PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 26, 2016

NEW ISSUE
DTC BOOK-ENTRY ONLY
BANK QUALIFIED

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

In the opinion of Parker & Covert LLP, Sacramento, California ("Bond Counsel") based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "LEGAL MATTERS—Tax Matters" herein.

$8,000,000*
BEARDSLEY SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2016
(BANK QUALIFIED)

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

The Beardsley School District (Kern County, California) General Obligation Bonds, Election of 2016, Series 2016 in the aggregate principal amount of $8,000,000* (the "Bonds") are being issued by the Beardsley 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 20, 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 $12,000,000 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 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 Kern 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 May 1, 2017, and semiannually thereafter on May 1 and November 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 Parker & Covert LLP, Sacramento, 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 18, 2016.

This Official Statement is dated ________, 2016.

*Preliminary, subject to adjustment.

MATURITY SCHEDULE

$8,000,000*
BEARDSLEY SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2016
(BANK QUALIFIED)

Maturity Date May 1	Principal Amount*	Interest Rate	Reoffering Yield	Price	CUSIP+
2017	$300,000	_.___%	_.___%	$___.___	073851 ___
2018	290,000	_.___	_.___	___.___	073851 ___
2021	105,000	_.___	_.___	___.___	073851 ___
2022	170,000	_.___	_.___	___.___	073851 ___
2023	190,000	_.___	_.___	___.___	073851 ___
2024	200,000	_.___	_.___	___.___	073851 ___
2025	225,000	_.___	_.___	___.___	073851 ___
2026	245,000	_.___	_.___	___.___	073851 ___
2027	260,000	_.___	_.___	___.___	073851 ___
2028	275,000	_.___	_.___	___.___	073851 ___
2029	295,000	_.___	_.___	___.___	073851 ___
2030	320,000	_.___	_.___	___.___	073851 ___
2031	340,000	_.___	_.___	___.___	073851 ___
2032	365,000	_.___	_.___	___.___	073851 ___
2033	385,000	_.___	_.___	___.___	073851 ___
2034	405,000	_.___	_.___	___.___	073851 ___
2035	435,000	_.___	_.___	___.___	073851 ___
2036	460,000	_.___	_.___	___.___	073851 ___
2037	495,000	_.___	_.___	___.___	073851 ___
2038	510,000	_.___	_.___	___.___	073851 ___
2039	535,000	_.___	_.___	___.___	073851 ___
2040	580,000	_.___	_.___	___.___	073851 ___
2041	615,000	_.___	_.___	___.___	073851 ___

* 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.

$8,000,000*
BEARDSLEY SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2016
(BANK QUALIFIED)

DISTRICT ADMINISTRATION

Paul E. Miller, Superintendent
Olivia Esquivel, Chief Business Official

Beardsley School District
1001 Roberts Lane
Bakersfield, California 93308
(661) 393-8550

MUNICIPAL ADVISOR

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Sacramento, California 95814
(916) 444-5100

BOND COUNSEL

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(916) 245-8677

PAYING 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

$8,000,000*
BEARDSLEY SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
GENERAL OBLIGATION BONDS, ELECTION OF 2016, SERIES 2016
(BANK QUALIFIED)

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* Preliminary; subject to adjustment

OFFICIAL STATEMENT

8,000,000*
BEARDSLEY SCHOOL DISTRICT
(KERN 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 Beardsley School District (Kern County, California) General Obligation Bonds, Election of 2016, Series 2016, in the aggregate principal amount of $8,000,000* (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 Beardsley School District (the "District"), a political subdivision of the State of California (the "State") established in 1882, occupies approximately 33 square miles in Kern County (the "County"), located in the southern central portion of the State. The District serves a population of approximately 17,783 people residing in a portion of the City of Bakersfield (the "City"). The District operates three elementary schools and one junior high school, providing education to approximately 1,800 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 20, 2016 (the "Resolution") and a paying agent agreement dated October 1, 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 improvement, construction and renovation 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 May 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 May 1 and November 1 of each year, commencing May 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 Parker & Covert LLP, Sacramento, California ("Bond Counsel"). Zions Bank, a division of ZB, National Association, will act as paying agent (the "Paying Agent"). Parker & Covert 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 Beardsley School District, 1001 Roberts Lane, Bakersfield, California 93308, telephone (661) 393-8550, 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 20, 2016 and the Paying Agent Agreement dated October 1, 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 $12,000,000 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 A" as follows:

> *"In order to improve student safety and campus security, replace deteriorated roofs, heating/cooling systems, upgrade classrooms, labs, and computer systems to keep pace with instructional technology, and provide students access to the education, facilities, science, and technology they need to succeed in high school, college and careers, shall the Beardsley School District issue $12,000,000 in bonds at legal interest rates, with independent citizen oversight, no money for administrator salaries, and all money staying local?"*

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

Results of 2016 Election
Beardsley School District

Yes Votes	No Votes
1,621 (62.7%)	966 (37.3%)

Source: Registrar of Voters, Kern County.

The Bonds represent the first series of bonds to be issued under the 2016 Election. Upon the issuance of the Bonds, the District will have $4,000,000 remaining authorization under the 2016 Election. The District also has approximately $1.2 million remaining unissued general obligation bond authorization under an election held in 2006. 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 May 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 May 1 and November 1 of each year (each, an "Interest Payment Date"), commencing May 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 authentication thereof, unless (i) it is authenticated as of a day during the period after the fifteenth day of the calendar month immediately preceding an Interest Payment Date (the "Record Date") to that Interest Payment Date, both dates inclusive, in which event it will bear interest from such Interest Payment Date, or (ii) it is authenticated on or before April 15, 2017, in which event it bears interest from its date of delivery, provided, 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.

The principal or redemption price 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, the principal or redemption price of the Bonds 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 to the Registered Owner thereof, 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 to an account within the United States of America as of the close of business on the Record Date.

Redemption Provisions

Optional Redemption. The Bonds maturing on or before May 1, 2026 are not subject to redemption prior to maturity. The Bonds maturing on or after May 1, 2027, are subject to redemption, at the option of the District, as a whole or in part among maturities on such basis as designated by the District and by lot within each maturity, from any source of available funds, on any date on or after May 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 Redemption. The Bond maturing by its term on May 1, 20__ (the "20__ Term Bond") is subject to mandatory redemption by the District prior to its maturity in part, by lot, from mandatory redemption payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption without premium, but which amounts will be proportionately reduced by the principal amount of such 20__ Term Bond optionally redeemed

Mandatory Redemption Schedule
20__ Term Bond

Year Ending May 1	Mandatory Sinking Account Payment
20__	$_____
20__ [1]	$_____

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

Selection of Bonds for Redemption. In the case of any redemption at the election of the District of less than all the outstanding Bonds, the District will, at least 45 days prior to the date fixed for redemption (unless a shorter notice is satisfactory to the Paying Agent) notify the Paying Agent in writing of such redemption date and of the principal amount of Bonds to be redeemed. If less than all the outstanding Bonds of any maturity are to be redeemed, not more than 60 days prior to the redemption date, the Paying Agent will select the particular Bonds to be redeemed from the outstanding Bonds of such maturity that have not previously been called for redemption, in minimum amounts of $5,000 principal amount, by lot in any manner that the Paying Agent in its sole discretion deems appropriate and fair. For purposes of such selection, each $5,000 principal amount will be deemed to be a separate Bond.

Notice of Redemption. The Paying Agent will mail notice of redemption not fewer than 30 nor more than 60 days prior to the redemption date by first-class mail, postage prepaid, to the respective Registered Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register and will file such notice on the same day with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") website. Each notice of redemption will contain: (i) the date of such notice; (ii) the series designation of the Bonds and date of issue of the Bonds; (iii) the redemption date; (iv) the redemption price; (v) the place or places of redemption (including the name and appropriate address or addresses of the Paying Agent); (vi) the CUSIP number (if any) of the maturity or maturities; and (vii) if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each notice will either (i) explicitly state that the proposed redemption is conditioned on there being on deposit on the redemption date sufficient money to pay in full the redemption price of the Bonds or portions thereof to be redeemed; or (ii) be sent only if sufficient money to pay in full the redemption price of the Bonds or portions thereof to be redeemed is on deposit. Each such notice will also (i) state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption; (ii) state that from and after such redemption date interest thereon shall cease to accrue; and (iii) require that such Bonds be then surrendered at the address or addresses of the Paying Agent specified in the redemption notice. Neither the District nor the Paying Agent has any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the District nor the Paying Agent is liable for any inaccuracy in such numbers.

Defects in Notice or Procedure. Failure by the Paying Agent to file notice with MSRB or failure of any Registered Owner to receive notice of any defect in any such notice will not affect the sufficiency of the proceedings for redemption. Failure by the Paying Agent to mail or otherwise deliver notice to any one or more of the respective Registered Owners of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Registered Owner or Owners to whom such notice was mailed or delivered.

Deposit of Redemption Price. Prior to any redemption date, the District will deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the Bonds that are to be redeemed on that date. Such money will be held for the benefit of the persons entitled to such redemption price.

Effect of Redemption. When notice of redemption has been given substantially as provided by the Paying Agent Agreement and moneys for payment of the redemption price of the Bonds called for redemption is held by the Paying Agent, on the redemption date designated in such notice (i) the Bonds so to be redeemed will become due and payable at the redemption price specified in such notice; (ii) interest on such Bonds will cease to accrue; (iii) such Bonds will cease to be entitled to any benefit or security under the Paying Agent Agreement; and (iv) the Registered Owners of such Bonds will have no rights in respect thereof except to receive payment of said redemption price. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond will be paid by the Paying Agent at the redemption price.

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

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.

Upon surrender of a Bond for transfer at the Paying Agent's office, the District will execute and, if required, the Paying Agent will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same series, tenor, and maturity and for an equivalent aggregate principal amount.

Bonds may be exchanged for an equivalent aggregate principal amount of Bonds of other authorized denominations of the same series, tenor, and maturity, upon surrender of the Bonds for exchange at the Paying Agent's office. Upon surrender of Bonds for exchange, the District will execute and, if required, the Paying Agent will authenticate and deliver the Bonds that the Bondholder making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange must be accompanied by a written instrument of transfer, in a form satisfactory to the Paying Agent, that is duly executed by the Registered Owner or by his attorney duly authorized in writing. All fees and costs of any transfer or exchange of Bonds will be paid by the Bondholder requesting such transfer or exchange.

All Bonds issued upon any transfer or exchange of Bonds will be the valid obligations of the District, evidencing the same debt, and entitled to the same security and benefits under the Paying Agent Agreement, as the Bonds surrendered upon such transfer or exchange. All Bonds surrendered upon any exchange or transfer will be promptly cancelled by the Paying Agent.

The Paying Agent is not required to transfer or exchange (i) Bonds during the period established by the Paying Agent for the selection of Bonds for redemption; or (ii) any Bond that has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

Defeasance

Upon the deposit with the Paying Agent, escrow agent, or other fiduciary, at or before maturity, of money or securities in the necessary amount as provided in the Paying Agent Agreement to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption has been given or provision satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Bond will cease, terminate, and be completely discharged, except that thereafter (i) the Registered Owner thereof will be entitled to payment of the principal amount or redemption price of and interest on such Bond by the District and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent, escrow agent, or other fiduciary for their payment; and (ii) the Registered Owner thereof will retain its rights of transfer or exchange of Bonds.

Unclaimed Moneys

Subject to applicable escheatment laws, any moneys held by the Paying Agent for the payment of the principal amount or redemption price of or interest on any Bonds and remaining unclaimed for three years after the date when such Bonds have become due and payable (whether at maturity or upon call for redemption), if such moneys were so held at such date, or three years after the date of deposit of such moneys if deposited after the date when such Bonds became due and payable, will be repaid to the District; provided that the District has certified to the Paying Agent that the District has complied with the provisions of the State Government Code. Thereafter, Registered Owners will look solely to the District for the payment of such funds and the Paying Agent will have no further liability for such funds.

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 (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send 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 called for redemption 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 Kern County Treasurer/Tax Collector (the "County Treasurer") for deposit in the Beardsley School District 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 Beardsley School District General Obligation Bonds Tax Collection Fund (the "Tax Collection 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 a 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 Tax Collection 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	$
Tax Collection 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 Tax Collection 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 "COUNTY OF KERN TREASURER'S POOL" herein and "APPENDIX D—COUNTY OF KERN INVESTMENT POLICY" attached hereto.

