The Governor releases a revised budget in May based on new projections regarding State revenues and feedback from the State Legislature and other constituents. The State Constitution requires that the State Legislature pass the Budget Act by June 15 by majority approval from both Houses. 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 State Legislature.

Appropriations may also 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 State Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each House of the State Legislature, and be signed by the Governor. The State Constitution or a State statute may also provide for continuing appropriations that are available without regard to fiscal year. 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.

The 2015-16 State Budget

On June 24, 2015, the Governor signed the 2015 Budget Act and associated trailer bills to enact the fiscal year 2015-16 State budget (the "2015-16 State Budget"). The 2015-16 State Budget includes State general fund revenues of $115.0 billion, representing a 3.3 percent increase from fiscal year 2014-15 levels, and State general fund expenditures of $115.4 billion, representing a 0.8 percent increase from fiscal year 2014-15 levels. The State's general fund balance is budgeted to be $2.1 billion at the end of fiscal year 2015-16, with total reserves of $4.6 billion, including $1.1 billion in the traditional general fund reserve and $3.5 billion in the BSA. The 2015-16 State Budget projects that State general fund tax revenues in fiscal years 2014-15 and 2015-16 will be $2 billion and $1 billion, respectively, more than projected in the prior year budget for fiscal year 2014-15 due to the strong economy and additional revenues from temporary taxes.

Major features of the 2015-16 State Budget include paying down debt, funding reserves, counteracting the effects of poverty, increasing spending on education and health care, workforce development, drought assistance, and creating the State's first earned income tax credit. The 2015-16 State Budget also includes funding to address the State's significant continuing liabilities in deferred maintenance of infrastructure and retiree benefits.

The following table from the State Legislative Analyst's Office identifies historical and budgeted State general fund revenues, expenditures and fund balances.

State General Fund
2015-16 State Budget

	2014-15 State Budget (Millions)	2015-16 State Budget (Millions)
Prior-year Fund Balance	$5,590	$2,423
Revenues and Transfers	111,307	115,033
Expenditures	114,473	115,370
Ending Fund Balance	$2,423	$2,086
Encumbrances	971	971
Special Reserve for Economic Uncertainties	1,453	1,116
Reserves		
Special Reserve for Economic Uncertainties	$1,453	$1,116
Pre-Proposition 2 Budget Stabilization Account	1,606	1,606
Proposition 2 Budget Stabilization Account	-	1,854
Total Reserves	$3,059	$4,576

Totals may not foot due to rounding.
Source: The State Legislative Analyst's Office.

Education Funding. The Proposition 98 minimum guarantee funding for K-14 education continues to increase, due to the rebounding economy, after reaching a low of $47.3 billion in fiscal year 2011-12. The 2015-16 State Budget provides a minimum guarantee for K-14 Proposition 98 funding of $68.4 billion. This figure is $2.1 billion (3.2 percent) more than the revised fiscal year 2014-15 level.

The 2015-16 State Budget reduces the State's outstanding obligations to K-14 education by paying $3.8 billion on the K-14 mandates reimbursement backlog ($3.2 billion of which pays down K-12 mandates), reducing the total backlog to $1.5 billion, and retires all K-14 payment deferrals with a payment of $1 billion ($897 million of which pays K-12 deferrals), representing the first budget since fiscal year 2000-01 to make all K-14 payments on time. The 2015-16 State Budget also retires the $273 million owed under the terms of a legal settlement for the Emergency Repair Program ("ERP") obligation.

The Proposition 98 maintenance factor payment, adjusted annually for changes in K-12 attendance and *per capita* personal income, was an estimated $2.6 billion at the end of fiscal year 2014-15. Constitutionally obligated to make additional payments when State revenue grows more than *per capita* personal income, under the 2015-16 State Budget the State will make a large maintenance factor payment that will eliminate most of the maintenance factor obligation, leaving $772 million in outstanding maintenance factor obligation at the end of fiscal year 2015-16.

Of the $68.4 billion minimum guarantee to K-14 school districts in the State, K-12 public education is budgeted to receive $59.5 billion, which is $5.3 billion (9.9 percent) more than the prior year budget for fiscal year 2014-15, and $1.2 billion (2.1 percent) more than the revised fiscal year 2014-15 funding level. The 2015-16 State Budget provides an increase of $7.6 billion for K-12 LCFF spending, bringing total LCFF funding to $52 billion and closing approximately 52 percent of the remaining gap to full implementation. This equals a 13 percent year-over-year increase in LCFF funding, funding 90 percent of the estimated full LCFF implementation cost. Per-pupil spending for K-12 public education under Proposition 98 is budgeted to be $9,942 in fiscal year 2015-16, an increase of $1,011 (11 percent) per-pupil from the prior year budget for fiscal year 2014-15 and more than $3,000 per pupil higher than fiscal year 2011-12 levels. The 2015-16 State Budget also provides $455 million for technical adjustments and changes to the fiscal year 2014-15 Proposition 98 funding levels for K-12 public education.

In addition, the 2015-16 State Budget provides for Proposition 98 general funds for certain K-12 programs, as well as certain preschool and adult education programs listed below.

Career Technical Education: $900 million in one-time funds to support a transitional CTE Incentive Grant Program spread over three years ($400 million in fiscal year 2015-16, $300 million in fiscal year 2016-17, and $200 million in fiscal year 2017-18).

Educator Support: $500 million in one-time funds to promote teacher quality and effectiveness aligned with current content standards available for spending over three years.

Special Education: $60 million ($50 million ongoing and $10 million one-time funds) for a package of measures for special education that emphasize early childhood education.

Internet Infrastructure: $50 million for the second phase of ensuring Internet infrastructure for on-line academic testing.

Quality Education Investment Act Transition Funding: $4.6 million in one-time expenditures to provide half of the final apportionment of Quality Education Investment Act funding to selected school districts in fiscal year 2015-16 that do not qualify for concentration grant funding under LCFF.

Adult Education: $500 million for projects collaboratively developed by a consortium at the local level of school districts, county offices of education, community college districts, local workforce investment boards, social services agencies and employers to provide more effective education and workforce training.

Child Care and State Preschool: $423 million (an 18 percent increase) for 7,000 additional full-day State preschool slots for children of low-income families and almost 3,000 part-day preschool slots.

The following table identifies historical and proposed Proposition 98 funding.

Proposition 98 Funding
2015-16 State Budget

	2013-14 Revised (Millions)	2014-15 Revised (Millions)	2015-16 Budget Act (Millions)
By Segment			
K-12 Schools			
General Fund	$38,162	$43,888	$43,151
Local Property Tax Revenue	13,736	14,432	16,380
Subtotal	$51,898	$58,321	$59,530
Community Colleges			
General Fund	$4,248	$4,975	$5,301
Local Property Tax Revenue	2,182	2,263	2,613
Subtotal	$6,431	$7,238	$7,914
Preschool	$507	$664	$885 [1]
Other Agencies	78	80	80
Total	$58,914	$66,303	$68,409
By Fund Source			
General Fund	$42,996	$49,608	$49,416
Local Property Tax Revenue	15,918	16,695	18,993
Total	$58,914	$66,303	$68,409

[1]Includes $145 million for existing wraparound childcare formerly funded with non-Proposition 98 general fund. Excluding this accounting shift, growth is $75 million, or 11 percent.
Source: The State Legislative Analyst's Office.

The 2016-17 State Budget

On June 27, 2016, the Governor signed the 2016 Budget Act and associated trailer bills to enact the fiscal year 2016-17 State budget (the "2016-17 State Budget"), a $170.9 billion spending plan that continues the effort to prepare the State for an expected recession by increasing investment in reserves and limiting spending increases. The 2016-17 State Budget features an additional $2 billion investment in the reserve fund as well as limited one-time spending initiatives that implement the State minimum wage increase, build affordable housing, repair infrastructure and address effects of the drought.

The 2016-17 State Budget includes State general fund revenues of $123.6 billion, representing a four percent increase from fiscal year 2015-16, and State general fund expenditures of $122.5 billion, representing a six percent increase from fiscal year 2015-16. The State's general fund balance is budgeted to be $2.7 billion at the end of fiscal year 2016-17. The 2016-17 State Budget funds the BSA to a total balance of $6.7 billion by the end of fiscal year 2016-17, representing 54 percent of the funding goal.

The following table identifies historical and budgeted State general fund revenues, expenditures and fund balances.

State General Fund
2016-17 State Budget

	2014-15 Revised (Millions)	2015-16 Revised (Millions)	2016-17 Budget (Millions)
Prior-year Fund Balance	$5,103	$3,444	$4,875
Revenues and Transfers	111,789	117,001	120,310
Expenditures	113,448	115,571	122,468
Ending Fund Balance	$3,444	$4,875	$2,717
Encumbrances	966	966	966
Special Reserve for Economic Uncertainties	2,478	3,909	1,751
Reserves			
Special Reserve for Economic Uncertainties	$2,478	$3,909	$1,751
Budget Stabilization Account	1,606	3,420	6,714
Total Reserves	$4,084	$7,329	$8,465

Source: The State Legislative Analyst's Office.

Education Funding – The Proposition 98 minimum guarantee for K-14 education funding continues to increase after reaching a low of $47.3 billion in fiscal year 2011-12. The 2016-17 State Budget provides a minimum guarantee of $71.9 billion to K-14 education, an increase of $3.5 billion from fiscal year 2015-16 levels. Combined with increases of $1.5 billion and other one-time savings and adjustments in fiscal years 2014-15 and 2015-16, the 2016-17 State Budget provides a total increase of $5.9 billion for K-14 education. K-12 education is budgeted to receive $63.5 billion of the $71.9 billion Proposition 98 minimum guarantee to K-14 education. Proposition 98 K-12 expenditures are budgeted to be $10,657 per-pupil in fiscal year 2016-17, an increase of $440 per-pupil, or 4.3 percent, from revised fiscal year 2015-16 levels. Since fiscal year 2011-12, Proposition 98 funding for K-12 education has grown by more than $21.7 billion, representing an increase of more than $3,600 per student.

The Proposition 98 maintenance factor, created in years in which revenue growth is slow or decreases, is the difference between the funding level that would have been budgeted had revenue growth been stronger and the lesser amount that is actually budgeted. The maintenance factor is carried over from year to year until the State's economy is strong enough to restore the difference by accelerating Proposition 98 funding and adjusted annually for changes in K-12 attendance and *per capita* personal income. The maintenance factor, which was approximately $11 billion in fiscal year 2011-12, is budgeted to be reduced to an estimated $908 million as of the end of fiscal year 2016-17.