Debt Service Schedules

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
May 1, 2017	$	$	$	$
November 1, 2017				
May 1, 2018				
November 1, 2018				
May 1, 2019				
November 1, 2019				
May 1, 2020				
November 1, 2020				
May 1, 2021				
November 1, 2021				
May 1, 2022				
November 1, 2022				
May 1, 2023				
November 1, 2023				
May 1, 2024				
November 1, 2024				
May 1, 2025				
November 1, 2025				
May 1, 2026				
November 1, 2026				
May 1, 2027				
November 1, 2027				
May 1, 2028				
November 1, 2028				
May 1, 2029				
November 1, 2029				
May 1, 2030				
November 1, 2030				
May 1, 2031				
November 1, 2031				
May 1, 2032				
November 1, 2032				
May 1, 2033				
November 1, 2033				
May 1, 2034				
November 1, 2034				
May 1, 2035				
November 1, 2035				
May 1, 2036				
November 1, 2036				
May 1, 2037				
November 1, 2037				
May 1, 2038				
November 1, 2038				
May 1, 2039				
November 1, 2039				
May 1, 2040				
November 1, 2040				
May 1, 2041				
Total	$__,___,___	$	$	$

Upon issuance of the Bonds, scheduled debt service on the District's outstanding general obligation bond debt (without regard to optional redemption) is shown in the following table. See "DISTRICT FINANCIAL INFORMATION—Long-Term Borrowings" herein for more information on the District's outstanding bonded debt.

Outstanding General Obligation Bond Debt
Beardsley School District

Year Ended June 30	Prior Outstanding General Obligation Bonds	General Obligation Bonds Election of 2016, Series 2016	Total General Obligation Bond Debt Service
2017	$1,118,056	$	$
2018	1,043,666		
2019	1,077,004		
2020	1,104,776		
2021	1,142,965		
2022	1,180,355		
2023	1,210,962		
2024	1,246,987		
2025	1,283,196		
2026	1,317,789		
2027	1,362,007		
2028	1,410,152		
2029	1,452,434		
2030	1,508,854		
2031	1,560,186		
2032	1,360,411		
2033	1,170,241		
2034	285,659		
2035	284,795		
2036	284,648		
2037	--		
2038	--		
2039	--		
2040	--		
2041	--		

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 Tax Collection 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 from 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 district bonds, and is charged with payment of principal and interest on such bonds when due. 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" herein.

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 Article 1 of Chapter 1, Part 3, Division 1 (Section 1601 et seq.) 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 (and other outstanding 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" or "utility" 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 secured and secured homeowner exemption values. Total unsecured assessed values include net local unsecured and unsecured homeowner exemption values.

Historical Total Secured and Unsecured Assessed Valuation
Beardsley School District

Year Ended June 30	Total Secured Assessed Value	Total Unsecured Assessed Value	Total Assessed Value	Percentage Change
2008	$1,270,652,752	$203,732,955	$1,474,385,707	--
2009	1,363,810,636	251,566,015	1,615,376,651	9.6%
2010	1,306,641,502	230,094,176	1,536,735,678	(4.9)
2011	1,313,239,818	236,336,899	1,549,576,717	0.8
2012	1,290,548,634	237,931,992	1,528,480,626	(1.4)
2013	1,405,991,918	240,563,995	1,646,555,913	7.7
2014	1,527,514,291	257,829,779	1,785,344,070	8.4
2015	1,777,224,036	280,688,371	2,057,912,407	15.3
2016	1,679,352,871	308,479,989	1,987,832,860	(3.4)
2017	1,629,191,318	266,658,471	1,895,649,789	(4.6)

Source: Kern 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 $23.7 million. Upon issuance of the Bonds, the District will have remaining bonding capacity of approximately $2.8 million*.

Declines in the District's assessed valuation of property in fiscal years 2015-16 and 2016-17 have been driven by declines in the mineral classification of secured assessed property. Following several years of dramatic increases, mineral assessed valuation in the District declined 22.5% from $419,986,468 in fiscal year 2014-15 to $325,441,139 in fiscal year 2015-16, with an additional

* Preliminary; subject to adjustment

decline of 35.9% to $208,448,265 in fiscal year 2016-17. Mineral assessed property is primarily comprised of land used for oil and gas production.

Shown in the following table are 10 years of the District's total secured assessed valuation identified by classification.

Historical Total Secured Assessed Valuation by Classification
Beardsley School District

Year Ended June 30	Net Local Secured Assessed Value	Mineral Assessed Value	Utility Assessed Value	Secured Homeowner's Exemption Assessed Value	Total Secured Assessed Value
2008	$1,202,747,333	$53,875,581	$128,230	$13,901,608	$1,270,652,752
2009	1,269,732,161	80,244,205	128,230	13,706,040	1,363,810,636
2010	1,227,424,240	65,353,750	128,230	13,735,282	1,306,641,502
2011	1,213,641,083	85,957,595	128,230	13,512,910	1,313,239,818
2012	1,166,988,329	110,052,462	197,263	13,310,580	1,290,548,634
2013	1,215,557,375	177,460,294	197,263	12,776,986	1,405,991,918
2014	1,250,377,847	264,576,159	197,263	12,363,022	1,527,514,291
2015	1,344,951,903	419,986,468	197,263	12,088,402	1,777,224,036
2016	1,341,480,813	325,441,139	197,263	12,233,656	1,679,352,871
2017	1,408,738,997	208,448,265	185,818	11,806,793	1,629,191,318

Source: Kern County Assessor.

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 2016-17.

Assessed Valuation and Parcels by Land Use
Beardsley School District

	2016-17 Assessed Valuation[1]	Percent of Total	Number of Parcels	Percent of Total
Non-Residential:				
Agricultural/Rural	$26,765,034	1.64%	115	2.25%
Commercial/Office	307,905,032	18.90	245	4.80
Vacant Commercial	9,310,258	0.57	31	0.61
Industrial	504,822,312	30.99	430	8.42
Vacant Industrial	60,687,865	3.73	229	4.48
Oil & Gas	208,448,265	12.80	110	2.15
Recreational	10,014,353	0.61	4	0.08
Government/Social/Institutional	5,473,876	0.34	57	1.12
Miscellaneous	4,818,406	0.30	19	0.37
Subtotal Non-Residential	$1,138,245,401	69.87%	1,240	24.29%
Residential:				
Single Family Residence	$380,971,185	23.39%	2,967	58.11%
Condominium	12,647,764	0.78	151	2.96
Mobile Home	4,653,195	0.29	51	1.00
Mobile Home Park	17,697,559	1.09	47	0.92
2-4 Residential Units	47,173,591	2.90	411	8.05
5+ Residential Units/Apartments	20,731,513	1.27	67	1.31
Vacant Residential	6,873,847	0.42	172	3.37
Subtotal Residential	$490,748,654	30.13%	3,866	75.71%
Total	$1,628,994,055	100.00%	5,106	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 2016-17, no single taxpayer owned more than 6.91 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 following table.

The 20 taxpayers in the District with the greatest combined secured assessed valuation of taxable property on the fiscal year 2016-17 tax roll own property that comprises 30.68 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 2016-17 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
Beardsley School District

	Property Owner	Primary Land Use	2016-17 Assessed Valuation	Percent of Total[1]
1.	Oxy USA Inc.	Industrial	$112,561,844	6.91%
2.	E&B Natural Resource Management Corp.	Industrial	76,132,482	4.67
3.	Heart Hospital of Bakersfield LLC	Medical Buildings	42,151,016	2.59
4.	San Joaquin Refining Co. Inc.	Industrial	40,592,457	2.49
5.	Pactiv LLC	Industrial	36,312,134	2.23
6.	Alon Bakersfield Property Inc.	Industrial	25,790,994	1.58
7.	Costco Wholesale Corp.	Commercial	22,644,177	1.39
8.	Nusil Technology LLC	Industrial	17,463,215	1.07
9.	Roll Real Estate Property LLC	Industrial	16,910,816	1.04
10.	Bakersfield Californian	Industrial	16,220,528	1.00
11.	Kern Front Ltd.	Industrial	12,340,000	0.76
12.	6001 Snow Road LLC	Industrial	11,176,314	0.69
13.	Quinn Co.	Industrial	10,699,076	0.66
14.	Wattenbarger Wells Construction Inc.	Industrial	9,061,000	0.56
15.	Erwin and Essie Appel Trust	Industrial	8,926,927	0.55
16.	DC Prop 1 LP	Hotel/Motel	8,683,113	0.53
17.	Olive Town Center LLC	Commercial	8,492,264	0.52
18.	Physicians Development LLC	Medical Buildings	8,081,396	0.50
19.	Chang Family Survivors Trust	Hotel/Motel	7,939,168	0.49
20.	Granite Construction Co.	Office Building	7,528,853	0.46
		Total	$499,707,774	30.68%

[1]Local secured assessed valuation for fiscal year 2016-17: $1,628,994,055.
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 district 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 57-003). The fiscal year 2015-16 assessed valuation of TRA 57-003 is $333,331,801, approximately 17.6 percent of the total assessed value of taxable property in the District.

Typical Total Tax Rates per $100 of Assessed Valuation
TRA 57-003
Beardsley School District

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16
1% General Fund Levy	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Kern County Water Agency	0.038514	0.026960	0.027059	0.027754	0.029725
Beardsley School District	0.059874	0.049882	0.048582	0.040605	0.048033
Kern High School District	0.036276	0.043663	0.039160	0.036056	0.032389
Kern Community College District SRID	0.009057	0.008502	0.012644	0.010450	0.013571
Total All Property	$1.143721	$1.129007	$1.127445	$1.114865	$1.123718

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 12:00 a.m. July 1, the tax is deemed to be in default and a $15 redemption fee is immediately added and the delinquent bill accrues additional penalties of 1.5 percent 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 following table shows a five-year history of real property tax collections and delinquencies in the District.

Secured Tax Charges and Delinquencies[1]
Beardsley School District

Fiscal Year	Secured Tax Charge[2]	Amount Delinquent As of June 30	Percent Delinquent As of June 30
2011-12	$3,355,126.60	$49,711.41	1.48%
2012-13	3,571,237.42	47,723.04	1.34
2013-14	3,762,480.97	48,678.49	1.29
2014-15	4,277,790.83	55,669.69	1.30
2015-16	4,066,140.17	51,302.83	1.26
	Secured Tax Charge[3]	Amount Delinquent As of June 30	Percent Delinquent As of June 30
2011-12	$817,712.40	$19,330.45	2.36%
2012-13	694,828.28	15,866.47	2.28
2013-14	801,862.62	12,955.88	1.62
2014-15	777,629.71	10,528.10	1.35
2015-16	871,910.56	13,798.87	1.58

[1]General Fund one percent tax levy.
[2]The County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100 percent of the assessments levied to the taxing entity, with the County retaining all penalties and interest.
[3]Debt service levy.
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)
Beardsley School District

2016-17 Assessed Valuation: $1,895,838,344

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percent Applicable[1]	Debt as of September 1, 2016
Kern Community College District Safety, Repair and Improvement District	2.436%	$3,510,424
Kern High School District	3.880	7,155,737
Beardsley School District	**100.000**	**13,014,0962** [2]
City of Bakersfield Reassessment District No. 12-1	1.268	186,840
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$23,867,097
OVERLAPPING GENERAL FUND DEBT:		
Kern County Certificates of Participation	2.288%	$2,354,466
Kern County Pension Obligation Bonds	2.288	5,815,828
Kern County Board of Education Certificates of Participation	2.288	896,896
Kern County Community College District Certificates of Participation	2.194	714,366
Kern County Community College District Benefit Obligation Bonds	2.194	1,749,496
Kern High School District General Fund Obligations	3.880	5,892,750
City of Bakersfield General Fund Obligations	1.433	231,788
TOTAL OVERLAPPING GENERAL FUND DEBT		$17,655,590
COMBINED TOTAL DEBT		$41,522,687 [3]

Ratios to fiscal year 2016-17 assessed valuation:
Direct Debt ($13,014,096) 0.69%
Total Direct and Overlapping Tax and Assessment Debt.....................1.26%
Combined Total Debt..2.19%

[1]Based on fiscal year 2015-16 ratios.
[2]Excludes the Bonds to be sold.
[3]Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

COUNTY OF KERN TREASURER'S 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 Kern County Treasurer/Tax Collector, 1115 Truxton Avenue, Bakersfield, California 93301, telephone (661) 868-3415.