LCFF Implementation: The 2016-17 State Budget provides an additional $2.9 billion for LCFF spending, bringing total LCFF funding to $55.8 billion, reaching approximately 96 percent of full implementation.

K-12 Mandates Backlog: The 2016-17 State Budget provides for $1.3 billion to reimburse school districts for the costs of implementing State-mandated programs to substantially reduce outstanding mandate debt, for discretionary uses such as deferred maintenance, professional development or instructional materials.

The 2016-17 State Budget also provides for certain one-time increases in Proposition 98 general funds for preschool and K-12 educational programs, including:

Proposition 39 Energy Efficiency: $398.8 million in grants for improved energy efficiency in schools.

College Readiness: $200 million in block grants over three years to improve eligibility for college admission, allocated based on unduplicated student count in grades 9-12, with a minimum grant per district or charter school of $75,000.

Child Care and State Preschool: $137.5 million for increased childcare provider rates; $7.8 million for almost 3,000 additional full-day State Preschool slots for children of low-income families.

Teacher Workforce: $25 million (plus $10 million in non-Proposition 98 funds) to fund teacher recruitment and training.

California Collaborative for Educational Excellence: $24 million for the agency to assist local educational agencies in implementing individual LCAP priorities.

Charter School Start-Up: $20 million in grants to offset loss of federal funds.

Multi-tiered Systems of Support: $20 million to improve student outcomes by providing layers of support that address students' academic, behavioral, social and emotional needs.

Proposition 47 Safe Neighborhoods and Schools Act: $18 million in grants for restorative justice programs to prevent truancy and dropout rates.

Safe Drinking Water In Schools: $9.5 million for a grant program to improve access to safe drinking water for isolated and economically disadvantaged schools.

The following table identifies historical and proposed Proposition 98 funding.

Proposition 98 Funding
2016-17 State Budget

	2014-15 Actual (Millions)	2015-16 Revised (Millions)	2016-17 Budget Act (Millions)
By Segment			
K-12 Schools			
General Fund	$44,251	$43,340	$44,465
Local Property Tax Revenue	14,810	16,759	18,057
Subtotal	$59,061	$60,099	$62,522
Community Colleges			
General Fund	$5,025	$5,415	$5,528
Local Property Tax Revenue	2,306	2,569	2,767
Subtotal	$7,331	$7,983	$8,295
Preschool[1]	$664	$885	$975
Other Agencies[2]	90	82	83
Total	$67,146	$69,050	$71,874
By Fund Source			
General Fund	$50,029	$49,722	$51,050
Local Property Tax Revenue	17,117	19,328	20,824
Total	$67,146	$69,050	$71,874

[1]Beginning in fiscal year 2015-16, includes $145 million for wraparound care formerly funded with non-Proposition 98 State general fund.
[2]Includes State agencies providing direct instruction to K-12 students. Consists entirely of State general fund.
Source: The State Legislative Analyst's Office.

Future Budgets

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools as budgeted. State budget shortfalls in future fiscal years could have an adverse financial impact on the District.

For more information on the State budget, please refer to the State Department of Finance's website at www.dof.ca.gov and to the Legislative Analyst's Office's website at www.lao.ca.gov. The District takes no responsibility for the continued accuracy of this Internet address or for the accuracy, completeness or timeliness of the information presented therein, and such information is not incorporated herein by such reference.

LEGAL MATTERS

No Litigation

There is no action, suit or proceeding known by the District to be pending or threatened restraining or enjoining the sale or delivery of the Bonds, or in any way contesting or affecting the validity thereof or any proceeding of the District taken with respect to the issuance or sale of the Bonds, or the pledge or application of moneys or security provided for the payment of the Bonds, or the authority of the County to levy property taxes to pay principal of and interest on the Bonds when due.

Legal Opinion

The proceedings in connection with the authorization, sale, execution and delivery of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Bond Counsel. A copy of the legal opinion will be attached to each Bond, and a form of such opinion is attached hereto as "APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL."

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Bonds and to rendering the aforementioned opinion. Bond Counsel has not undertaken any responsibility for the accuracy, completeness, or fairness of this Official Statement, and the opinion of Bond Counsel will not extend to any documents, agreements, representations, offering circulars, official statements or other material of any kind concerning the Bonds that are not referred to in the aforementioned opinion. The fees of Bond Counsel are contingent upon the issuance and delivery of the Bonds.

Limitations on Remedies; Amounts Held in the County Pool

The opinion of Bond Counsel with respect to the enforceability of the rights of the owners of the Bonds is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County Pool, as described under the caption "EL DORADO COUNTY TREASURY POOL" herein and in "APPENDIX D—EL DORADO COUNTY STATEMENT OF INVESTMENT POLICY" attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which may include taxes that have been collected and deposited into the Interest and Sinking Fund, where such amounts are deposited into the County Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Interest and Sinking Fund where such amounts are invested in the County Pool. The Resolution and the State Government Code require the County to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds.

Tax Matters

The following discussion of federal income tax matters written to support the promotion and marketing of the Bonds was not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding federal tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to the District's compliance with the above referenced covenants, under present law, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

Subject to the District's compliance with certain covenants, in the opinion of Bond Counsel, the Bonds are "qualified tax exempt obligations" under the small District exception provided under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the regular corporate tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for [each maturity of] the Bonds is the price at which a substantial amount of [such maturity of] the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the District complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. [Based upon the stated position of the Illinois Department of Revenue, under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year.] Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

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

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in "APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL" attached hereto.

Legality for Investment

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

RATING

S&P Global Ratings ("S&P") has assigned a municipal bond rating of "A+" to the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

Government Financial Strategies inc. has been employed by the District to perform municipal advisory services in relation to the sale and delivery of the Bonds. Government Financial Strategies inc., in its capacity as municipal advisor, has read and participated in drafting of this Official Statement. Government Financial Strategies inc. has not, however, independently verified nor confirmed all of the information contained within this Official Statement. Government Financial Strategies inc. will not participate in the underwriting of the Bonds. Fees charged by Government Financial Strategies inc. are not contingent upon the sale of the Bonds.

INDEPENDENT AUDITOR

The financial statements of the District as of and for the year ending June 30, 2015, have been audited by Goodell, Porter, Sanchez & Bright, LLP, Certified Public Accountants, Sacramento, California. The audited financial statements of the District as of and for the year ended June 30, 2015, are set forth in "APPENDIX A—THE FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDING JUNE 30, 2015" attached hereto. The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. The Auditor has not performed any subsequent events review or other procedures relative to these audited financial statements since the date of its letter. Complete copies of all past and current financial statements may be obtained from the District.

UNDERWRITING AND INITIAL OFFERING PRICE

The Bonds were sold to _______________ (the "Underwriter") pursuant to a bond purchase agreement by and among the District and the Underwriter for $_______, an amount equal to the principal amount of the Bonds of $_______, plus a net original issue premium of $______, less an underwriting discount of $______, at a true interest cost (TIC) to the District of __ percent.

The Underwriter has certified the initial offering prices or yields stated on the inside cover page to this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices. The reoffering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report"), by not later than nine months after the end of the fiscal year, commencing with the report for fiscal year 2015-16 due March 31, 2017, and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of certain enumerated events will be filed by the District with the MSRB through EMMA. The specific nature of the information to be contained in the Annual Report or the notices are set forth in "APPENDIX B—FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

ADDITIONAL INFORMATION

Additional information concerning the District, the Bonds or any other matters concerning the sale and delivery of the Bonds may be obtained by contacting the Mother Lode Union School District, 3783 Forni Road, Placerville, California 95667, telephone (530) 622-6464, Attention: Chief Business Official, or by contacting the Municipal Advisor, Government Financial Strategies inc., 1228 N Street, Suite 13, Sacramento, California 95814-5609, telephone (916) 444-5100.

All of the preceding summaries of the Bonds, Resolution, Paying Agent Agreement and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith. Further, this Official Statement does not constitute a contract with the purchasers of the Bonds, and any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

Mother Lode Union School District

By: ______________________________

Marceline M. Guthrie, Ed.D.
Superintendent

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APPENDIX A

THE FINANCIAL STATEMENTS OF THE DISTRICT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

MOTHER LODE UNION SCHOOL DISTRICT
COUNTY OF EL DORADO
PLACERVILLE, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

MOTHER LODE UNION SCHOOL DISTRICT

JUNE 30, 2015

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FINANCIAL SECTION

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Mother Lode Union School District
Placerville, 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 Mother Lode Union School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Mother Lode Union School 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Mother Lode Union School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

7801 Folsom Boulevard■Suite 301 ■ Sacramento, CA 95826 ■ (916) 387-7000 ■ FAX (916) 387-7001

Emphasis of Matter

Change in Accounting Principle

As described in Note 10 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District is recognizing its share of the unfunded liability for the California State Teachers' Retirement Plan (STRS) and the California Public Employees' Retirement System Schools Pool Cost-Sharing Multiple Employer Plan (PERS) for the first time based on the most recent actuarial valuations dated June 30, 2013. The District reported a net pension liability of $6.2 million at June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and budgetary comparison information and accounting by employer for postemployment benefits and pensions on pages 50 through 54 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 Mother Lode Union School District's basic financial statements. The financial and statistical information listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, on our consideration of the Mother Lode Union School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mother Lode Union School District's internal control over financial reporting and compliance.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 30, 2015

The discussion and analysis of Mother Lode Union School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS

- General Fund expenditures and other uses exceeded revenue and other sources by $28 thousand ending the year with available reserves of $934 thousand, or 9.8% of total outgo, meeting the State recommended reserve level of 3%. The District also has $566 thousand in assigned and restricted fund balances.

- The District was able to transfer $155,000 to the Special Reserve Fund for Capital Outlay for future capital projects for aging District facilities.

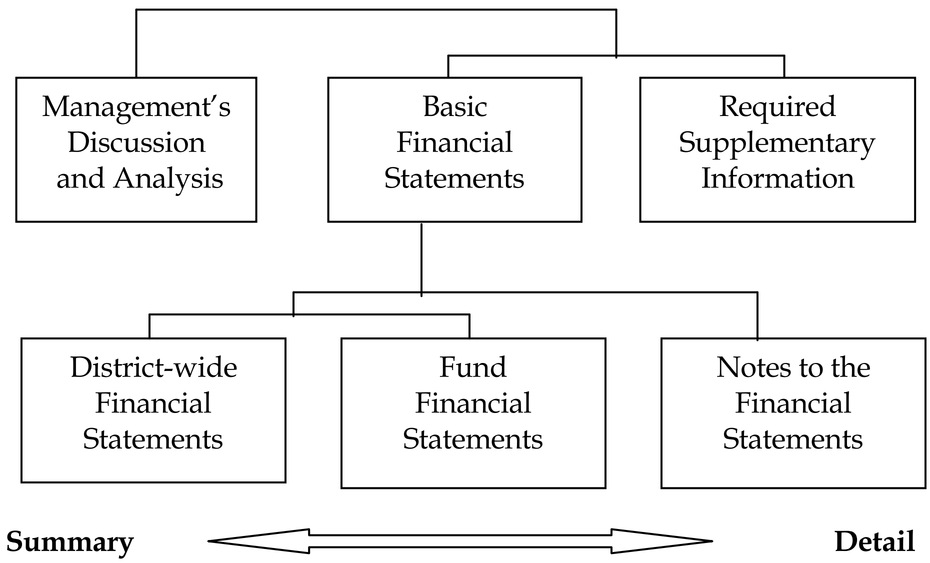
- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was $13.8 million. After depreciation, the June 30, 2015 book value for fixed assets totaled $5 million.

- In complying with GASB 68, the District is recognizing its portion of the unfunded STRS and PERS pension liabilities for the first time in 2014-2015. These liabilities are based on the most recent actuarial valuations. Implementation of GASB 68 requires the District to restate the June 30, 2014 net position by recognizing the pension liabilities. Recognizing the liabilities decreased the June 30, 2014 total net position on the Statement of Net Position by $7.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Mother Lode Union School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The first two statements are *district-wide financial statements,* the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the 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 more significant funds with all other non-major funds presented in total in one column. Comparisons of the District's budgets for the General Fund and Cafeteria Fund are included.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2014-2015?"

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools, to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.

- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

- Governmental Funds

  Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, Cafeteria Fund and the Special Reserve Fund for Capital Outlay Projects. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They 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 operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

- Fiduciary Funds

  The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net position was a deficit of $466 thousand at June 30, 2015. Of this amount, a deficit of $5.9 million was unrestricted. Net investment in capital assets, account for $5 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

(Table 1)
Comparative Statement of Net Position

	Governmental Activities	
	2015	2014
ASSETS		
Cash	$ 1,963,285	$ 1,835,771
Receivables	303,313	927,996
Stores inventory	11,882	11,882
Capital assets	4,976,423	4,649,443
Total assets	7,254,903	7,425,092
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension expense	500,219	0
LIABILITIES		
Accounts payable and other current liabilities	85,037	171,633
Unearned revenue	4,869	4,839
Other postemployment benefits	233,093	197,333
Net pension liability	6,218,891	
Long-term liabilities	33,268	47,467
Total liabilities	6,575,158	421,272
DEFERRED INFLOWS OF RESOURCES		
Deferred earnings on pension plan investments	1,646,011	0
NET POSITION		
Net investment in capital assets	4,976,423	4,649,443
Restricted	487,320	1,107,766
Unrestricted (deficit)	(5,929,790)	1,246,611
Total net position (deficit)	$ (466,047)	$ 7,003,820

The implementation of GASB 68 in the fiscal year ended June 30, 2015, resulted in a deficit net position.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net position decreased $145 thousand this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 80% of total expenses. The purely administrative activities of the District accounted for just 9% of total costs. The remaining 11% was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo (See Figure 2).

(Table 2)
Comparative Statement of Change in Net Position

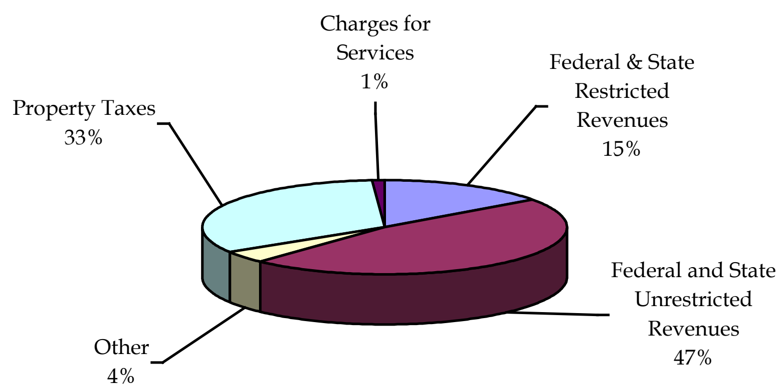
	Governmental Activities	
	2015	2014
REVENUES		
Program revenues	$ 1,645,667	$ 1,591,688
General revenues		
Taxes levied for general purposes	3,394,923	3,292,887
State Aid not restricted to specific purposes	4,741,911	4,230,220
Interest and investment earnings	4,243	4,771
Interagency revenues	143,825	131,182
Miscellaneous	215,944	185,962
Total revenues	10,146,513	9,436,710
EXPENSES		
Instruction	6,120,582	5,842,817
Instruction related services	1,038,988	950,313
Pupil support services	1,104,615	1,054,714
General administration	894,130	720,511
Plant services	908,632	875,723
Other	224,955	150,386
Total expenses	10,291,902	9,594,464
Decrease in net position	$ (145,389)	$ (157,754)

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

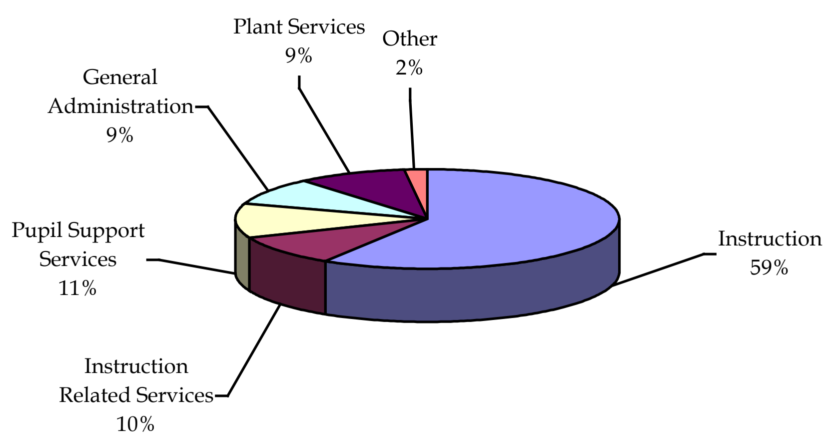
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was $10.3 million. The amount that our local taxpayers financed for these activities through property taxes was $3.4 million. Federal and State Aid not restricted to specific purposes totaled $4.7 million. State and Federal Categorical revenue totaled over $1.5 million, and covered 15% of the expenses of the entire District (See Figure 1).

Sources of Revenue for the 2014-2015 Fiscal Year
Figure 1



Expenses for the 2014-2015 Fiscal Year
Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of $2.2 million, down by $411 thousand from the previous fiscal year. The greatest reduction occurred in the Capital Facilities Fund with the Indian Creek roofing and HVAC project being completed.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget as needed. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

These revisions were approved by the Board of Trustees at First and Second Interim. The final revised budget for the General Fund reflected a net decrease to the ending balance of $207 thousand and was approved in June.

The District ended the year with an actual decrease of $28 thousand to the General Fund ending balance. The State recommends an ending reserve for economic uncertainties of 3%. The District's ending reserve was 9.8%, which included the reserve for economic uncertainties.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2014-2015 fiscal year, the District had invested $13.8 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation were $5 million at June 30, 2015, which is an increase of $327 thousand from the previous year.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2015 and 2014

	2015	2014	Difference Increase (Decrease)
Land	$ 622,647	$ 622,647	
Site Improvements	121,498	131,317	$ (9,819)
Buildings	4,004,412	3,545,351	459,061
Machinery and Equipment	200,781	235,102	(34,321)
Work in Process	27,085	115,026	(87,941)
Totals	$ 4,976,423	$ 4,649,443	$ 326,980

The District purchased lunch tables, completed the roofing/HVAC project at Indian Creek Elementary and recognized depreciation expense.

Long-Term Debt

At June 30, 2015, the District had $33 thousand in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2015 and 2014

	2015	2014
Early Retirement Incentives	$ 30,101	$ 45,151
Compensated Absences	3,167	2,316
Totals	$ 33,268	$ 47,467

The long-term debt paid by the District was approximately $15 thousand in 2014-2015.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Local Control Funding Formula (LCFF) is aimed at correcting historical inequities while decreasing previous constraints on restricted program expenses. The formula is intended to make funding more transparent and simple. With the new flexibility also come new requirements for accountability. The Local Control Accountability Plan (LCAP) is mandated and must be aligned and adopted with the District's 2015-2016 budget. The LCAP is expected to describe how the District intends to meet annual goals for all pupils, with specific activities to address state and local priorities identified during the LCAP development process.

The LCFF is the largest unknown for the District. The new funding structure has no statutory cost of living allowance built into it and relies solely on the annual budget process at the legislative level. Planning for the "out years" will be much more difficult and volatile under the LCFF funding formula. The eight years necessary to bring the District to their target funding could be unpredictable and unstable, thereby creating a need for a larger reserve than past years. The ongoing unpredictability of the District's supplemental and concentration funding under the LCFF will also create unstable budgets even after the district's target has been met in 2020-2021.

Future predictions and uncertainties with the changes to the State funding formula, enrollment and aging District facilities require management to plan carefully and prudently to provide the necessary resources to meet student's needs and continue to keep pace with inflation increases over the next several years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Andrew Peters, Chief Business Official, Mother Lode Union School District, 3783 Forni Road, Placerville, CA 95667.