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 Kern County Treasurer's Pool: Statement of Investment Policy (the "Investment Policy," see "APPENDIX D—COUNTY OF KERN 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 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.

The portfolio structure of the County Pool as of July 31, 2016 is set forth on the following table:

County of Kern Treasurer's Pool
As of July 31, 2016

Investment Type	Par (000's)	Cost (000's)	Market Value (000's)	Original Yield	Percent of Total Assets	Policy Limit	Effective Duration	Days to Maturity
Local Agency Investment Fund	$44,287.46	$44,287.46	$44,287.46	0.59%	1.59%	$50,000	0.00	1
California Asset Management Program	32,042.18	32,042.18	32,042.18	0.55	1.15	10%	0.00	1
Money Market Accounts	433.56	433.56	433.56	0.35	0.02	$50,000	0.00	1
U.S. Treasuries	40,000.00	40,021.32	40,148.62	0.82	1.44	100%	1.25	460
Federal Agencies	930,629.00	933,373.16	937,796.82	1.20	33.50	75%	1.76	838
Supranationals	50,000.00	50,165.80	50,480.69	1.32	1.80	10%	2.28	938
Negotiable CDs	600,000.00	600,000.00	599,515.83	0.74	21.53	30%	0.35	128
Commercial Paper	501,000.00	499,139.23	500,061.71	0.71	17.91	40%	0.21	78
Corporate Notes	502,367.00	512,679.75	509,065.76	1.25	18.40	30%	1.68	640
Total Securities	$2,700,759.21	$2,712,142.47	$2,713,832.64	0.97%	97.34%		1.10	464
Cash	74,037.14	74,037.14	74,037.14	0.02	2.66		1.00	1
Total Assets	$2,774,796.35	2,786,179.61	$2,787,869.78		100.00%			

Source: County of Kern, Office of the Treasurer-Tax Collector.

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, organized in 1866 from portions of Los Angeles and Tulare Counties, encompasses approximately 8,170 square miles located at the southern end of the State's Central Valley. While the County has 11 incorporated cities, approximately 35 percent of residents live in unincorporated areas of the County. The County's economy is principally based on agriculture and the production of oil and natural gas. Based on data compiled by CoreLogic, the median sale price of a single-family home in the County was $210,000 in July 2016, showing no change from July 2015.

The City, comprised of approximately 150 square miles, is located approximately 100 miles north of the City of Los Angeles in the southern San Joaquin Valley. Incorporated in 1898, the City is the seat of government of the County. Approximately 42 percent of the County's total population resides in the greater metropolitan area of the City; most of the employment in the County is located in the City. Based on data compiled by CoreLogic, the median sale price of a single-family home in the City was $225,000 in July 2016, a decrease of approximately 0.2 percent from $225,500 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 Bakersfield and Kern County

	2012	2013	2014	2015	2016
City of Bakersfield	357,260	364,183	369,485	374,642	379,110
Kern County	854,122	863,907	871,922	880,387	886,507

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 $36,165 in the County in 2014, an increase of 2.75 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**
Kern County and the State of California

	2011	2012	2013	2014	2015
Kern County	$32,045	$34,386	$35,197	$36,165	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 Bakersfield

	Annual 2012	Annual 2013	Annual 2014	Annual 2015	August 2016[1]
Total Labor Force	177,400	179,800	180,600	180,200	185,000
Number of Employed	156,500	160,900	163,900	163,700	168,900
Number of Unemployed	20,900	18,900	16,800	16,400	16,000
Unemployment Rate	11.8%	10.5%	9.3%	9.1%	8.7%

[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
Kern County

	Annual 2012	Annual 2013	Annual 2014	Annual 2015	August 2016[1]
Total Labor Force	392,500	394,400	394,800	393,800	404,000
Number of Employed	340,900	348,100	353,800	353,600	364,800
Number of Unemployed	51,600	46,300	41,000	40,200	39,200
Unemployment Rate	13.2%	11.7%	10.4%	10.2%	9.7%

[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
Kern County

	Annual 2011	Annual 2012	Annual 2013	Annual 2014	Annual 2015
Total Wage and Salary	285,700	300,300	310,000	316,400	317,500
Total Farm	48,800	54,400	59,600	60,100	59,100
Total Nonfarm	236,900	246,000	250,400	256,300	258,300
Goods Producing	39,100	43,400	44,300	46,100	43,000
Mining and Logging	12,000	13,300	13,000	13,400	11,900
Construction	13,900	16,700	17,200	18,200	17,000
Manufacturing	13,100	13,500	14,000	14,600	14,200
Service Providing	197,800	202,500	206,200	210,200	215,400
Trade, Transportation, Utilities	43,800	45,400	47,600	49,500	51,000
Information	2,600	2,700	2,500	2,400	2,700
Professional / Business Services	25,300	26,600	26,200	25,900	25,500
Educational / Health Services	30,100	31,500	32,300	32,600	33,500
Leisure / Hospitality	20,700	21,600	22,800	23,700	25,200
Other Services	6,800	7,200	7,500	7,800	7,600
Government	60,200	58,800	58,400	59,700	61,400
Federal Government	10,700	10,400	10,000	9,600	9,900
State Government	9,700	9,400	8,800	9,200	9,600
Local Government	39,800	39,000	39,600	40,800	42,000

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
Kern County

Employer	Type of Employment	Number of Employees	Percent of Total County Employment
China Lake Naval Air Weapons Station	Federal Government	9,700+	2.80%
Kern County	County Government	8872	2.49
Grimmway Farms	Agriculture	5,000-9,999	1.40
U.S. Navy Public Affairs Office	Federal Government	5,000-9,999	1.40
W.M. Bolthouse Farms	Agriculture	5,000-9,999	1.40
Chevron	Oil Refinery	1,700-4,999	0.48
Kern County Superintendent of Schools	Education	1,700-4,999	0.28
State Farm	Insurance	1,700-4,999	0.28
Dignity Health	Health Care	1,700-4,999	0.28
Edwards Air Force Base	Federal Government	1,700-4,999	0.28
	Total	n/a	14.68%

Source: Kern County, Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2015.

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

Major Employers
City of Bakersfield

Employer	Type of Employment	Number of Employees	Percent of Total County Employment
County of Kern	Federal Government	7,800	4.45%
Kern High School District	Education	4,917	2.29
Bakersfield High School District	Education	3,254	1.86
San Joaquin Community Hospital	Hospital	2,107	1.20
Panama-Buena Vista Union School District	Education	2,069	1.18
Wm. Bolthouse Farms	Agriculture	1,939	1.11
Chevron Corporation	Oil Refinery	1,860	1.06
Bakersfield Memorial Hospital	Hospital	1,700	0.97
City of Bakersfield	City Government	1,507	0.86
Mercy Hospital	Hospital	1,350	0.77
	Total	27,603	15.75%

Source: City of Bakersfield, Comprehensive Annual Financial Report For The Year Ended June 30, 2015.

Commercial Activity

Total taxable sales during calendar year 2014 in the City were reported to be $6,284,932,000, a 3.9 percent increase from the total taxable sales of $6,046,533,000 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 Bakersfield

	2010	2011	2012	2013	2014
Sales Tax Permits	7,189	7,334	7,520	7,790	8,096
Taxable Sales (000's)	$4,667,745	$5,450,380	$5,954,794	$6,046,533	$6,284,932

Source: State Board of Equalization.

Total taxable sales during calendar year 2014 in the County were reported to be $15,722,694,000, a 3.4 percent increase from the total taxable sales of $15,199,124,000 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
Kern County

	2010	2011	2012	2013	2014
Sales Tax Permits	15,845	15,691	15,812	16,077	16,336
Taxable Sales (000's)	$11,057,910	$13,742,659	$14,666,473	$15,199,124	$15,722,694

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
Kern County

	2011	2012	2013	2014	2015
Single Family Residential Units	712	1,428	1,795	1,885	2,098
Multi-Family Residential Units	257	74	82	51	14
Total New Building Permits (All Types)	969	1,502	1,877	1,936	2,112
Total Construction Costs	$150,696,275	$326,273,768	$396,333,473	$409,138,907	$473,930,076

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, an elementary school district established in 1882 and occupying approximately 33 square miles in the County, serves a population of approximately 17,783 people residing in a portion of the City. The District provides education to approximately 1,800 students in transitional kindergarten through eighth grade. The District operates three elementary schools serving transitional kindergarten through sixth grade and one junior high school serving seventh and 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
Beardsley School District

Name	Title	Term Expires
Ken Berckes	President	December 2018
Teri Anderson	Clerk	December 2018
Charlene Battles	Trustee	December 2016
Jason Crossley	Trustee	December 2016
Monte Gardner	Trustee	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
Beardsley School District

	2011-12	2012-13	2013-14	2014-15	2015-16[1]	2016-17[2]
Total P-2 ADA	1,602	1,613	1,660	1,646	1,685	1,685

[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 2016-17.

Pupil-to-Teacher Ratios
Beardsley School District

Level	Pupil-to-Teacher Ratio
Transitional kindergarten – third grade	20.5 : 1
Fourth – sixth grade	23.9 : 1
Seventh – eighth grade	24.4 : 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 Beardsley Teachers Association ("BTA") represents certain non-management certificated staff. The California School Employees Association, Chapter 776 ("CSEA #776") 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
Beardsley School District

Bargaining Unit	Full-Time Equivalents	Contract Status
BTA	93	In negotiations for fiscal year 2016-17
CSEA #776	70	In negotiations for fiscal year 2016-17

The District has budgeted for fiscal year 2016-17 an additional 18 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 contribution for fiscal year 2016-17 are set forth in the following table.

STRS Employer Contributions
Beardsley 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	$484,040	8.25%	n/a	n/a
2011-12	461,244	8.25	$16,342,503	2.82%
2012-13	433,706	8.25	15,210,338	2.85
2013-14	463,128	8.25	16,123,200	2.87
2014-15	539,900	8.88	17,620,787	3.06
2015-16	708,615 [2]	10.73	19,565,288	3.80[2]
2016-17	916,003 [3]	12.58	19,924,991	4.60[3]

[1]In each instance equal to 100 percent of the required contribution; includes State on-behalf payments.
[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 contribution for fiscal year 2016-17 are set forth in the following table.

PERS Employer Contributions
Beardsley 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	$213,664	10.707%	n/a	n/a
2011-12	225,363	10.923	$16,342,503	1.38%
2012-13	227,370	11.417	15,210,338	1.49
2013-14	235,784	11.442	16,123,200	1.46
2014-15	251,360	11.771	17,620,787	1.43
2015-16	264,837 [2]	11.847	19,565,288	1.42[2]
2016-17	328,899 [3]	13.888	19,924,991	1.65[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, 2015 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 past 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, 2015 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 $1,081,072. The District's net pension liability (the "NPL") as of June 30, 2015 was $8,883,000. The District's recognized pension expenses and NPL as reported financial statements for fiscal year 2014-15 are set forth in the following table.

Pension Liability as of June 30, 2015
Beardsley School District

Plan	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	$6,654,000	$6,265,705	106.2%
PERS	2,229,000	290,606	767.0

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, 2014. 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 $5,854,804. 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 $5,854,804.

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 $718,973.