STATEMENT OF NET POSITION

JUNE 30, 2015

		Governmental Activities
ASSETS		
Cash (Note 2)	$	1,963,285
Accounts Receivable (Note 3)		303,313
Stores Inventory (Note 1H)		11,882
Capital Assets, Net of Depreciation (Note 5)		4,976,423
Total Assets		7,254,903
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)		
Deferred Pension Expense		500,219
LIABILITIES		
Accounts Payable and Other Current Liabilities		85,037
Unearned Revenue (Note 1H)		4,869
Other Postemployment Benefits (Note 6)		233,093
Net Pension Liability (Note 10)		6,218,891
Long-term Liabilities (Note 8)		
Due Within One Year		18,217
Due After One Year		15,051
Total Liabilities		6,575,158
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)		
Deferred Earnings on Pension Plan Investments		1,646,011
NET POSITION		
Net Investment in Capital Assets		4,976,423
Restricted For:		
Capital Projects		181,301
Education Programs		120,222
Other Purposes (Expendable)		185,797
Unrestricted (Deficit)		(5,929,790)
Total Net Position (Deficit)	$	(466,047)

MOTHER LODE UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Instruction	$ 6,120,582	$ 2,660	$ 884,357	$ (5,233,565)
Instruction-Related Services:				
Supervision of Instruction	126,455		21,820	(104,635)
Instructional Library, Media and Technology	105,404		1,952	(103,452)
School Site Administration	807,129		30,949	(776,180)
Pupil Services:				
Home-To-School Transportation	456,350		6,549	(449,801)
Food Services	384,622	71,463	337,501	24,342
All Other Pupil Services	263,643		66,100	(197,543)
General Administration:				
Data Processing	100,631			(100,631)
All Other General Administration	793,499	3,617	82,015	(707,867)
Plant Services	908,632	56,416	46,199	(806,017)
Ancillary Services	18,992		265	(18,727)
Interest on Long-Term Debt	1,082			(1,082)
Other Outgo	204,881	288	33,516	(171,077)
Total Governmental Activities	$ 10,291,902	$ 134,444	$ 1,511,223	(8,646,235)

General Revenues:	
Property Taxes Levied For:	
General Purposes	3,394,923
Federal and State Aid Not Restricted to Specific Purposes	4,741,911
Interest and Investment Earnings	4,243
Interagency Revenues	143,825
Miscellaneous	215,944
Total General Revenues	8,500,846
Change (Decrease) in Net Position	(145,389)
Net Position Beginning (Deficit) Restated - Note 14	(320,658)
Net Position Ending (Deficit)	$ (466,047)

MOTHER LODE UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash (Note 2)	$ 1,232,382	$ 229,397	$ 320,205	$ 181,301	$ 1,963,285
Accounts Receivable (Note 3)	303,313				303,313
Due From Other Funds (Note 4)	56,500	6,203			62,703
Stores Inventory (Note 1H)		11,882			11,882
Total Assets	$ 1,592,195	$ 247,482	$ 320,205	$ 181,301	$ 2,341,183
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 84,691	$ 346			$ 85,037
Unearned Revenue (Note 1H)	30	4,839			4,869
Due to Other Funds (Note 4)	6,203	56,500			62,703
Total Liabilities	90,924	61,685			152,609
Fund Balances (Note 1H):					
Nonspendable	1,000	11,912			12,912
Restricted	120,222	173,885		$ 181,301	475,408
Committed			$ 320,205		320,205
Assigned	446,243				446,243
Unassigned	933,806				933,806
Total Fund Balances	1,501,271	185,797	320,205	181,301	2,188,574
Total Liabilities and Fund Balances	$ 1,592,195	$ 247,482	$ 320,205	$ 181,301	$ 2,341,183

MOTHER LODE UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance - governmental funds		$ 2,188,574
Amounts reported for governmental activities in the statement of net position are different 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, at historical cost:	$ 13,795,764	
Accumulated depreciation:	(8,819,341)	
Net:		4,976,423
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:		
Other post-employment benefits	$ 233,093	
Net pension liability	6,218,891	
Early retirement incentives	30,101	
Compensated absences	3,167	
Total		(6,485,252)
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	$ 500,219	
Deferred inflows of resources relating to pensions	(1,646,011)	
Net		(1,145,792)
Total (deficit) net position - governmental activities		$ (466,047)

MOTHER LODE UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula Sources					
State Apportionments	$ 4,634,389				$ 4,634,389
Local Sources	3,253,580				3,253,580
Total Local Control Funding Formula Sources	7,887,969				7,887,969
Federal Revenue	383,554	$ 330,377			713,931
Other State Revenue	523,025	29,513			552,538
Other Local Revenue	688,580	77,889	$ 454	$ 58,982	825,905
Total Revenues	9,483,128	437,779	454	58,982	9,980,343
EXPENDITURES					
Certificated Salaries	3,892,553				3,892,553
Classified Salaries	1,358,694	154,597			1,513,291
Employee Benefits	2,320,806	59,537			2,380,343
Books and Supplies	357,729	140,346			498,075
Services and Other Operating Expenditures	1,224,688	24,373		26,126	1,275,187
Capital Outlay	15,593			611,022	626,615
Other Outgo	186,332	18,550			204,882
Total Expenditures	9,356,395	397,403	0	637,148	10,390,946
Excess of Revenues Over (Under) Expenditures	126,733	40,376	454	(578,166)	(410,603)
Other Financing Sources (Uses):					
Operating Transfers In (Note 4)			155,000		155,000
Operating Transfers Out (Note 4)	(155,000)				(155,000)
Total Other Financing Sources (Uses)	(155,000)	0	155,000	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(28,267)	40,376	155,454	(578,166)	(410,603)
Fund Balances - July 1, 2014	1,529,538	145,421	164,751	759,467	2,599,177
Fund Balances - June 30, 2015	$ 1,501,271	$ 185,797	$ 320,205	$ 181,301	$ 2,188,574

MOTHER LODE UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change (decrease) in fund balances - total governmental funds		$ (410,603)
Amounts reported for governmental activities in the statement of activities are different 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:	$ 626,016	
Depreciation expense:	(299,036)	
Net:		326,980
Pensions: In government 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:		(40,205)
Compensated absences: In governmental 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:		(851)
Other expenditures relating to prior periods: Certain expenditures recognized in governmental funds relate to prior periods. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations are first incurred, so they must not be recognized again in the current period. Expenditures relating to early retirement incentives offered in prior periods were:		15,050
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:		(35,760)
Total change (decrease) in net position - governmental activities		$ (145,389)

MOTHER LODE UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Agency Fund
	Student Body Fund
ASSETS	
Cash (Note 2)	$ 1,717
Total Assets	$ 1,717
LIABILITIES	
Due to Student Groups	$ 1,717
Total Liabilities	$ 1,717
Total Net Position	$ 0

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Mother Lode Union School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

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.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

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 non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - exchange and non-exchange transactions (Concluded):

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 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. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State Teachers Retirement Plan (STRS) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERS) and additions to/deductions from STRS and PERS fiduciary net positions have been determined on the same basis as they are reported separately by STRS and PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Pensions (Concluded):

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

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

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 or expenses, as appropriate. 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. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District reports the following major funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Cafeteria Fund is used to account separately for restricted federal, state, and local resources received and expenditures authorized by the Board to operate the District's food service program.

Special Reserve Fund for Capital Outlay Projects is used to account for the accumulation and use of resources committed by the Board for capital projects.

Additionally, the District reports the following fund type:

Fiduciary Funds are agency funds used to account for assets of others for which the District acts as an agent. The District maintains a student body fund, 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. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental 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 Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and Major Special Revenue Funds as required supplementary information 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 at June 30.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts 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 investments losses are proportionately shared by all funds in the pool.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded

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 either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

2. Stores Inventory 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 nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

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

3. Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more 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. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5-50 years depending on the asset class.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section from deferred outflows of resources. This separate financial section, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

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 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

8. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that did not meet the definition of "net investment in capital assets" or "restricted net position”.

9. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

10. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action (simple majority vote) of the District Governing Board. The same action is required to change or move the set aside.

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, or the Superintendent of the District. Carryover fund balances are identified by the Chief Business Official at the close of the year, subject to approval of the Governing Board.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Continued)

Fund Balances

The District's fund balances at June 30, 2015 consisted of the following:

	General Fund	Cafeteria Fund	Special Reserve Fund for Capital Outlay Projects	Other Governmental Funds	Total
Nonspendable:					
Revolving Fund	$ 1,000	$ 30			$ 1,030
Stores Inventory		11,882			11,882
Total Nonspendable Fund Balance	1,000	11,912			12,912
Restricted For:					
Legally Restricted Categorical Funding	120,222				120,222
Remaining Modernization Expenditures				$ 85,750	85,750
Purposes specified in Govt Code Sections 65970-65981				95,551	95,551
Cafeteria Program Operations		173,885			173,885
Total Restricted Fund Balance	120,222	173,885		181,301	475,408
Committed For:					
Capital Outlay Projects			$ 320,205		320,205
Total Committed Fund Balance	0	0	320,205	0	320,205
Assigned For:					
Program Carryover	6,972				6,972
Technology Needs	175,000				175,000
Consolidation/Reorganization	175,000				175,000
Professional Development/Training	57,725				57,725
Donations	31,546				31,546
Total Assigned Fund Balance	446,243	0	0	0	446,243
Unassigned:					
Reserve for Economic Uncertainties	933,806				933,806
Total Unassigned Fund Balance	933,806	0	0	0	933,806
Total Fund Balances	$ 1,501,271	$ 185,797	$ 320,205	$ 181,301	$ 2,188,574

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Concluded)

Fund Balance Policy (Concluded)

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 5% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, higher than the 3% recommended level promulgated by the State of California. Any budget revision that will result in a reduction below 5% will require the approval of a majority of the Governing Board and a plan to replenish to the established minimum level within two years.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

11. Local Control Funding Formula/Property Tax

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

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 the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

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 1 of each year.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

11. Local Control Funding Formula/Property Tax (Concluded)

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 entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

I. Impact of Recently Issued Accounting Principles

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* in June 2012 to amend Statements 27 and 50 and improve accounting and financial reporting by state and local governments for pensions. The Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 69, *Government Combinations and Disposals of Government Operations* in January 2013 to provide guidance for reporting mergers, acquisitions, transfers of operations, and disposals of government operations. The District does not have activities affected by the Standard and therefore the adoption of GASB 69 does not impact the District's financial statements. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which amends Statement 68 by requiring that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 72, *Fair Value Measurement and Application* in February 2015 to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using consistent and accepted valuation techniques. The Statement is effective beginning in fiscal year 2015-2016.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

The GASB issued Statement 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* in June 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in June 2015. The Statement will require enhanced note disclosures and schedules of required supplementary information that will be presented for other post-employment benefit plans (OPEB) to enhance the decision-usefulness of the financial reports of those OPEB plans. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. The requirements of this Statement will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The Statement is effective beginning in fiscal year 2017-2018.

The GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* superseding Statement No. 55 in June 2015. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements in conformity with GAAP and the framework for selecting those principles. As a result of implementing this Standard, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 77, *Tax Abatement Disclosures* in August 2015. The Statement requires disclosure of tax abatement information to make these transactions more transparent to financial statement users. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and the impact those abatements have on a government's financial position and economic condition. The Statement is effective beginning in fiscal year 2016-2017.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The Office of Management and Budget issued the guidance *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards) on December 29, 2013 which supersedes and streamlines requirements from eight different circulars into one document. The new administrative requirements and cost principles are required to be implemented for all federal awards made after December 26, 2014. The Uniform Guidance for Federal Awards will not affect the District until fiscal year 2015-2016 as all 2014-2015 federal awards occurred prior to December 26, 2014.

NOTE 2 – CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2015:

Governmental Activities	Fiduciary Funds	Total
$1,963,285	$1,717	$1,965,002

The District had the following cash at June 30, 2015:

	Fair Value	Carrying Amount	Credit Quality Rating
Cash in Commercial Banks	$ 1,717	$ 1,717	Not Rated
Cash in Revolving Fund	1,030	1,030	Not Rated
Cash in County Treasury	1,963,997	1,962,255	Not Rated
Total	$ 1,966,744	$ 1,965,002	

NOTE 2 – CASH (CONTINUED)

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies

- State Local Agency Investment Fund (LAIF)

- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statues, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to $250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2015 the carrying amount of the District's accounts was $2,747, all of which was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled $429,492,937. The fair market value of this pool as of that date, as provided by the pool sponsor, was $429,874,113. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Risk Disclosures

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

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.

NOTE 2 – CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

Interest Rate Risk (Concluded) - The District manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At June 30, 2015 the District had the following investment maturities:

		Investment Maturities (In Years)		
Investment Type	Fair Value	Less than 1	1 to 4	More than 4
County Treasury	$ 1,963,997	$ 1,395,027	$ 542,063	$ 26,907

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

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

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

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

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

NOTE 3- ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consist of the following:

	General Fund
Federal Government	
Categorical Aid Programs	$ 94,574
State Government	
Lottery	92,128
Other	3,135
Total State Government	95,263
Local Government	112,061
Miscellaneous	1,415
Total Accounts Receivable	$ 303,313

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are 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 occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transactions among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2015 are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund	$ 56,500	$ 6,203
Cafeteria Fund	6,203	56,500
Total	$ 62,703	$ 62,703

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers at June 30, 2015 were as follows:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund		$ 155,000
Special Reserve Fund for Capital Outlay Projects	$ 155,000	
Total	$ 155,000	$ 155,000

The District transferred $155,000 from the General Fund to the Special Reserve Fund for Capital Outlay Projects for future facility improvements and repairs.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, is shown below:

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ 622,647			$ 622,647
Work in progress	115,026	$ 611,022	$ 698,963	27,085
Total capital assets, not being depreciated	737,673	611,022	698,963	649,732
Capital assets being depreciated:				
Buildings	9,901,871	698,963		10,600,834
Improvements of sites	672,679			672,679
Equipment	1,857,525	14,994		1,872,519
Total capital assets, being depreciated	12,432,075	713,957	0	13,146,032
Less accumulated depreciation for:				
Buildings	6,356,520	239,902		6,596,422
Improvements of sites	541,362	9,819		551,181
Equipment	1,622,423	49,315		1,671,738
Total accumulated depreciation	8,520,305	299,036	0	8,819,341
Total capital assets, being depreciated, net	3,911,770	414,921	0	4,326,691
Governmental activities capital assets, net	$ 4,649,443	$ 1,025,943	$ 698,963	$ 4,976,423

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	$180,036
Instructional library, media and technology	11,025
School site administration	8,844
Home-to-school transportation	42,543
Food services	11,626
All other pupil services	4,661
Centralized data processing	3,526
Plant services	36,775
Total	$299,036

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

In addition to the early retirement incentives described in Note 7 and the pension benefits described in Note 10, the District offers health insurance benefits (medical, dental, and vision) to certain retirees who were hired before July 1, 2013.

Classified employees who retire from the District between the ages of 50 to 64 with at least ten years of District service are eligible for benefits. The District pays a maximum of $7,000 to $9,000 each year towards premiums for medical, dental and vision benefits, based on age at retirement. District payments cease at the earlier of five years or age 65.

Certificated employees who have attained eligibility for retirement under CalSTRS and have completed at least ten years of continuous District service, may retire and receive a District contribution towards medical, dental and vision coverage, subject to a cap at the benefit amount paid in the last year worked. At June 30, 2015 the District cap was $14,817. District-paid benefits end at the earlier of seven years or age 65.

Non-represented employees (Management, Confidential and Administrators) who have attained age 55 and completed at least ten years of District service may retire and receive a District contribution towards medical, dental and vision coverage. At June 30, 2015, the District cap was $14,630. District paid benefits end at the earlier of five years or age 65.

B. Funding Policy

As required by GASB 45, an actuary will determine the District's Annual Required contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAL) over a period not to exceed 30 years.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Funding Policy (Concluded)

GASB 45 does not require pre-funding of OPEB benefits. The District's funding policy is to continue to pay healthcare premiums for retirees as they fall due ("pay-as-you-go").

C. Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2015, the amount actually contributed to the plan (including administrative costs), and changes in the District's Net OPEB Obligation:

Annual required contribution	$256,172
Interest on OPEB obligation	7,893
Adjustment to annual required contribution	(11,411)
Annual OPEB cost (expense)	252,654
Contributions made	(216,894)
Increase in net OPEB obligation	35,760
Net OPEB obligation-beginning of year	197,333
Net OPEB obligation-end of year	$233,093

The District's Annual OPEB Cost, the percentage of Annual OPEB Cost contributions to the plan, and the Net OPEB Obligation for the fiscal year ended June 30, 2015 are as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$252,654	$216,894	85.84%	$233,093
2014	$248,084	$227,596	91.74%	$197,333
2013	$278,761	$245,718	88.15%	$176,845

D. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONCLUDED)

E. 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 benefits costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2013. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses). The assumptions reflect an implicit 8 percent general inflation assumption. The District's Unfunded Actuarial Accrued Liability is being amortized as a level percentage of pay on an open basis over 30 years.

NOTE 7 – EARLY RETIREMENT INCENTIVES

In addition to the benefits described in Note 6 and Note 10, the District adopted an early retirement incentive program in past fiscal years pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees was increased by two years. Eligible employees had five or more years of service under the State Teachers' Retirement System (STRS) and retired during a period of not more than 120 days of less than 60 days from the date of the formal action taken by the District. Certificated employees who had reached the age of 58 and had at least one year of CalSTRS service were eligible to participate. The various agreements in prior years require future payments for three (3) retired employees.

The future estimated payments needed to meet the obligations are as follows:

Year Ended June 30	STRS Golden Handshakes
2016	$ 15,050
2017	15,051
Total payments	$ 30,101

NOTE 8 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015, is shown below.

	Balance July 1, 2014	Additions	Deductions	Balance June 30,	Due Within One Year
Early Retirement Incentives	$ 45,151		$ 15,050	$ 30,101	$ 15,050
Compensated Absences	2,316	$ 851		3,167	3,167
Totals	$ 47,467	$ 851	$ 15,050	$ 33,268	$ 18,217

All long-term debt payments will be paid from the General Fund.

NOTE 9 – OPERATING LEASES

The District has entered into various office equipment leases that extend beyond the current fiscal year. The District does not intend to buy-out the equipment at the end of the lease and historically has turned in the old equipment for new. The following is a schedule by year of minimum future rentals on non-cancelable operating leases as of June 30, 2015:

Year Ended June 30	Future Minimum Rent Payments
2016	$ 40,016
2017	3,201
2018	957
Total	$ 44,174

The District paid $99,916 for related rents in 2014-2015. The District will receive no sublease rentals nor pay any contingent rentals for this equipment.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Pension Plan Fiduciary Net Position. The plans fiduciary net positions disclosed in this report may differ from the plan assets reported in the funding actuarial valuations reported due to several reasons. First, for the accounting valuations, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net positions. These amounts are excluded for rate setting purposes in the funding actuarial valuations. In addition, differences may result from early closing and final reconciled reserves.

A. State Teachers' Retirement System (STRS)

Plan Description. The Mother Lode Union School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The State of California is a Nonemployer Contributing Entity to STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Although CalSTRS is the administrator of the STRS, the state is the sponsor of the STRS and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRS. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95610.

Benefit. STRS provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

Funding Policy. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members are required to contribute 8.15% of their salary and the Mother Lode Union School District and the State are required to contribute actuarially determined rates. The actuarial methods and assumptions used for determining the rates are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% and for fiscal year 2014-2015 8.88% of annual payroll. The required State contribution rate for fiscal year 2014-2015 was 5.68%.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Funding Policy (Concluded). The Mother Lode Union School District's contributions to STRS for the fiscal years ending June 30, 2015, 2014 and 2013 were $334,363, $328,152, and $292,350, respectively, and equal 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015 the District reported a liability of $4,674,960 for its proportionate share of the net pension liability for STRS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2014, the District's proportion of contributions was 0.0080 percent.

For the year ended June 30, 2015, the District recognized pension expense of $535,600 which included the State's required on-behalf contribution. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	$ 1,151,200
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(35,701)
District contributions subsequent to measurement date of June 30, 2014	$ 334,363	-
Totals	$ 334,363	$ 1,115,499

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Actuarial Assumptions. The total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment rate of return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series table 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

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Concluded)

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 the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming the contributions, benefit payments, and administrative expense occurred midyear. Based on those assumptions, the STRS's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payment to determine the total pension liability.

Presented below is the District's proportionate share of 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 it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

Discount Rate	Net Pension Liability of Employers
3% Decrease (4.60%)	$ 14,282,000
2% Decrease (5.60%)	10,445,840
1% Decrease (6.60%)	7,287,040
Current Discount Rate (7.60%)	4,674,960
1% Increase (8.60%)	2,496,960
2% Increase (9.60%)	666,880
3% Increase (10.60%)	(876,720)

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Mother Lode Union School 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. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

Funding Policy. Active plan members were required to contribute 6.974% of their salary and the Mother Lode Union School District was required to contribute an actuarially annually determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (CONTINUED)

Funding Policy (Concluded). The required employer contribution rate for fiscal 2013-2014 was 11.442% and for fiscal year 2014-2015 11.771% of annual payroll. The contribution requirements of the plan members are established by State statute. The Mother Lode School District's employer contributions to CalPERS for the fiscal year ending June 30, 2015, 2014 and 2013 were $165,856, $163,247 and $155,693, respectively and equal 100% of the required contributions for each year.