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 $332,058 in OPEB expenditures in fiscal year 2014-15, paid $181,295 in OPEB expenditures in fiscal year 2015-16 (unaudited), and is budgeted to pay $241,183 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 Roberts and James, Certified Public Accountants, Bakersfield, 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
Beardsley 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 Beardsley School District, 1001 Roberts Lane, Bakersfield, California 93308, telephone (661) 393-8550, 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
Beardsley School District

	2011-12 Audited	2012-13 Audited	2013-14 Audited	2014-15 Audited
ASSETS				
Cash	$1,421,035	$2,387,496	$1,624,256	$2,773,739
Accounts Receivable	2,324,395	1,475,182	1,576,826	390,695
Due From Other Funds	0	45,466	55,362	61,218
Stores Inventories	31,106	29,887	21,624	21,546
TOTAL ASSETS	$3,776,536	$3,938,031	$3,278,068	$3,247,198
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$984,427	$812,601	$846,638	$642,647
Deferred Revenue	17,232	11,240	35,429	10,616
TRANS	0	997,687	0	0
Current Loans	1,131,318	0	0	0
TOTAL LIABILITIES	$2,132,977	$1,821,528	$882,067	$653,263
FUND BALANCES				
Nonspendable	$34,607	$33,387	$25,124	$25,046
Restricted	443,139	428,493	622,634	373,448
Assigned	740,815	1,274,318	1,328,648	573,312
Committed	424,998	0	0	0
Unassigned	0	380,305	419,595	1,622,129
TOTAL FUND BALANCES	$1,643,559	$2,116,503	$2,396,001	$2,593,935
LIABILITIES AND FUND BALANCES TOTAL	$3,776,536	$3,938,031	$3,278,068	$3,247,198

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
Beardsley School District

	2012-13 Audited	2013-14 Audited	2014-15 Audited	2015-16 Unaudited	2016-17 Budgeted
BEGINNING BALANCE	$2,209,342	$2,116,503	$2,396,001	$2,593,935	$3,950,216
GASB 54 Adjustment[1]	0	0	0	(573,311)	0
RESTATED BEGINNING BALANCE	$2,209,342	$2,116,503	$2,396,001	$2,020,624	$3,950,216
REVENUIES					
Revenue Limit/LCFF	$8,519,323	$11,083,472	$12,774,292	$15,144,375	$16,449,242
Federal Revenue	1,415,023	1,152,300	1,327,900	1,131,411	1,185,101
Other State Revenues	2,050,931	830,773	456,853	1,855,565	1,097,549
Other Local Revenues	817,716	974,077	1,022,930	1,080,000	859,935
TOTAL REVENUES	$12,802,993	$14,040,622	$15,581,975	$19,211,351	$19,591,827
EXPENDITURES					
Certificated Salaries	$5,370,093	$5,753,309	$6,265,705	$6,837,431	$7,365,018
Classified Salaries	2,125,692	2,135,856	2,249,602	2,444,421	2,579,290
Employee Benefits	2,901,455	3,130,622	3,421,215	3,651,772	4,216,451
Books and Supplies	369,841	536,713	734,800	1,182,969	857,369
Services /Other Operating Exp.	1,363,722	1,316,539	1,333,697	2,024,954	2,430,471
Capital Outlay	5,991	52,775	14,222	0	8,400
Other Outgo	759,038	835,310	1,364,800	1,140,213	1,247,217
TOTAL EXPENDITURES	$12,895,833	$13,761,124	$15,384,041	$17,281,759	$18,704,216
OTHER FINANCING SOURCES	$0	$0	$0	$0	$0
NET INCREASE (DECREASE)	($92,839)	$279,498	$197,934	$1,929,592	$887,611
ENDING BALANCE	$2,116,503	$2,396,001	$2,593,935	$3,950,216	$4,837,827
Fund 17 Reserve Ending Balance[1]	n/a	n/a	n/a	$27,923	$28,073
Fund 20 Reserve Ending Balance[1]	n/a	n/a	n/a	549,399	552,949
ENDING BALANCE, GAAP BASIS	$2,116,503	$2,396,001	$2,593,935	$3,978,139	$4,865,900

[1]Consistent with the fund reporting requirements established by GASB Statement No. 54 ("GASB 54"), Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report. However, the District's internal reporting, including the fiscal year 2015-16 unaudited actuals and 2016-17 budget, do not reflect the implementation of GASB 54, so the General Fund, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are accounted for separately.

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 85.3 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 $17,130,234, comprised of $12,808,702 in base grant funding, $2,184,908 in supplemental grant funding, $1,939,878 in concentration grant funding and $196,746 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 $12,915,992 as its floor entitlement and $2,214,905 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 and 2014-15 along with estimated LCFF funding per ADA for fiscal year 2015-16 and budgeted LCFF funding per ADA for fiscal year 2016-17.

LCFF Funding per ADA
Beardsley School District

Fiscal Year	Funded ADA[1]	Average LCFF Funding per ADA[2]	Average LCFF Funding per ADA at Full Implementation
2013-14	1,678.18	$6,602.95	$9,755.44
2014-15	1,676.63	7,616.94	9,962.73
2015-16 [3]	1,698.31	8,909.38	10,086.64
2016-17 [4]	1,698.31	9,685.65	10,235.22

[1]Funded ADA is the greater of current year P-2 ADA and prior year P-2 ADA, includes County supplement.
[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 82.0 percent of General Fund revenues in fiscal year 2014-15, were 78.8 percent of General Fund revenues in fiscal year 2015-16 (unaudited), 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 8.5 percent of General Fund revenues in fiscal year 2014-15, were 5.9 percent of General Fund revenues in fiscal year 2015-16 (unaudited), and are budgeted to be 6.0 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 2.9 percent of General Fund revenues in fiscal year 2014-15, were 9.7 percent of General Fund revenues in fiscal year 2015-16 (unaudited), and are budgeted to be 5.6 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 6.6 percent of General Fund revenues in fiscal year 2014-15, were 5.6 percent of General Fund revenues in fiscal year 2015-16 (unaudited), and are budgeted to be 4.4 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 $63,439 and $22,907 respectively.

Employee salaries and benefits were 77.6 percent of General Fund expenditures in fiscal year 2014-15, were 74.8 percent of General Fund expenditures in fiscal year 2015-16 (unaudited), and are budgeted to be 75.7 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 under agreements that provide for title of items and equipment being leased to pass to the District upon expiration of the lease period. The District currently leases portable classrooms and equipment valued at $2,013,542 under agreements that provide for title to pass upon the expiration of the lease period. As of the end of fiscal year 2015-16, the District had $112,630 in outstanding capital lease obligations.

The District has never defaulted on any of its capitalized lease obligations.

Long-Term Borrowings

On November 7, 2000, more than two-thirds of voters in the District approved the issuance of not to exceed $8,000,000 aggregate principal amount of general obligation bonds (the "2000 Election"). On April 4, 2001, the District issued the first series of bonds authorized by the 2000 Election, the Beardsley Elementary School District (Kern County, California) General Obligation Bonds, 2000 Election, Series A (the "2001A Bonds"), in the aggregate principal amount of $4,000,000. On April 4, 2002, the District issued the second and final series of bonds authorized by the 2000 Election, the Beardsley Elementary School District (Kern

County, California) General Obligation Bonds, 2000 Election, Series B (the "2002B Bonds"), in the aggregate principal amount of $4,000,000. There is no remaining authorization left under the 2000 Election. On January 4, 2007, the District issued the Beardsley School District (Kern County, California) 2007 General Obligation Refunding Bonds (Bank Qualified) (the "2007 Refunding Bonds") in the aggregate principal amount of $5,875,000, to refund portions of the 2001A Bonds and the 2002B Bonds.

On June 6, 2006, more than 55 percent of voters in the District approved the issuance of not to exceed $10,300,000 aggregate principal amount of general obligation bonds for authorized school purposes (the "2006 Election"). On August 16, 2006, the District issued the first series of bonds authorized by the 2006 Election, the Beardsley School District (Kern County, California) General Obligation Bonds, 2006 Election, Series A (the "2006A Bonds") in the aggregate principal amount of $5,000,000. On August 1, 2007, the District issued the second series of bonds authorized by the 2006 Election, the Beardsley School District (Kern County, California) General Obligation Bonds, 2006 Election, Series B (the "2007B Bonds") in the aggregate principal amount of $4,124,898.19. There is $1,175,102 remaining authorization under the 2006 Election. On January 19, 2016, the District issued the Beardsley School District (Kern County, California) 2016 General Obligation Refunding Bonds (the "2016 Refunding Bonds ") in the aggregate principal amount of $4,285,000, to refund a portion of the 2006A Bonds.

On June 7, 2016, more than 55 percent of voters in the District approved the issuance of not to exceed $12,000,000 aggregate principal amount of general obligation bonds for authorized school purposes. The Bonds represent the first series of bonds to be issued under the 2016 Election authorization.

The following table shows the District's outstanding long-term indebtedness as of September 1, 2016.

Beardsley School District
Outstanding General Obligation Bonds

Issue	Date Issued	Final Maturity	Principal Issued	Outstanding as of September 1, 2016[1]	Debt Service in Fiscal Year 2016-17
2001A Bonds	April 4, 2001	February 1, 2017	$4,000,000	$125,000	$130,875
2007 Refunding Bonds	January 4, 2007	February 1, 2032	5,875,000	5,545,000	377,360
2007B Bonds	August 1, 2007	August 1, 2032	4,124,898	3,311,096	215,000
2016 Refunding Bonds	January 19, 2016	August 1, 2035	4,285,000	4,033,000	394,821
		Total	$18,284,898	$13,014,096	$1,118,056

[1]Excludes accreted interest of capital appreciation bonds.

The District has never defaulted on any of its long-term borrowings.

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.

<u>Government Taxation and Appropriation</u>

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. 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 33 percent of the gap in fiscal year 2014-15; the State is estimated to fund 52 percent of the funding gap in fiscal year 2015-16, and 54 percent of the funding gap in fiscal year 2016-17, the fourth year of implementation of LCFF, bringing LCFF to 96 percent of full implementation. .

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	$4,874
Revenues and Transfers	111,789	117,000	120,310
Expenditures	113,448	115,571	122,468
Ending Fund Balance	$3,444	$4,874	$2,716
Encumbrances	966	966	966
Special Reserve for Economic Uncertainties	2,478	3,908	1,750
Reserves			
Special Reserve for Economic Uncertainties	$2,478	$3,908	$1,750
Budget Stabilization Account	1,606	3,420	6,714
Total Reserves	$4,084	$7,328	$8,464

Source: The State Department of Finance.

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. According the Legislative Analyst's Office, this reduces the fiscal year 2016-17 K-12 mandates backlog to approximately $987 million.

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 General Fund.
[2]Includes State agencies providing direct instruction to K-12 students. Consists entirely of 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 Parker & Covert 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 "COUNTY OF KERN TREASURER'S POOL" herein and in "APPENDIX D—COUNTY OF KERN 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 Debt Service 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 Debt Service 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.

In the opinion of Parker & Covert LLP, Sacramento, California, Bond Counsel, based upon the analysis of existing statutes, regulations, ruling and court decisions, and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, the interest on the Bonds is excludable from gross income for federal income tax purposes and is exempt from State personal income taxes. Bond Counsel is also of the opinion that interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations, however, such interest is taken into account when determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. A complete copy of the proposed form of opinion of Bond Counsel is set forth in "APPENDIX C—PROPOSED FORM OF OPINION OF BOND COUNSEL" attached hereto.

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

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable on their respective maturity dates (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Bond, and under Treasury Regulations the amount of tax-exempt interest received, will be reduced by the amount of amortizable premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable premium in their particular circumstances.

The Internal Revenue Code of 1986, as amended, (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after that date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Certain requirements and procedures contained or referred to in the Resolution, the tax certificate to be entered into on the date of issuance of the Bonds (the "Tax Certificate"), and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Parker & Covert LLP, Sacramento, California.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes and exempt from State personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal and/or state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal and/or state tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations that present similar tax issues, will not affect the market price or liquidity of the Bonds.

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

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and target audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

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 Roberts and James, Certified Public Accountants, Bakersfield, 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").

In the past five years, the District has not complied in all respects with its obligations under the Rule. The annual reports for filed for fiscal years 2010-11, 2011-12 and 2012-13 due March 31, 2012, March 31, 2013 and March 31, 2014, respectively, for the 2006A Bonds and 2007B Bonds did not include the District's budget for the then current year as required. Summaries of the budgets for fiscal years 2010-11, 2011-12 and 2012-13 were filed on March 14, 2013, March 5, 2014, and March 18, 2015, respectively.

In the past five years, the following significant event notices were not within 10 business days of their occurrence:

- On November 30, 2011, S&P downgraded the rating of the insurer of the 2006A Bonds and 2007 Refunding Bonds, resulting in a downgrade of the rating of the 2006A Bonds and 2007 Refunding Bonds. Notices of the downgrades were not filed until May 21, 2015.
- On January 17, 2013, Moody's Investors Service, Inc. ("Moody's") downgraded the rating of the insurer of the 2006A Bonds, resulting in a downgrade of the rating of the 2006A Bonds. Notice of the downgrade was not filed until May 21, 2015.
- On August 19, 2013, Moody's reinstated the rating of the insurer of the 2002B Bonds, resulting in a reinstatement of the rating of the 2002B Bonds. Notice of the reinstatement was not filed until May 21, 2015.
- On March 18, 2014, S&P upgraded the rating of the insurers of the 2001A Bonds, 2002B Bonds, 2006A Bonds and 2007 Refunding Bonds, resulting in an upgrade of the rating of the 2001A Bonds, 2002B Bonds, 2006A Bonds and 2007 Refunding Bonds. Notices of the upgrades were not filed until May 21, 2015.
- On May 21, 2014, Moody's upgraded the rating of the insurer of the 2001A Bonds and 2002B Bonds, resulting in an upgrade of the rating of the 2001A Bonds and 2002B Bonds. Notices of the upgrades were not filed until May 21, 2015.