Benefits. CalPERS provides defined benefit program benefits based on members' years of service, age, final compensation and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of $1,543,931for its proportionate share of the net pension liability for CalPERS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2014, the District's proportion of contributions was 0.0136 percent.

For the year ended June 30, 2015, the District recognized pension expense of $165,856. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	$ 530,512
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date of June 30, 2014	$ 165,856	-
Totals	$ 165,856	$ 530,512

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (CONTINUED)

Actuarial Assumptions. For the year ended June 30, 2014, the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

CalPERS uses a mortality table based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions 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 following presents the net pension liability of the Plan as of June 30, 2014, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

Discount Rate	Plan's Net Pension Liability
1% Decrease (6.50%)	$ 2,700,842
Current Discount Rate (7.50%)	1,536,120
1% Increase (8.50%)	562,875

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.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS) (CONCLUDED)

Discount Rate (Concluded). 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. These geometric rates of return are net of administrative expenses.

New Strategic Asset Class	Real Return Allocation	Real Return Years 1-10[1]	Years 11+[2]
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Cash/Liquidity	2%	(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

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

D. On Behalf Payment

The District was recipients of on-behalf payments made by the State of California to the State Teachers Retirement System (STRS). These payments consist of State general fund contributions of $201,237 to STRS (5.68% of salaries subject to STRS).

NOTE 11 - STUDENT BODY FUNDS

The Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. 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.

C. Joint Ventures

The District participates in a joint venture under a joint powers agreement (JPA) with Schools Insurance Authority (SIA) for workers' compensation, property and liability coverage. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for their members. The JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of its JPA, including any influence by the member districts beyond their representation on the coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District contracted with Schools Insurance Authority (SIA) for property and liability coverage and theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

NOTE 13 - RISK MANAGEMENT (CONCLUDED)

B. Workers' Compensation

For fiscal year 2015, the District participated in the Schools Insurance Authority (SIA), an insurance purchasing pool. The intent of the SIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SIA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SIA. Participation in the SIA is limited to districts that can meet the SIA selection criteria.

NOTE 14 – RESTATEMENT OF NET POSITION

The amounts previously reported as Governmental Activities Net Position at June 30, 2014 on the Government-Wide Statement of Net Position have been restated due to implementing Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The June 30, 2014, Net Position is being restated to recognize the net effect resulting from recognition of Deferred Outflows of Pension costs and related pension liability as follows:

	Government-Wide Financial Statements
Net Position, June 30, 2014 as originally reported	$ 7,003,820
Retroactive recognition of the District's share of unfunded pension liabilities for STRS and PERS	(7,324,478)
Net Position (deficit), June 30, 2014 as restated	$ (320,658)

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

MOTHER LODE UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
REVENUES				
Local Control Funding Formula Sources:				
State Apportionments	$ 4,627,599	$ 4,590,443	$ 4,634,389	$ 43,946
Local Sources	3,144,675	3,204,189	3,253,580	49,391
Total Local Control Funding Formula Sources	7,772,274	7,794,632	7,887,969	93,337
Federal Revenue	358,452	364,690	383,554	18,864
Other State Revenue	212,383	292,298	523,025	230,727
Other Local Revenue	572,839	604,014	688,580	84,566
Total Revenues	8,915,948	9,055,634	9,483,128	427,494
EXPENDITURES				
Certificated Salaries	3,851,227	3,904,992	3,892,553	12,439
Classified Salaries	1,293,534	1,328,766	1,358,694	(29,928)
Employee Benefits	2,196,419	2,222,741	2,320,806	(98,065)
Books and Supplies	370,468	427,934	357,729	70,205
Services and Other Operating Expenditures	940,317	1,060,159	1,224,688	(164,529)
Capital Outlay	15,000	15,300	15,593	(293)
Other Outgo	146,575	147,887	186,332	(38,445)
Total Expenditures	8,813,540	9,107,779	9,356,395	(248,616)
Excess of Revenues Over (Under) Expenditures	102,408	(52,145)	126,733	178,878
Other Financing Sources (Uses):				
Operating Transfers Out	(155,000)	(155,000)	(155,000)	0
Excess of Revenues Over (Under) Expenditures and Other Uses	(52,592)	(207,145)	(28,267)	178,878
Fund Balances - July 1, 2014	1,337,199	1,529,538	1,529,538	0
Fund Balances - June 30, 2015	$ 1,284,607	$ 1,322,393	$ 1,501,271	$ 178,878

MOTHER LODE UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
CAFETERIA FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			
	Original	Final	Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
REVENUES				
Federal Revenue	$ 308,138	$ 308,138	$ 330,377	$ 22,239
Other State Revenue	26,573	26,573	29,513	2,940
Other Local Revenue	73,595	74,295	77,889	3,594
Total Revenues	408,306	409,006	437,779	28,773
EXPENDITURES				
Classified Salaries	157,194	152,476	154,597	(2,121)
Employee Benefits	64,395	63,715	59,537	4,178
Books and Supplies	178,000	190,000	140,346	49,654
Services and Other Operating Expenditures	29,502	29,479	24,373	5,106
Other Outgo	18,765	18,550	18,550	
Total Expenditures	447,856	454,220	397,403	56,817
Excess of Revenues Over (Under) Expenditures	(39,550)	(45,214)	40,376	85,590
Fund Balances - July 1, 2014	106,920	145,421	145,421	0
Fund Balances - June 30, 2015	$ 67,370	$ 100,207	$ 185,797	$ 85,590

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/13	July 1, 2010	$ -	$ 2,144,241	$ 2,144,241	0%	$ 4,610,066	47%
6/30/14	July 1, 2013	$ -	$ 2,210,980	$ 2,210,980	0%	$ 4,397,159	50%
6/30/15	July 1, 2013	$ -	$ 2,210,980	$ 2,210,980	0%	$ 3,947,698	56%

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

		2015
District's proportion of the net pension liability		0.0080%
District's proportionate share of the net pension liability	$	4,674,960
District's covered-employee payroll	$	3,977,600
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		118%
Plan fiduciary net position as a percentage of the total pension liability		77%

Public Employee Retirement System (CalPERS)

District's proportion of the net pension liability		0.0136%
District's proportionate share of the net pension liability	$	1,543,931
District's covered-employee payroll	$	1,426,735
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		108%
Plan fiduciary net position as a percentage of the total pension liability		83%

MOTHER LODE UNION SCHOOL DISTRICT

SCHEDULES OF DISTRICT CONTRIBUTIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

		2015
Contractually required contribution	$	328,152
Contributions in relation to the contractually required contribution		328,152
Contribution deficiency (excess)	$	0
District's covered-employee payroll	$	3,977,600
Contributions as a percentage of covered-employee payroll		8.250%

Public Employee Retirement System (CalPERS)

Contractually required contribution	$	163,247
Contributions in relation to the contractually required contribution		163,247
Contribution deficiency (excess)	$	0
District's covered-employee payroll	$	1,426,735
Contributions as a percentage of covered-employee payroll		11.442%

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and Cafeteria Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

The excess of expenditures over appropriations in individual governmental funds at June 30, 2015 are as follows:

Fund	Excess Expenditures
Major Governmental Funds:	
General Fund	
Classified Salaries	$ 29,928
Employee Benefits	98,065
Contract Services	164,529
Capital Outlay	293
Other Outgo	38,445
Cafeteria Fund	
Classified Salaries	2,121
Non-Major Governmental Funds:	
Capital Facilities Fund	
Contract Services	2,331

The District incurred unanticipated expenditures for which the budget was not revised.

The District did not revise the budget for the STRS pension expense covered by State of California direct payments.

NOTE 1 - PURPOSE OF SCHEDULES (CONCLUDED)

B. Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

C. Schedules of the District's Proportionate Share of the Net Pension Liability

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

D. Schedules of the District's Contributions

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

MOTHER LODE UNION SCHOOL DISTRICT

SHINGLE SPRINGS, CALIFORNIA

JUNE 30, 2015

ORGANIZATION

The Mother Lode Union School District was established in 1954 by the consolidation of the Missouri Flat, El Dorado and Diamond Springs Schools. The District is located in Placerville, California. There was no change in District boundaries during the year. The District currently operates one elementary school and one middle school.

Board of Trustees

Name	Office	Term Expires
Gene Bist	President	December, 2016
John “Pat” Nordquist	Clerk	December, 2016
Janet VanderLinden	Member	December, 2018
John Parker	Member	December, 2018
Chuck Wolfe	Member	December 2018

ADMINISTRATION

Marcy Guthrie, Ed.D.
Superintendent

Andrew Peters
Chief Business Official

MOTHER LODE UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Second Period Report		Annual
	Original	Revised	Report
Regular ADA			
Transitional Kindergarten through Third	478	475	477
Fourth through Sixth	363	360	359
Seventh and Eighth	211	210	211
Special Education - Nonpublic, Nonsectarian Schools			
Transitional Kindergarten through Third			1
Fourth through Sixth	2	2	2
Seventh and Eighth	1	1	2
ADA Totals	1,055	1,048	1,052

Average daily attendance is a measurement of the numbers 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 the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

MOTHER LODE UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Grade Level	Minutes Requirement	Minutes Requirement As Reduced	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	61,155	180	In Compliance
Grade 1	50,400	49,000	52,440	180	In Compliance
Grade 2	50,400	49,000	52,440	180	In Compliance
Grade 3	50,400	49,000	52,530	180	In Compliance
Grade 4	54,000	52,500	52,530	180	In Compliance
Grade 5	54,000	52,500	57,447	180	In Compliance
Grade 6	54,000	52,500	58,896	180	In Compliance
Grade 7	54,000	52,500	58,896	180	In Compliance
Grade 8	54,000	52,500	58,896	180	In Compliance

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day (included in LCFF funding). The District has not met its local control funding formula target.

For the 2014-2015 school year, a school district may reduce up to five days of instruction or equivalent number of minutes without incurring penalties pursuant to Education Code Sections 46201.2(b) and 46207(c).

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

There were no charter schools in the Mother Lode Union School District.

MOTHER LODE UNION SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Forest Reserve Funds	10.665	10044	$ 25,652
Passed through the California			
Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch (Sec 4 and Sec 11)	10.555	13523/13524	227,686
School Breakfast Basic	10.553	13525	102,691
Subtotal Child Nutrition Cluster **			330,377
Total U.S. Department of Agriculture			356,029
US. Department of Education:			
Passed through CDE:			
English Language Acquisition Cluster:			
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	(311)
NCLB (ESEA): Title III, Immigrant Education Program	84.365	15146	22,799
Subtotal English Language Acquisition Cluster			22,488
IDEA: Basic Local Assistance, Part B, Section 611	84.027*	13379	101,640
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010*	14329	187,992
NCLB: Title II, Part A, Teacher Quality	84.367	14341	58,808
NCLB: Title X, McKinney-Vento Homeless Assistance	84.196	14332	332
Total U.S. Department of Education			371,260
U.S. Department of Health and Human Services:			
Passed through California Department of Health Care Services:			
Title XIX Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	4,477
Medical Assistance Program (MAA)	93.778	10060	(17,835)
Subtotal Title XIX, Medicaid Cluster			(13,358)
Total U.S. Department of Health and Human Services			(13,358)
Total Federal Programs			$ 713,931

* Denotes a Major Program
** Does not in the fair value of commodities received, which totaled $ 27,675

SEE NOTES TO SUPPLEMENTARY INFORMATION

Auditor's Comments

The audited financial statements of all funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2015.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

General Fund	Budget 2015-2016	2014-2015	2013-2014	2012-2013
Revenues and Other Financial Sources	$ 9,864,441	$ 9,483,128	$ 8,962,344	$ 8,679,492
Expenditures	9,543,582	9,356,395	9,023,426	8,513,083
Other Uses and Transfers Out	172,000	155,000	150,000	0
Total Outgo	9,715,582	9,511,395	9,173,426	8,513,083
Change (Decrease) in Fund Balance	148,859	(28,267)	(211,082)	166,409
Ending Fund Balance	$ 1,473,161	$ 1,501,271	$ 1,529,538	$ 1,740,620
Available Reserves	$ 933,022	$ 933,806	$ 902,342	$ 876,282
Reserve for Economic Uncertainties	$ 933,022	$ 933,806	$ 902,342	$ 851,308
Unassigned Fund Balance	$ 0	$ 0	$ 0	$ 24,974
Available Reserves as a Percentage of Total Outgo	9.6%	9.8%	9.8%	10.3%
Total Long-Term Debt	$ 18,218	$ 33,268	$ 47,467	$ 162,096
Average Daily Attendance at P-2	1,035	1,048	1,068	1,097

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

The General Fund balance has decreased $72,940 over the past three years. An increase of $148,859 is budgeted for 2015-2016. For a District this size, the state recommends available reserves of 3% of total general fund expenditures, transfers out and other uses (total outgo). Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

Average daily attendance decreased 49 over the last two years and long-term debt has decreased by $128,828 over the last two years.

The amounts reported as Budget 2015-2016 are presented for additional analysis and have not been audited.

MOTHER LODE UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2015

	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
ASSETS			
Cash	$ 95,551	$ 85,750	$ 181,301
Total Assets	$ 95,551	$ 85,750	$ 181,301
FUND BALANCES			
Restricted	$ 95,551	$ 85,750	$ 181,301
Total Fund Balances	$ 95,551	$ 85,750	$ 181,301

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MOTHER LODE UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
REVENUES			
Other Local Revenue	$ 58,747	$ 235	$ 58,982
Total Revenues	58,747	235	58,982
EXPENDITURES			
Services and Other Operating Expenditures	26,126		26,126
Capital Outlay	611,022		611,022
Total Expenditures	637,148	0	637,148
Excess of Revenues Over (Under) Expenditures	(578,401)	235	(578,166)
Fund Balances - July 1, 2014	673,952	85,515	759,467
Fund Balances - June 30, 2015	$ 95,551	$ 85,750	$ 181,301

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MOTHER LODE UNION SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND – STUDENT BODY
FOR THE FISCAL YEAR ENDING JUNE 30, 2015

	Beginning Balances	Additions	Deductions	Ending Balances
Student Body Account				
ASSETS				
Cash	$ 2,201	$ 1,476	$ 1,960	$ 1,717
LIABILITIES				
Due to Student Groups	$ 2,201	$ 1,476	$ 1,960	$ 1,717

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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.

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

E. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

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

F. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

G. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Mother Lode Union School District
Placerville, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mother Lode Union School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Mother Lode Union School District's basic financial statements and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mother Lode Union School District's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mother Lode Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mother Lode Union School District's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mother Lode Union School District's financial statements are free of 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*.

Mother Lode Union School District's Responses to Findings

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

Purpose of this Report

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

Goodell, Porter, Sanchez + Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 30, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Mother Lode Union School District
Placerville, California

Report on Compliance for Each Major Federal Program

We have audited Mother Lode Union School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mother Lode Union School District's major federal programs for the year ended June 30, 2015. Mother Lode Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mother Lode Union School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Mother Lode Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mother Lode Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Mother Lode 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 major federal programs for the year ended June 30, 2015.

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Report on Internal Control Over Compliance

Management of Mother Lode Union School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mother Lode Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Mother Lode Union School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 30, 2015

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Mother Lode Union School District
Placerville, California

We have audited Mother Lode Union School District's compliance with the types of compliance requirements described in the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of Mother Lode Union School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with State laws and regulations of Mother Lode Union School District's State government programs based on our audit of the types of compliance requirements referred to below. 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 *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Those standards 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 the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Mother Lode Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of Mother Lode Union School District's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Mis-assignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see next page)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable

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Description	Procedures Performed
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Not Applicable
Adult Education Maintenance of Effort	Not Applicable
School Districts, County Office of Education and Charter Schools:	
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program:	
General Requirements	Not Applicable
After School	Not Applicable
Before School	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

Procedures were not performed for California Clean Energy Jobs Act because the District is in the preliminary phase and did not incur any expenditures in 2014-2015.

Opinion on Each State Government Program

In our opinion, Mother Lode 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 State government programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on State government programs is not modified with respect to these matters.

Mother Lode Union School District's Response to Findings

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-2015 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

November 30, 2015

FINDINGS AND QUESTIONED COSTS SECTION

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weakness?	_x_ Yes	___ None reported
Noncompliance material to financial statements noted?	___ Yes	_x_ No

Federal Awards

Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weakness?	___ Yes	_x_ None reported
Type of auditor's report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133	___ Yes	_x_ No

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
84.027	IDEA: Basic Local Assistance, Part B, Section 611
84.010	NCLB: Title I, Part A, Basic Grans Low Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000	
Auditee qualified as low-risk auditee?	_x_ Yes	___ No

State Awards

Internal control over state programs:		
Material weakness(es) identified?	___ Yes	_x_ No
Significant deficiency(ies) identified that are not considered to be material weakness?	_x_ Yes	___ None reported
Type of auditor's report issued on compliance for state programs:	Unqualified	

Section II – Financial Statements Findings

2015 - 001 - CASH RECEIPTS - DEPOSIT TIMELINESS - 30000

Criteria: Sound accounting practices require the implementation of sufficient policies and procedures (internal controls) to not only protect assets, but also individuals handling the assets. Internal controls include timely deposits to minimize the risk of misappropriation of District assets as well as to ensure the District earns the maximum possible return on its assets.

Statement of Condition: During our testing of internal controls over cash receipts, we noted instances where donations and proceeds from fundraisers were held at school sites for over a month prior to being sent to the District for deposit.

Cause: The school site employees are not following and Administration is not enforcing the District policy requiring the delivery of cash collected to the District Office at least weekly.

Effect or Potential Effect: The retention of cash receipts at school sites facilitates an environment where misappropriation of assets may occur and go undetected and causes the District to lose the interest it would otherwise earn if the monies were deposited regularly and in a timely manner. In addition, the District may experience cases where funds are no longer available and incur fees for NSF checks.

Recommendation: We recommend cash received at the school sites be sent to the District Office on a weekly basis or more frequently if large amounts are received. This should be monitored throughout the year in addition to the annual independent audit.

District Response: The District agrees with this finding and will implement improved procedures.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV – State Award Findings and Questioned Costs

2015 - 002 - ATTENDANCE - 10000

Criteria: *California Education Code* Section 41601(a) provides the average daily attendance (ADA) shall be determined by dividing the total number of days of attendance allowed in all full school months in each period by the number of days the schools are actually taught in all full school months in each period.

Statement of Condition: During our testing of the Second Period (P-2) attendance report, we determined the District calculated the ADA for each month and determined the average of each month's ADA to arrive at the amounts reported on the P-2 report.

Questioned Costs: The ADA reported on the P-2 report was overstated by 6.06 as shown below along with an estimate of their dollar value using the District's floor entitlement for 2014-2015:

Grade Span:	Overstated ADA	Floor Entitlement	Estimated Dollar Value
TK through Third	2.61	$ 5,023	$ 13,110
Fourth through Sixth	2.46	$ 5,023	12,357
Seventh and Eighth	0.99	$ 5,023	4,973
Total	6.06		$ 30,439

Cause: The District employee had not been properly trained on how to calculate average daily attendance and this error was not caught in the review of the P-2 report.

Effect or Potential Effect: The District experienced declining enrollment in 2014-2015 and was funded based on the 2013-2014 ADA, so there is no effect in 2014-2015 funding. However, if enrollment continues to decline in 2015-2016, ADA reported for 2014-2015 would be the basis for funding 2015-2016.

Recommendation: We recommend the District ensure new employees are properly trained and for a second person, who has knowledge of the calculation, review the P-2 Report for accuracy prior to its submission. We also recommend the District revise the P-2 Attendance report to exclude the 6.06 ADA included on the original report.

District Response: The District agrees with this finding and has revised the 2014-2015 P-2 attendance report.

2014 – 001: All associated student body account activity should be recorded in a register with a monthly reconciliation to the bank statement. This reconciliation should be completed by someone other than the person who is responsible for the day to day activity or at a minimum reviewed by a second person to provide adequate segregation of duties.

Current Status:

Accepted
Implemented

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the MOTHER LODE UNION SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $7,500,000* Mother Lode Union School District (El Dorado County, California) General Obligation Bonds, Election of 2016, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on September 14, 2016 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

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

"*Dissemination Agent*" shall mean Government Financial Strategies inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

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

"*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, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

"*Rule*" shall mean Rule 15c2-12 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 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30),

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* Preliminary, subject to change.

commencing with the report for the 2015-16 Fiscal Year, which is due not later than March 31, 2017, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. 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), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. <u>Content of Annual Reports</u>. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

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

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

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

(iv) current fiscal year assessed valuation of taxable properties in the District; and

(v) assessed valuation of the top ten taxpayers in the District.