Procedures have been implemented to prevent such administrative oversight from recurring. As of the date of this Official Statement, the District has made all required filings for currently outstanding issues for the past five years in connection with prior undertakings under 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 Beardsley School District, 1001 Roberts Lane, Bakersfield, California 93308, telephone (661) 393-8550, 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.

Beardsley School District

By: ______________________________

Paul E. Miller
Superintendent

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APPENDIX A

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

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BEARDSLEY SCHOOL DISTRICT
COUNTY OF KERN
BAKERSFIELD, CALIFORNIA
AUDIT REPORT

JUNE 30, 2015

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS
2100 "E" STREET
BAKERSFIELD, CALIFORNIA 93301

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Beardsley School District
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For The Year Ended June 30, 2015

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ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS
2100 E STREET
BAKERSFIELD, CALIFORNIA 93301

Independent Auditors' Report

To the Board of Trustees
Beardsley School District
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beardsley School District ("the District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Beardsley School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2015, Beardsley School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68.* 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, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beardsley School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2014-15,* published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that portion labeled "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Roberts and James

ROBERTS AND JAMES,
CERTIFIED PUBLIC ACCOUNTANTS

Bakersfield, CA

November 30, 2015

Management's Discussion and Analysis

INTRODUCTION

Our discussion and analysis of the Beardsley Elementary School District (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the new 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; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus,* an amendment to GASB Statement No. 21 and No. 34, issued in June 2001.

FINANCIAL HIGHLIGHTS

- Total net position was a deficit of $4,987,541 at June 30, 2015.
- Overall revenues of $17,849,436 were greater than overall expenditures of $17,620,787 by $228,649.
- The District's Average Daily Attendance declined by 0.843% (14 students) to a total of 1,646.
- Long-term debt (including the General Obligation Bonds, Net Pension Liability and Other Post Employment Benefit Obligation) has increased from $18,051,598 to $26,955,700.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
  - **Governmental fund statements** tell how general government services were financed in the short term as well as what remains for future spending.

- **Fiduciary fund statements** provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

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

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the District include government activities. Most of the District's basic services are included here, such as regular education, food service, maintenance and general administration.

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 that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has two kinds of funds:

- <u>Governmental funds</u> - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explains the relationship (or differences) between them.

- Fiduciary funds – the District is the trustee, or fiduciary, for assets that belong to others; for the district, the student body activities fund is an agency fund. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use the net position to finance its operations.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was a deficit of $4,987,541 at June 30, 2015. See Table 1.

Table 1
Beardsley School District
Statement of Net Position

	6/30/2015	6/30/2014
Assets		
Current and Other Assets	$ 5,650,855	$ 5,656,168
Capital Assets	18,892,884	19,659,676
Total Assets	**$ 24,543,739**	**$ 25,315,844**
Deferred Outflows of Resources		
Deferred Expenses	$ 486,383	$ -
Total Deferred Outflows of Resources	**$ 486,383**	**$ -**
Liabilities		
Long-Term Liabilities	$ 26,955,700	$ 18,051,598
Other Liabilities	656,963	855,496
Total Liabilities	**$ 27,612,663**	**$ 18,907,094**
Deferred Inflows of Resources		
Deferred Revenue	$ 2,405,000	$ 35,429
Total Deferred Inflows of Resources	**$ 2,405,000**	**$ 35,429**
Net Position		
Net Investment In Capital Assets	$ 5,056,935	$ 5,266,780
Restricted	2,027,311	2,381,828
Unrestricted	(12,071,787)	(1,275,287)
Total Net Position	**$ (4,987,541)**	**$ 6,373,321**

Changes in Revenues and Expenses

The District's total general revenues were $15,464,227; the District also received other fund revenue (Charges for Services, Operating Grants and Contributions) for a total other income of $2,481,209.

The total cost of all programs and services was $18,794,493. The District's expenses are predominately related to direct services to students (72.7%). Administrative activities accounted for just 6.4% of total costs. The remaining expenses were for ancillary services, community services, plant services (maintenance and operations) and other outgo. See Table 2 for a breakdown of these revenues and expenses.

Table 2
Beardsley School District
Change in Net Position

	6/30/2015	6/30/2014
Net Position Beginning Balance	$ 6,373,321	$ 6,779,175
Revenue		
General Revenues	$ 15,464,227	$ 13,455,232
Charges for Services	189,945	193,833
Operating Grants & Contributions	2,291,264	2,570,014
Total Revenues	$ 17,945,436	$ 16,219,079
Expenses		
Instruction	$ 10,068,982	$ 8,751,563
Instruction-Related Services	1,654,808	1,552,863
Pupil Services	1,942,039	1,897,071
Ancillary / Community Services	88,625	86,041
General Administration	1,193,528	1,140,491
Plant Services	1,788,195	1,692,303
Other Outgo	2,058,316	1,504,601
Total Expenses	$ 18,794,493	$ 16,624,933
Change in Net Position	$ (849,057)	$ (405,854)
Prior Period Adjustment	$ (10,511,805)	$ -
End of Year Net Position	$ (4,987,541)	$ 6,373,321

Governmental Activities

The cost of all governmental activities this year was $18,794,493. Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

Table 3
Beardsley School District
Statement of Activities
June 30, 2015

	Total Cost of Services	Net Cost of Services	Difference
Instruction	$ 10,068,982	$ (9,167,796)	$ 901,186
Instruction-Related Services	1,654,808	(1,521,566)	133,242
Pupil Services	1,942,039	(963,396)	978,643
Ancillary Services	2,258	(2,124)	134
Community Services	86,367	29,195	115,562
General Administration	1,193,528	(1,042,057)	151,471
Plant Services	1,788,195	(1,587,224)	200,971
Other Outgo	2,058,316	(2,058,316)	-
Total Expenses	**$ 18,794,493**	**$ (16,313,284)**	**$ 2,481,209**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $4,993,892, an increase from last year's ending fund balance of $4,765,243. It is anticipated that the District's costs for salary and benefits will continue to increase as employees move along step and column increases and the costs of benefit coverage continue to escalate. The District is reliant on cost of living increases in revenue to mitigate the impact of these rising costs. However, in times of budgetary crisis leading to revenue stagnation and/or reduction, the District faces decisions and examines alternative means to curb costs. Future fund balances will be determined by the availability of funding sources.

General Fund Budgetary Highlights

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. A schedule of the District's original and final budget amounts compared with actual revenues and expenses are provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested $18,892,884 in a broad range of capital assets, including buildings and improvements, equipment and vehicles. See Table 4. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 4
Beardsley School District
Capital Assets

	2014-2015	2013-2014
Land	$ 1,106,001	$ 1,106,001
Land Improvements, Net	1,374,366	1,458,342
Buildings, Net	16,057,251	16,694,568
Equipment, Net	355,266	400,765
Total Assets	**$ 18,892,884**	**$ 19,659,676**

Long-Term Debt

At year-end, the District had $26,955,700 in debt, consisting of Net Pension Liability, Net OPEB Obligation, General Obligation Bonds, Capital Leases, Accreted Bond Interest and Compensated Absences, as shown in Table 5. For fiscal year 2014-2015, the General Obligation Bond debt decreased by $375,000 due to principal and interest payments. The District paid down Capital Leases by $70,368. The Net Pension Liability accrual is now required to be disclosed. More detailed information about the District's debt is presented in the notes to the financial statements.

Table 5
Beardsley School District
Outstanding Long-Term Debt

	2014-2015	2013-2014
General Obligation Bonds	$ 13,723,319	$ 14,209,898
Capital Leases	112,630	182,998
Accreted Bond Interest	1,897,302	1,707,315
Compensated Absences	7,008	5,861
Net Pension Liability	8,883,000	
Net OPEB Obligation	2,332,441	1,945,526
Total	**$ 26,955,700**	**$ 18,051,598**

ECONOMIC FACTORS

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future health:

- The precise level of Local Control Funding Formula (LCFF) gap funding provided in future years is subject to economic conditions as well as political decisions by the Governor and the Legislature.

- The dependence of LCFF entitlements on shifting unduplicated eligible pupil counts as well as ADA, which adds a level of complexity to revenue forecasting.

- Enrollment growth and student attendance is key to the District's financial projections.

- While most of the Federal revenues appear to be restored for the current fiscal years, sequestration provisions remain in effect through 2023.

- Potential increases in premiums for health care insurances and other costs associated with the Affordable Care Act.

- New sick leave costs associated with the Health Families Act.

- The California Public Employees' Retirement System (CalPERS) actuarial assumptions plan for increases on future contribution rates for school employers.

- The California State Teachers' Retirement System (CalSTRS) contribution rates for school employers will increase from 8.25 percent to 19.1 percent of payroll, phased in over the next seven years.

- Changing expenditure requirements as result of the Local Control Accountability Plan (LCAP) development.

- Shifts in costs structures associated with COE or district operated regional programs in the absence of the revenue limit transfer mechanism and previously funded categorical programs, which are shifting to fee for service programs. These include but are not limited to BTSA, Intern, and Transportation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Paul Miller Superintendent at the Beardsley School District, 1001 Roberts Lane, Bakersfield, CA 93308.

Basic Financial Statements

BEARDSLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS:	
Cash in County Treasury	$ 5,210,203
Cash in Revolving Fund	3,500
Accounts Receivable	395,016
Stores Inventories	42,136
Capital Assets:	
Land	1,106,001
Land Improvements, Net	1,374,366
Buildings, Net	16,057,251
Equipment, Net	355,266
Total Assets	24,543,739
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Expenses	486,383
Total Deferred Outflows of Resources	486,383
LIABILITIES:	
Accounts Payable	646,347
Unearned Revenue	10,616
Noncurrent Liabilities:	
Net Pension Liability	8,883,000
Other Postemployment Benefit Obligation	2,332,441
Due within one year	593,354
Due in more than one year	15,146,905
Total Liabilities	27,612,663
DEFERRED INFLOWS OF RESOURCES:	
Deferred Revenues	2,405,000
Total Deferred Inflows of Resources	2,405,000
NET POSITION:	
Net Investment in Capital Assets	5,056,935
Restricted For:	
Federal and State Programs	635,808
Debt Service	1,119,122
Capital Projects	226,744
Other Purposes	
Nonexpendable	45,637
Unrestricted	(12,071,787)
Total Net Position	$ (4,987,541)

The accompanying notes are an integral part of this statement.

BEARDSLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	$ 10,068,982	$ 7,665	$ 893,521	$ (9,167,796)
Instruction-Related Services	1,654,808	1,134	132,108	(1,521,566)
Pupil Services	1,942,039	49,152	929,491	(963,396)
Ancillary Services	2,258	1	133	(2,124)
Community Services	86,367	115,562	--	29,195
General Administration	1,193,528	11,693	139,778	(1,042,057)
Plant Services	1,788,195	4,738	196,233	(1,587,224)
Other Outgo	2,058,316	--	--	(2,058,316)
Total Governmental Activities	18,794,493	189,945	2,291,264	(16,313,284)
Total Primary Government	$ 18,794,493	$ 189,945	$ 2,291,264	(16,313,284)
General Revenues:				
LCFF Sources				12,774,292
State Revenues				556,674
Local Revenues				2,133,261
Transfers				--
Total General Revenues and Transfers				15,464,227
Change in Net Position				(849,057)
Net Position - Beginning				6,373,321
Prior Period Adjustment				(10,511,805)
Net Position - Ending				$ (4,987,541)

The accompanying notes are an integral part of this statement.

BEARDSLEY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	$ 2,770,239	$ 664,522
Cash in Revolving Fund	3,500	--
Accounts Receivable	390,695	896
Due from Other Funds	61,218	--
Stores Inventories	21,546	--
Total Assets	3,247,198	665,418
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 642,647	$ --
Due to Other Funds	--	--
Unearned Revenue	10,616	--
Total Liabilities	653,263	--
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	3,500	--
Stores Inventories	21,546	--
Restricted Fund Balances	373,448	--
Assigned Fund Balances	573,312	665,418
Unassigned:		
Reserve for Economic Uncertainty	195,363	--
Other Unassigned	1,426,766	--
Total Fund Balance	2,593,935	665,418
Total Liabilities and Fund Balances	$ 3,247,198	$ 665,418

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
$ 1,119,122	$ 656,320	$ 5,210,203
--	--	3,500
--	3,425	395,016
--	--	61,218
--	20,590	42,136
1,119,122	680,335	5,712,073
$ --	$ 3,700	$ 646,347
--	61,218	61,218
--	--	10,616
--	64,918	718,181
--	--	3,500
--	20,591	42,137
1,119,122	489,104	1,981,674
--	105,722	1,344,452
--	--	195,363
--	--	1,426,766
1,119,122	615,417	4,993,892
$ 1,119,122	$ 680,335	$ 5,712,073

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

Total fund balances - governmental funds balance sheet	$	4,993,892
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds.		18,892,884
Payables for bond principal which are not due in the current period are not reported in the funds.		(13,723,319)
Payables for capital leases which are not due in the current period are not reported in the funds.		(112,630)
Payables for bond interest which are not due in the current period are not reported in the funds.		(1,897,302)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(7,008)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(2,332,441)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(8,883,000)
Deferred Resource Inflows related to TRS are not reported in the funds.		(2,405,000)
Deferred Resource Outflows related to TRS are not reported in the funds.		486,383
Net position of governmental activities - Statement of Net Position	$	(4,987,541)

The accompanying notes are an integral part of this statement.

BEARDSLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Facilities Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 6,312,732	$ --
Education Protection Account Funds	2,358,205	--
Local Sources	4,103,355	--
Federal Revenue	1,327,900	--
Other State Revenue	456,853	--
Other Local Revenue	1,022,930	107,886
Total Revenues	15,581,975	107,886
Expenditures:		
Instruction	8,917,445	--
Instruction - Related Services	1,528,624	--
Pupil Services	939,438	--
Ancillary Services	2,186	--
Community Services	--	--
General Administration	1,028,765	2,252
Plant Services	1,541,565	--
Other Outgo	1,346,955	--
Debt Service:		
Principal	72,263	--
Interest	6,800	--
Total Expenditures	15,384,041	2,252
Excess (Deficiency) of Revenues Over (Under) Expenditures	197,934	105,634
Net Change in Fund Balance	197,934	105,634
Fund Balance, July 1	2,396,001	559,784
Fund Balance, June 30	$ 2,593,935	$ 665,418

The accompanying notes are an integral part of this statement.

Bond Interest & Redemption	Other Governmental Funds	Total Governmental Funds
$ --	$ --	$ 6,312,732
--	--	2,358,205
--	--	4,103,355
--	888,008	2,215,908
4,972	74,205	536,030
1,011,369	181,021	2,323,206
1,016,341	1,143,234	17,849,436
--	--	8,917,445
--	--	1,528,624
--	917,842	1,857,280
--	--	2,186
--	87,612	87,612
--	61,218	1,092,235
--	168,564	1,710,129
--	--	1,346,955
486,579	--	558,842
512,679	--	519,479
999,258	1,235,236	17,620,787
17,083	(92,002)	228,649
17,083	(92,002)	228,649
1,102,039	707,419	4,765,243
$ 1,119,122	$ 615,417	$ 4,993,892

BEARDSLEY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	$	228,649
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		31,175
The depreciation of capital assets used in governmental activities is not reported in the funds.		(797,967)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		(386,915)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		486,579
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		70,368
The accretion of interest on capital appreciation bonds is not reported in the funds.		(189,987)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		(1,147)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.		(289,812)
Change in net position of governmental activities - Statement of Activities	$	(849,057)

The accompanying notes are an integral part of this statement.

BEARDSLEY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

		Agency Funds
ASSETS:		
Cash in County Treasury	$	476,683
Cash on Hand and in Banks		51,421
Total Assets		528,104
LIABILITIES:		
Due to Student Groups/Other Agencies	$	528,104
Total Liabilities		528,104
NET POSITION:		
Total Net Position	$	--

The accompanying notes are an integral part of this statement.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following non-major governmental funds:

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

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

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

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

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

In addition, the District reports the following fund types:

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Encumbrances

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

4. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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

c. Capital Assets

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

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

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

d. Receivable and Payable Balances

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

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

	General Fund	Capital Facilities Fund	Other Governmental Funds	Totals
LCFF Sources	$ --	$ --	$ --	$ --
Federal Government	69,358	--	2,421	71,779
Other State Revenue	148,151	--	279	148,430
Other Local Revenue	173,186	896	725	174,807
Totals	$ 390,695	$ 896	$ 3,425	$ 395,016

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

e. Compensated Absences

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

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

f. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

5. Deferred Inflows and Deferred Outflows of Resources

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

6. GASB 54 Fund Presentation

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

7. Pensions

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

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

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

8. Use of Estimates

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

9. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statments and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category		Excess Expenditures
General Fund:		
Other outgo	$	22,985
Direct support/Indirect costs	$	1,983
Building Fund:		
Books and supplies	$	29,986
Services and other operating expenditures	$	12,457

General Fund - Excess expense over budget for interagency contract services. General Fund received additional indirect from Cafeteria Fund.

Building Fund - Excess expense over budget for technology upgrades and consultant services.

C. CASH AND INVESTMENTS

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the common investment pool ($5,210,203 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $5,210,203. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks ($0 as of June 30, 2015) and in the revolving fund ($3,500) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

4. Investment Accounting Policy

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

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,106,001	$ --	$ --	$ 1,106,001
Work in progress	--	--	--	--
Total capital assets not being depreciated	1,106,001	--	--	1,106,001
Capital assets being depreciated:				
Buildings	25,491,008	5,747	--	25,496,755
Improvements	5,167,295	--	--	5,167,295
Equipment	1,719,490	25,428	--	1,744,918
Total capital assets being depreciated	32,377,793	31,175	--	32,408,968
Less accumulated depreciation for:				
Buildings	(8,796,441)	--	643,063	(9,439,504)
Improvements	(3,708,952)	--	83,977	(3,792,929)
Equipment	(1,318,725)	--	70,927	(1,389,652)
Total accumulated depreciation	(13,824,118)	--	797,967	(14,622,085)
Total capital assets being depreciated, net	18,553,675	31,175	797,967	17,786,883
Governmental activities capital assets, net	$ 19,659,676	$ 31,175	$ 797,967	$ 18,892,884

Depreciation was charged to functions as follows:

Instruction	$ 687,671
Transportation	40,835
Food Services	5,936
Data Processing	7,057
General Administration	3,820
Plant Services	52,648
	$ 797,967

E. INTERFUND BALANCES AND ACTIVIITIES

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2015, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	$ 61,218	Short-term loans
	Total	$ 61,218	

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

F. LONG-TERM OBLIGATIONS

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 360,000	$ --	$ 115,000	$ 245,000	120,000
General obligation bonds	225,000	--	110,000	115,000	115,000
General obligation bonds	5,605,000	--	30,000	5,575,000	30,000
General obligation bonds	4,330,000	--	120,000	4,210,000	125,000
General obligation bonds	3,689,898	--	111,579	3,578,319	129,244
Capital leases	182,998	--	70,368	112,630	74,110
Accreted bond interest	1,707,315	189,987	--	1,897,302	--
Compensated absences *	5,861	1,147	--	7,008	--
Total governmental activities	$ 16,106,072	$ 191,134	$ 556,947	$ 15,740,259	$ 593,354

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

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

2. Debt Service Requirements

Payment schedule for $1,105,000 General Obligation Bonds 2000 Elections, Series A with interest from 4.2% to 6.5%.

Year Ending June 30,	Principal	Interest	Total
2016	$ 120,000	$ 11,395	$ 131,395
2017	125,000	5,875	130,875
Totals	$ 245,000	$ 17,270	$ 262,270

Payment schedule for $940,000 General Obligation Bonds 2000 Elections, Series B with interest from 4.1% to 7%.

Year Ending June 30,	Principal	Interest	Total
2016	$ 115,000	$ 5,635	$ 120,635
Totals	$ 115,000	$ 5,635	$ 120,635

Payment schedule for 2007 $5,875,000 of General Obligation Refunding Bonds with interest from 4% to 4.2%.

Year Ending June 30,	Principal	Interest	Total
2016	$ 30,000	$ 228,560	$ 258,560
2017	150,000	227,360	377,360
2018	285,000	221,360	506,360
2019	295,000	209,960	504,960
2020	305,000	198,160	503,160
2021	320,000	185,960	505,960
2022	335,000	173,160	508,160
2023	345,000	159,760	504,760
2024	360,000	145,960	505,960
2025	370,000	131,560	501,560
2026	380,000	116,760	496,760
2027	400,000	100,800	500,800
2028	415,000	84,000	499,000
2029	430,000	66,570	496,570
2030	450,000	48,510	498,510
2031	470,000	29,610	499,610
2032	235,000	9,870	244,870
Totals	$ 5,575,000	$ 2,337,920	$ 7,912,920

Annual Debt Service Schedule, for $5,000,000 of 2006 Series A General Obligation Bonds with interest from 4.25% to 7%.

Year Ending June 30,	Principal	Interest	Total
2016	$ 125,000	$ 203,493	$ 328,493
2017	130,000	194,567	324,567
2018	135,000	185,293	320,293
2019	140,000	175,667	315,667
2020	150,000	165,518	315,518
2021	155,000	154,842	309,842
2022	165,000	145,911	310,911
2023	170,000	138,793	308,793
2024	180,000	131,355	311,355
2025	185,000	123,552	308,552
2026	195,000	115,383	310,383
2027	205,000	106,782	311,782
2028	210,000	97,650	307,650
2029	220,000	87,975	307,975
2030	230,000	77,850	307,850
2031	240,000	67,275	307,275
2032	250,000	56,250	306,250
2033	265,000	44,663	309,663
2034	275,000	32,512	307,512
2035	285,000	19,913	304,913
2036	300,000	6,750	306,750
Totals	$ 4,210,000	$ 2,331,994	$ 6,541,994

Debt service requirements on $4,124,898 General Obligation Bonds, Election of 2006, Series B, consisting of $435,000 current interest bonds, with interest at 4% and $3,689,898 capital appreciation bonds with interest rates from 4.97% to 5.17%.

Year Ending June 30,	Principal	Interest	Total
2016	$ 129,244	$ 60,756	$ 190,000
2017	137,979	77,021	215,000
2018	151,485	98,515	250,000
2019	162,777	122,223	285,000
2020	172,118	142,882	315,000
2021	180,493	169,507	350,000
2022	187,400	197,600	385,000
2023	195,120	224,880	420,000
2024	200,319	254,681	455,000
2025	208,617	286,383	495,000
2026	213,508	321,492	535,000
2027	218,916	356,084	575,000
2028	224,653	400,347	625,000
2029	229,716	440,284	670,000
2030	235,159	489,841	725,000
2031	239,387	535,613	775,000
2032	243,988	586,012	830,000
2033	247,440	637,560	885,000
Totals	$ 3,578,319	$ 5,401,681	$ 8,980,000

3. Capital Leases

The District leases portable classrooms and equipment valued at $2,013,542 under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ending June 30,	
2016	$ 79,063
2017	39,531
Total Minimum Lease Payments	118,594
Less Amount Representing Interest	(5,964)
Present Value of Net Minimum Lease Payments	$ 112,630

G. JOINT VENTURES (JOINT POWERS AGREEMENTS)

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

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

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

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

H. PENSION PLANS

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	CalSTRS		CalPERS	
	Before	On or After	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	8.000%	8.000%	6.974%	6.974%
Required employer contribution rates	8.250%	8.250%	11.442%	11.442%

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

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education code requires members to contribute monthly to the system 8% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

e. On Behalf Payments.