(c) *Cross References.* 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 EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(i) Principal and interest payment delinquencies.
(ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
(iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
(iv) Substitution of credit or liquidity providers, or their failure to perform.
(v) Defeasances.
(vi) Rating changes.
(vii) Tender offers.
(viii) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(ix) 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.

Note: For the purposes of the event identified in subparagraph (viii), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Non-payment related defaults.
(ii) Modifications to rights of security holders.
(iii) Bond calls.
(iv) The release, substitution, or sale of property securing repayment of the securities.
(v) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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.
(vi) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* 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 EMMA, 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)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Resolution.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this 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 defeasance 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.

(a) *Appointment of 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 such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

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

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

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

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

Section 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. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner 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. 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. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, 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 it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolution. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

MOTHER LODE UNION SCHOOL DISTRICT

By ____
Authorized Officer

ACKNOWLEDGED:

GOVERNMENT FINANCIAL STRATEGIES INC., as Dissemination Agent

By ____
Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Mother Lode Union School District

Name of Issue: Mother Lode Union School District (El Dorado County, California) General Obligation Bonds, Election of 2016, Series 2016

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____________.

Dated: ______________________

GOVERNMENT FINANCIAL STRATEGIES INC., as Dissemination Agent

By ____
Title ______________________________________

cc: Paying Agent

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Trustees of the
Mother Lode Union School District
3783 Forni Road
Placerville, California 95667

OPINION: $7,500,000* Mother Lode Union School District (El Dorado County, California) General Obligation Bonds, Election of 2016, Series 2016

Members of the Board of Trustees:

We have acted as bond counsel to the Mother Lode Union School District (the "District") in connection with the issuance by the District of $7,500,000* principal amount of Mother Lode Union School District (El Dorado County, California) General Obligation Bonds, Election of 2016, Series 2016 (the "Bonds"), pursuant to provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Board of Trustees of the District on September 14, 2016 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a elementary school district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board of Supervisors of El Dorado County is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. It is also our opinion that the Bonds are "qualified tax exempt obligations" under section 265(b)(3) of the Code.

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* Preliminary, subject to change.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

EL DORADO COUNTY STATEMENT OF INVESTMENT POLICY

EL DORADO COUNTY
POOLED INVESTMENTS
STATEMENT OF INVESTMENT POLICY

The County of El Dorado is a Charter County which invests its funds in accordance with the California Government Code (GC) §27000 et seq. and §53635 et seq.

In accordance with GC §27000.5 the criteria of selecting investments and the order of priority are:

1. Safety of principal
2. Liquidity
3. Public Trust
4. Yield

Government bills, notes, and government agency paper guaranteed by the full faith and credit of the United States Government are considered to be the highest quality investments available.

For the uninsured portion of any investment, banks and savings and loans are required to pledge either blocks of Federal securities as collateral at 110% of the County's investment, or banks and savings and loans are required to pledge blocks of real estate mortgages as collateral at 150% of the investment.

While the County recognizes that all investments carry a certain degree of risk, the Treasury attempts to minimize the risks relative to safety of principal.

The County attempts to schedule its maturities to meet anticipated cash needs.

All participants in the investment process shall seek to act responsibly as custodians of the public trust.

To maximize yields, El Dorado County utilizes computerized cash management reporting systems and compares offerings from more than one source. All measures of return on investment shall be based upon the overall portfolio performance, with individual investment (or investment type) performance being of secondary regard. Proper diversification should support this rationale.

Reporting

On no less than a quarterly basis, the Treasury shall submit to the Board of Supervisors, the Treasury - Policy Oversight Committee, and the Chief Administrative Officer a report of investments pursuant to GC §53646(b).

Investments

Permissible investments are addressed in GC §53601, §53635, §53637, §53638, §53651, §53652, and §53653.

The County investment pool operates within State and self-imposed constraints. The Treasury does not buy stocks or deal in futures or options. The Treasury does not invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. Proceeds from Tax Revenue Anticipation Notes or Grant Anticipation Notes shall not be invested for a term exceeding the term of the note. No investment may exceed five years to maturity nor have an underlying investment in excess of five years. FDIC insured instruments and all instruments backed by the full faith and credit of the United States Government are permitted investments.

	Maximum Percentage/Portfolio	
a) US Treasury Notes, Bonds, Bills	Unlimited %	Maximum 5 year term
b) Bankers Acceptances	40%, no more than 5% with any one bank*	Maximum 180 day term
c) Domestic Commercial Paper	20% maximum, no more than 5% with any single issuing corporation*	Maximum 31 day term
d) Negotiable Certificates of Deposit	30%, no more than 5% with any one bank*	Maximum 5 year term
e) Certificates of Deposit, Non-negotiable	Unlimited %	Maximum 5 year term
f) Repurchase Agreement	Unlimited %, no more than 5% with any one company*	Maximum 1 year term
g) Agencies	Unlimited %, no more than 5% with any one agency*	Maximum 3 year term
h) Demand Deposit Savings Accounts	Unlimited %	Maximum 5 year term
i) State Warrants	Unlimited %	Maximum 1 year term
j) Local Agency Investment Fund **	Unlimited %	N/A
k) Medium-Term notes of U.S. Corporations & Depository Institutions (and/or Corporate or Bank notes) guaranteed by the Federal Deposit Insurance Corporation and Issued under the Temporary Liquidity Program (TLGP).	30%	Maximum 3 year term

l) Commercial Paper under FDIC Temporary Liquidity Guarantee Program	40%	Maximum 270 day term
m) Fully Collateralized Money Market Account	Unlimited %, no more than 5% with any one bank*	N/A
n) Deposits placed with Private Sector Entity (Deposit Placement Services)	30%, individual deposit no more than can be federally insured	Maximum 5 year term

*Per issuer limitations applies at time of purchase of an investment.

** LAIF operates under GC §16429.1 and §16430, with investment policies and regulations that may differ from El Dorado County's.

Certificates of deposit, savings accounts, repurchase agreements, and bankers acceptances are insured or secured with collateral. Only domestic Commercial Paper with the highest letter and numerical ratings is purchased. The County recognizes that all investments carry a certain degree of risk.

Safekeeping

All securities purchased shall be held in safekeeping by a third party custodian pursuant to an agreement between the custodian and the County Treasury pursuant to GC §53608. "Delivery versus payment" shall be used for securities transactions, and no security will be held by the broker/dealer from whom purchased.

Criteria for Broker Selection

In accordance with GC §27133(c) any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board to the local treasurer, any member of the governing board of the local agency, or a candidate for those offices, shall not sell to (or purchase from) the County Treasury securities or other instruments.

Criteria for Considering Agency Request to Withdraw from Pool

Pursuant to GC §27136, depositors who seek to withdraw funds for investing or depositing those funds outside the County Treasury pool shall first submit the request for withdrawal to the County Treasurer in writing.

The County Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the El Dorado County Auditor-Controller at a one-dollar net asset value.

Any requests to withdraw funds for purposes other than cash flow, such as external investing, shall be subject to the consent of the County Treasurer. In accordance with GC §27136 et seq. and §27133(h) et seq., such requests for withdrawals must first be made in writing to the County Treasurer. These requests are subject to the County Treasurer's consideration of the stability and predictability of the Pooled Investment Fund.

Assessment of the effect of a proposed withdrawal on the stability and predictability of the investments in the Pooled Investment Fund will be based on the following criteria:

1) Size of withdrawal
2) Size of remaining balance of:
   a) Pool
   b) Agency
3) Current market conditions
4) Duration of withdrawal
5) Effect on predicted cash flows
6) A determination if there will be sufficient balances remaining to cover costs
7) Adequate information has been supplied to the County Treasurer in order to make a proper finding that other pool participants will not be adversely affected.

Note: To accommodate agencies with their own boards and with a desire for flexibility, withdrawals for the purpose of investing outside the County Pool will be permitted if an agency's balance of funds outside the County Treasury Pool does not exceed a total of $115,000.00 <u>at any time during the year</u>. These small balances will be considered as not affecting the other pool participants. This total "not to exceed" is the total for the agency, not a total by fund. The balance remaining in the Treasury must not be in a negative (deficit) position or all funds must be immediately returned to the Treasury, and the privilege to withdraw any amount will be revoked and not reinstated for a period of six months. Any agency withdrawing funds must comply with all government code sections related to withdrawal of funds, investment of funds, and bonding, as applicable.

For outside investors who utilize GC §53684, where the County Treasurer does not serve as the agency's treasurer, any withdrawal request must be made in writing 30 days in advance per GC §53684(d).

In no event shall funds be withdrawn that, in the judgement of the County Treasurer, will adversely affect the interest of the other participants in the pool.

Criteria for Non-Statutory Agency Request to Participate in Pool

All entities qualifying under GC §27133(g) may deposit funds for investment purposes providing the following has been accomplished:

- The agency's administrative body has requested in writing the privilege, has agreed to all terms, conditions, rules, and regulations of existing participants as prescribed by the County Treasurer, and has delivered to the County Treasury a resolution identifying the authorized officer(s) acting on behalf of the agency.

Apportioning Treasury Cost

As authorized under GC § 27013, the actual administrative cost of investing, depositing, cash handling, and other management costs associated with the accounting of funds, the deposit of funds, the reconciling of accounts, the interest apportionment, and the investment of funds for the pool will be apportioned among the depositors on the basis of each entity's average daily cash balance. For ease of accounting, all costs are offset against the interest earned before the interest is apportioned.

Apportioning Investment Losses

Given the inherit risk of any investment, in the event of a loss, it will be recorded by apportioning the amount among the depositors on the basis of each funds investment earnings in the twelve month period immediately prior to and including the month of recognition. If a subsequent recovery occurs, either partial or complete, the recovery will be distributed among the depositors in the same proportion as the original loss was apportioned.

APPENDIX E

DTC BOOK-ENTRY ONLY

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The following information concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry-only system has been provided by DTC for use in securities disclosure documents. The District takes no responsibility for the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The following description includes the procedures and record-keeping with respect to beneficial ownership interests in the Bonds payment of principal and interest, other payments with respect to the Bonds to Direct Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds, notices to beneficial owners and other related transactions by and between DTC, the Participants, and the Beneficial Owners. However, DTC, the Participants, and the Beneficial Owners should not rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be.

The Depository Trust Company, New York, New York ("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.

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.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, 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 notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

1228 N Street, Suite 13
Sacramento, CA 95814
(916) 444-5100

Government
Financial
Strategies
inc.