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

f. Contributions Recognized

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Contributions - Employer	$ 235,023	$ 251,360
Contributions - Employee (paid by employer)	--	--
Contributions - State On Behalf Payments	304,877	--
Total Pension Expense	$ 539,900	$ 251,360

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	$ 6,654,000
CalPERS	2,229,000
Total Net Pension Liability	$ 8,883,000

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

For the year ended June 30, 2015, the District recognized pension expense of $1,081,072. 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
Pension contributions subsequent to measurement date	$ 486,383	$ --
Differences between actual and expected experience	--	--
Changes in assumptions	--	--
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	--	
Net difference between projected and actual earnings on plan investments	--	(2,405,000)
Total	$ 486,383	$ (2,405,000)

$486,383 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	$ (601,250)
2017	(601,250)
2018	(601,250)
2019	(601,250)
2020	--
Thereafter	--
Total	$ (2,405,000)

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS	
Valuation Date	June 30, 2013		June 30, 2013	
Measurement Date	June 30, 2014		June 30, 2014	
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS			
Actuarial Assumptions:				
Discount Rate	7.5%		7.5%	
Inflation	3.0%		2.75%	
Payroll Growth	3.75%		3.00%	
Projected Salary Increase	0.05%-5.6%	(1)	3.20%-10.80%	(1)
Investment Rate of Return	0.075%	(2)	7.5%	(2)
Mortality	.013%-0.435%	(3)	0.00125-0.45905	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Depending on age, gender, and type of job

b. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.5% discount rate is adequate and the use of the District bond rate calculation is not necessary. The long-term expected discount rate of 7.5% will be applied to all plans in the CalSTRS and CalPERS retirement funds. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-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. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	CalSTRS	CalPERS
1% Decrease	6.50%	6.50%
Net Pension Liability	$ 6,587,460	$ 2,206,710
Current Discount Rate	7.50%	7.50%
Net Pension Liability	$ 6,654,000	$ 2,229,000
1% Increase	8.50%	8.50%
Net Pension Liability	$ 6,720,540	$ 2,251,290

d. Pension Plan Fiduciary Net Position

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

I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The health and welfare benefit plans of the District include medical, prescription drug, behavioral health, dental and vision insurance. The medical plan is Blue Cross Prudent Buyer PPO 90-A $10. Prescription drug coverage is provided through a Medco Drug Card plan (called "5-10-25", in reference to the plan's copays) and Behavioral Health benefits are carved out and provided through PacifiCare. Delta Dental and VSP vision insurance are also provided. All coverages are self-insured on a pooled basis or otherwise provided through the Self-Insured Schools of California (SISC). SISC issues a stand-alone financial report.

This report analyzes the health and welfare benefit plans of the District including medical, prescription drug, behavioral health, dental and vision insurance. The medical plans include three Blue Cross Prudent Buyer PPO options for employees and retirees (one for Classified and two for all other groups). Prescription drug coverage and Behavioral Health benefits are carved out and provided through Medco Drug Card plans and PacificCare Behavioral Health, respectively. Delta Dental and VSP vision insurance are also offered to both active employees and retirees of the District. All coverages are self-insured on a pooled basis through the Self-Insured Schools of California (SISC).

Eligibility for District-paid Benefits

The District maintains the same health insurance plans for its retirees as for its active employees, however, the amount of District-paid premium varies by employment classification, age and date of hire. Life insurance coverage is not provided.

Certificated and Certificated Managment employees are eligible to retire and receive District-paid benefits after attaining age 55, and having at least 15 years of service with the District. District-paid benefits end at age 65. The District contribution for the medical/Rx portion of the premium is capped at the premium for the Blue Cross 90-A $10 plan.

Classified, Classified Management, and Confidential employees are eligible to retire with District-paid benefits after either (i) attaining age 50 and completing at least 15 years of service with the District, or (ii) attaining age 55 and completing at least 10 years of service with the District. Employees must work at least 4 hours per day, 5 days per week to be eligible for benefits. Union members hired on or after February 1, 1991 and working at least 4 hours per day, 5 days per week receive a pro-rated District contribution both before and after retirement. District-paid benefits end at the earlier of age 65 or 10 years of benefits.

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

Retirees

On June 30, 2015, sixteen retirees met these eligibility requirements.

Funding Policy

The contribution requirements of plan members are established by SISC and may be amended by SISC Board of Trustees.

Beardsley School District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 9.4% of annual covered payroll.

Annual OPEB Cost is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 485,865	$ 209,090	43%	$ 276,775
June 30, 2010	485,865	183,741	38%	302,124
June 30, 2011	485,865	175,499	36%	310,366
June 30, 2012	627,857	242,926	39%	384,931
June 30, 2013	627,857	261,170	42%	366,687
June 30, 2014	627,857	323,214	52%	304,643
June 30, 2015	718,973	332,058	46%	386,915
	$ 4,060,139	$ 1,727,698		$ 2,332,441

Funded Status and Funding Progress is as follows:

Actuarial accrued liability (AAL)	$ 5,854,804
Actuarial value of plan assets	--
Unfunded actuarial accrued liability (UAAL)	$ 5,854,804
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$ 7,661,489
UAAL as a percentage of covered payroll	76%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurence 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 employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial assumptions. In order to perform the valuation, the actuary made certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest rates.

The July 1, 2014 valuation used a 4.0% per annum discount rate and a 4.0% per annum return on assets. The valuation was performed in accordance with generally accepted actuarial principles and practices.

J. COMMITMENTS AND CONTINGENCIES

Litigation

The District has property tax appeals with an estimated tax liability including accrued interest of $476,683 as of June 30, 2014. The District has impounded $476,683 to cover this contingent liability at June 30, 2015.

State and Federal Allowances, Awards, and Grants

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

K. PRIOR PERIOD ADJUSTMENT

Implementing GASB 68 for the CALSTRS and CALPERS caused the following changes to beginning balances relating to governmental activities, but not reported in the governmental funds:

Increase Deferred Outflows of Resources	$	654,195
Increase Net Pension Liability	$	11,166,000
Decrease Unrestricted Net Position	$	10,511,805

L. SUBSEQUENT EVENTS

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through November 30, 2015 that would require adjustment to or disclosure in these financial statements.

Required Supplementary Information

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

BEARDSLEY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 7,366,640	$ 6,749,971	$ 6,312,732	$ (437,239)
Education Protection Account Funds	1,587,882	1,915,310	2,358,205	442,895
Local Sources	3,521,213	3,934,621	4,103,355	168,734
Federal Revenue	1,246,502	1,407,785	1,327,900	(79,885)
Other State Revenue	503,363	425,117	456,853	31,736
Other Local Revenue	969,416	1,062,606	1,022,930	(39,676)
Total Revenues	15,195,016	15,495,410	15,581,975	86,565
Expenditures:				
Current:				
Certificated Salaries	6,504,807	6,312,574	6,265,705	46,869
Classified Salaries	2,322,233	2,339,663	2,249,602	90,061
Employee Benefits	3,567,986	3,553,953	3,421,215	132,738
Books And Supplies	711,892	798,081	734,800	63,281
Services And Other Operating Expenditures	1,525,063	1,557,547	1,333,697	223,850
Other Outgo	750,023	1,323,970	1,346,955	(22,985)
Direct Support/Indirect Costs	(63,907)	(63,201)	(61,218)	(1,983)
Capital Outlay	16,310	71,247	14,222	57,025
Debt Service:				
Principal	60,236	60,236	72,263	(12,027)
Interest	18,828	18,828	6,800	12,028
Total Expenditures	15,413,471	15,972,898	15,384,041	588,857
Excess (Deficiency) of Revenues Over (Under) Expenditures	(218,455)	(477,488)	197,934	675,422
Other Financing Sources (Uses):				
Other Sources	--	(16,932)	--	16,932
Total Other Financing Sources (Uses)	--	(16,932)	--	16,932
Net Change in Fund Balance	(218,455)	(494,420)	197,934	692,354
Fund Balance, July 1	2,396,001	2,396,001	2,396,001	--
Fund Balance, June 30	$ 2,177,546	$ 1,901,581	$ 2,593,935	$ 692,354

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

	Fiscal Year 2015
District's proportionate share of the net pension liability (asset)	$ 2,896,542
State's proportionate share of the net pension liability (asset) associated with the District	3,757,458
Total	$ 6,654,000
District's covered-employee payroll	$ 6,265,705
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.23%

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

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

	Fiscal Year 2015
Contractually required contribution	$ 235,023
Contributions in relation to the contractually required contribution	235,023
Contribution deficiency (excess)	$ --
District's covered-employee payroll	$ 6,265,705
Contributions as a percentage of covered-employee payroll	3.75%

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

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

	Fiscal Year 2015
District's proportionate share of the net pension liability (asset)	$ 2,229,000
District's covered-employee payroll	$ 290,606
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	767.02%

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

BEARDSLEY SCHOOL DISTRICT

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

	Fiscal Year 2015
Contractually required contribution	$ 251,360
Contributions in relation to the contractually required contribution	251,360
Contribution deficiency (excess)	$ --
District's covered-employee payroll	$ 290,606
Contributions as a percentage of covered-employee payroll	86.50%

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

Combining Statements and Budget Comparisons as Supplementary Information

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

BEARDSLEY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:			
Cash in County Treasury	$ 424,302	$ 232,018	$ 656,320
Accounts Receivable	3,145	280	3,425
Stores Inventories	20,590	--	20,590
Total Assets	448,037	232,298	680,335
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 1,403	$ 2,297	$ 3,700
Due to Other Funds	61,218	--	61,218
Total Liabilities	62,621	2,297	64,918
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	20,591	--	20,591
Restricted Fund Balances	262,360	226,744	489,104
Assigned Fund Balances	102,465	3,257	105,722
Total Fund Balance	385,416	230,001	615,417
Total Liabilities and Fund Balances	$ 448,037	$ 232,298	$ 680,335

BEARDSLEY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Federal Revenue	$ 888,008	$ --	$ 888,008
Other State Revenue	74,205	--	74,205
Other Local Revenue	179,848	1,173	181,021
Total Revenues	1,142,061	1,173	1,143,234
Expenditures:			
Pupil Services	917,842	--	917,842
Community Services	87,612	--	87,612
General Administration	61,218	--	61,218
Plant Services	68,094	100,470	168,564
Total Expenditures	1,134,766	100,470	1,235,236
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,295	(99,297)	(92,002)
Net Change in Fund Balance	7,295	(99,297)	(92,002)
Fund Balance, July 1	378,121	329,298	707,419
Fund Balance, June 30	$ 385,416	$ 230,001	$ 615,417

BEARDSLEY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
ASSETS:			
Cash in County Treasury	$ 108,394	$ 315,908	$ 424,302
Accounts Receivable	151	2,994	3,145
Stores Inventories	--	20,590	20,590
Total Assets	108,545	339,492	448,037
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ --	$ 1,403	$ 1,403
Due to Other Funds	6,080	55,138	61,218
Total Liabilities	6,080	56,541	62,621
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	--	20,591	20,591
Restricted Fund Balances	--	262,360	262,360
Assigned Fund Balances	102,465	--	102,465
Total Fund Balance	102,465	282,951	385,416
Total Liabilities and Fund Balances	$ 108,545	$ 339,492	$ 448,037

BEARDSLEY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Child Development Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds
Revenues:			
Federal Revenue	$ --	$ 888,008	$ 888,008
Other State Revenue	--	74,205	74,205
Other Local Revenue	124,010	55,838	179,848
Total Revenues	124,010	1,018,051	1,142,061
Expenditures:			
Pupil Services	--	917,842	917,842
Community Services	87,612	--	87,612
General Administration	6,080	55,138	61,218
Plant Services	--	68,094	68,094
Total Expenditures	93,692	1,041,074	1,134,766
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,318	(23,023)	7,295
Net Change in Fund Balance	30,318	(23,023)	7,295
Fund Balance, July 1	72,147	305,974	378,121
Fund Balance, June 30	$ 102,465	$ 282,951	$ 385,416

BEARDSLEY SCHOOL DISTRICT
CHILD DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 110,150	$ 124,010	$ 13,860
Total Revenues	110,150	124,010	13,860
Expenditures:			
Current:			
Classified Salaries	64,085	58,878	5,207
Employee Benefits	26,808	25,475	1,333
Books And Supplies	5,600	2,249	3,351
Services And Other Operating Expenditures	1,200	1,010	190
Direct Support/Indirect Costs	6,447	6,080	367
Total Expenditures	104,140	93,692	10,448
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,010	30,318	24,308
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	6,010	30,318	24,308
Fund Balance, July 1	72,147	72,147	--
Fund Balance, June 30	$ 78,157	$ 102,465	$ 24,308

BEARDSLEY SCHOOL DISTRICT
CAFETERIA FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	$ 848,000	$ 888,008	$ 40,008
Other State Revenue	72,000	74,205	2,205
Other Local Revenue	62,800	55,838	(6,962)
Total Revenues	982,800	1,018,051	35,251
Expenditures:			
Current:			
Classified Salaries	298,267	290,606	7,661
Employee Benefits	186,577	166,870	19,707
Books And Supplies	421,699	418,962	2,737
Services And Other Operating Expenditures	101,312	92,545	8,767
Direct Support/Indirect Costs	57,460	55,138	2,322
Capital Outlay	16,954	16,953	1
Total Expenditures	1,082,269	1,041,074	41,195
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,469)	(23,023)	76,446
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	(99,469)	(23,023)	76,446
Fund Balance, July 1	305,974	305,974	--
Fund Balance, June 30	$ 206,505	$ 282,951	$ 76,446

BEARDSLEY SCHOOL DISTRICT
BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ --	$ 4,972	$ 4,972
Other Local Revenue	--	1,011,369	1,011,369
Total Revenues	--	1,016,341	1,016,341
Expenditures:			
Debt Service:			
Principal	--	486,579	(486,579)
Interest	--	512,679	(512,679)
Total Expenditures	--	999,258	(999,258)
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	17,083	17,083
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	--	17,083	17,083
Fund Balance, July 1	1,102,039	1,102,039	--
Fund Balance, June 30	$ 1,102,039	$ 1,119,122	$ 17,083

BEARDSLEY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2015

	Building Fund	School Facilities Funds	Special Reserve Fund	Total Nonmajor Capital Projects Funds
ASSETS:				
Cash in County Treasury	$ 228,766	$ 608	$ 2,644	$ 232,018
Accounts Receivable	275	1	4	280
Total Assets	229,041	609	2,648	232,298
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 2,297	$ --	$ --	$ 2,297
Total Liabilities	2,297	--	--	2,297
Fund Balance:				
Restricted Fund Balances	226,744	--	--	226,744
Assigned Fund Balances	--	609	2,648	3,257
Total Fund Balance	226,744	609	2,648	230,001
Total Liabilities and Fund Balances	$ 229,041	$ 609	$ 2,648	$ 232,298

BEARDSLEY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Building Fund	School Facilities Funds	Special Reserve Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Other Local Revenue	$ 1,158	$ 3	$ 12	$ 1,173
Total Revenues	1,158	3	12	1,173
Expenditures:				
Plant Services	100,470	--	--	100,470
Total Expenditures	100,470	--	--	100,470
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,312)	3	12	(99,297)
Net Change in Fund Balance	(99,312)	3	12	(99,297)
Fund Balance, July 1	326,056	606	2,636	329,298
Fund Balance, June 30	$ 226,744	$ 609	$ 2,648	$ 230,001

BEARDSLEY SCHOOL DISTRICT

BUILDING FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 1,500	$ 1,158	$ (342)
Total Revenues	1,500	1,158	(342)
Expenditures:			
Current:			
Books And Supplies	21,841	51,827	(29,986)
Services And Other Operating Expenditures	36,186	48,643	(12,457)
Capital Outlay	82,128	--	82,128
Total Expenditures	140,155	100,470	39,685
Excess (Deficiency) of Revenues Over (Under) Expenditures	(138,655)	(99,312)	39,343
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	(138,655)	(99,312)	39,343
Fund Balance, July 1	326,056	326,056	--
Fund Balance, June 30	$ 187,401	$ 226,744	$ 39,343

BEARDSLEY SCHOOL DISTRICT
CAPITAL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 66,800	$ 107,886	$ 41,086
Total Revenues	66,800	107,886	41,086
Expenditures:			
Current:			
Services And Other Operating Expenditures	4,300	2,252	2,048
Total Expenditures	4,300	2,252	2,048
Excess (Deficiency) of Revenues Over (Under) Expenditures	62,500	105,634	43,134
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	62,500	105,634	43,134
Fund Balance, July 1	559,784	559,784	--
Fund Balance, June 30	$ 622,284	$ 665,418	$ 43,134

BEARDSLEY SCHOOL DISTRICT

SCHOOL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 5	$ 3	$ (2)
Total Revenues	5	3	(2)
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	5	3	(2)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	5	3	(2)
Fund Balance, July 1	606	606	--
Fund Balance, June 30	$ 611	$ 609	$ (2)

BEARDSLEY SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 20	$ 12	$ (8)
Total Revenues	20	12	(8)
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	20	12	(8)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	20	12	(8)
Fund Balance, July 1	2,636	2,636	--
Fund Balance, June 30	$ 2,656	$ 2,648	$ (8)

BEARDSLEY SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015

	Impound Funds	San Lauren Student Body Fund
ASSETS:		
Cash in County Treasury	$ 476,683	$ --
Cash on Hand and in Banks	--	3,873
Total Assets	476,683	3,873
LIABILITIES:		
Due to Student Groups/Other Agencies	$ 476,683	$ 3,873
Total Liabilities	476,683	3,873
NET POSITION:		
Total Net Position	$ --	$ --

Intermediate ASB Funds	Junior High ASB Funds	North Beardsley Student Body Fund	Total Agency Funds
$ --	$ --	$ --	$ 476,683
27,568	14,919	5,061	51,421
27,568	14,919	5,061	528,104
$ 27,568	$ 14,919	$ 5,061	$ 528,104
27,568	14,919	5,061	528,104
$ --	$ --	$ --	$ --

Other Supplementary Information

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

BEARDSLEY SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE - UNAUDITED
JUNE 30, 2015

The Beardsley School District was established in 1882 and is comprised of an area of approximately 33 square miles located in Bakersfield, California. There were no changes in the boundaries of the district during the current year. The district is currently operating two elementary schools, one intermediate school, and one junior high school.

The members of the Board of Trustees at June 30, 2015 were:

Governing Board

Name	Office	Term Expiration
Monte Gardner	President	2018
Ken Berckes	Clerk	2018
Teri Andersen	Member	2018
Charlene Battles	Member	2016
Jason Crossley	Member	2016

Administration

Paul Miller
District Superintendent

Kevin Williams
Assistant Superintendent

Maria Ramirez
Chief Business Official

BEARDSLEY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2015

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	827	NA	822	NA
Extended Year Special Education	--	--	2	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
TK/K-3 Totals	827	NA	824	NA
Grades 4-6:				
Regular ADA	522	NA	522	NA
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 4-6 Totals	522	NA	522	NA
Grades 7 and 8:				
Regular ADA	297	NA	295	NA
Extended Year Special Education	--	--	--	--
Nonpublic, Nonsectarian Schools	--	--	--	--
Extended Year - Nonpublic	--	--	--	--
Grades 7 and 8 Totals	297	NA	295	NA
ADA Totals	1646	NA	1641	NA

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

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

BEARDSLEY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2015

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2014-15 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	--	54,400	180	--	Complied
Kindergarten	36,000	--	54,400	180	--	Complied
Grade 1	50,400	--	51,730	180	--	Complied
Grade 2	50,400	--	51,730	180	--	Complied
Grade 3	50,400	--	51,730	180	--	Complied
Grade 4	54,000	--	56,370	180	--	Complied
Grade 5	54,000	--	56,370	180	--	Complied
Grade 6	54,000	--	56,370	180	--	Complied
Grade 7	54,000	--	57,044	180	--	Complied
Grade 8	54,000	--	57,044	180	--	Complied

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

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

BEARDSLEY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - UNAUDITED
YEAR ENDED JUNE 30, 2015

General Fund	Budget 2016 (see note 1)	2015	2014	2013
Revenues and other financial sources	$ 18,574,679	$ 15,581,975	$ 14,040,622	$ 12,802,993
Expenditures	17,252,493	15,384,041	13,761,124	12,895,832
Other uses and transfers out	--	--	--	--
Total outgo	17,252,493	15,384,041	13,761,124	12,895,832
Change in fund balance (deficit)	1,322,186	197,934	279,498	(92,839)
Ending fund balance	$ 3,916,121	$ 2,593,935	$ 2,396,001	$ 2,116,503
Available reserves (see note 2)	$ 2,430,996	$ 1,622,129	$ 419,595	$ 380,305
Available reserves as a percentage of total outgo	14.1%	10.5%	3.1%	3.0%
Total long-term debt	$ 26,362,346	$ 26,955,700	$ 18,051,597	$ 18,110,415
Average daily attendance at P-2	1,646	1,646	1,660	1,613

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

The fund balance of the General Fund has increased by $477,432 (22.6%) over the past two years. The fiscal year 2015-2016 budget projects an increase of $1,322,186 (51%). For a district of this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out and other uses (total outgo).

The District has enjoyed operating surpluses for two of the past three years and projects an increase during the 2015-2016 fiscal year. Total long-term debt has increased by $8,845,285 over the past two years.

Average daily attendance has increased by 33 over the past two years. No change in ADA is anticipated during the fiscal year 2015-2016.

NOTES:
1 Budget 2016 is included for analytical purposes only and has not been subjected to audit.
2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

BEARDSLEY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

	General Fund	Noncapital Outlay Fund
June 30, 2015, annual financial and budget report fund balances	$ 2,020,623	$ 27,729
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Cash in County Treasury	572,532	(27,691)
Accounts Receivable	780	(38)
Net adjustments and reclassifications	573,312	(27,729)
June 30, 2015, audited financial statement fund balances	$ 2,593,935	$ --

	Noncurrent Liabilities
June 30, 2015, annual financial and budget report total liabilities	$ 17,991,437
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Net Pension Liability	8,883,000
Other Post Employment Benefits	23,200
Acreted Interest	49,368
Capital Leases	8,695
Net adjustments and reclassifications	8,964,263
June 30, 2015, audited financial statement total liabilities	$ 26,955,700

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

	Post Employment Benefit Fund
	$ 545,583
	(544,841)
	(742)
	(545,583)
	$ --

No charter schools are chartered by Beardsley School District.

Charter Schools	Included In Audit?
None	N/A

BEARDSLEY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Services:			
Medi Cal Billing *	93.778	10013	$ 63,934
Total U. S. Department of Health and Human Services			63,934
U. S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education:			
Title I *	84.010	14581	827,794
Special Ed IDEA *	84.027	15005	269,153
Special Ed Preschool *	84.027	13682	16,491
Special Ed Preschool *	84.173	13682	7,403
Title II Teacher Quality	84.367	14341	118,391
Total Passed Through California Department of Education			1,239,232
Total U. S. Department of Education			1,239,232
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	13525	207,626
National School Lunch Program *	10.555	13524	663,428
Nutrition Equipment Assistance	10.579	14906	16,953
Total Passed Through State Department of Education			888,007
Total U. S. Department of Agriculture			888,007
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,191,173

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Beardsley School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE 1 - Early Retirement Incentive Program

The District did not offer this program.

Other Independent Auditors' Reports

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS
2100 E STREET
BAKERSFIELD, CALIFORNIA 93301

Independent Auditors' 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
Beardsley School District
Bakersfield, California

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beardsley School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Beardsley 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 the Beardsley School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Beardsley School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Beardsley School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Beardsley School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Roberts and James

ROBERTS AND JAMES,
CERTIFIED PUBLIC ACCOUNTANTS

Bakersfield, CA

November 30, 2015

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS
2100 E STREET
BAKERSFIELD, CALIFORNIA 93301

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Beardsley School District
Bakersfield, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Beardsley 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 Beardsley School District's major federal program for the year ended June 30, 2015. Beardsley School District's major federal program is 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 Beardsley 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 ot 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 the Beardsley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Beardsley 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 its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Beardsley School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Beardsley 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 the Beardsley School District's internal control over compliance.

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

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

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

Roberts and James

ROBERTS AND JAMES,
CERTIFIED PUBLIC ACCOUNTANTS

Bakersfield, CA

November 30, 2015

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS
2100 E STREET
BAKERSFIELD, CALIFORNIA 93301

Independent Auditors' Report on State Compliance

Board of Trustees
Beardsley School District
Bakersfield, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2015.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes

Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Eduction Maintenance of Effort	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
California Clean Energy Jobs Act	N/A
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
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	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

We did not perform testing for Independent Study. The procedure was not required to be performed because the attendance generated was less than the materiality testing requirements.

Opinion on State Compliance

In our opinion, Beardsley School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2015.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Roberts and James

ROBERTS AND JAMES,
CERTIFIED PUBLIC ACCOUNTANTS

Bakersfield, CA

November 30, 2015

Findings and Recommendations Section

BEARDSLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. Summary of Auditors' Results

1. Financial Statements

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

2. Federal Awards

Internal control over major programs:			
One or more material weaknesses identified?	____ Yes	X No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	X None Reported	
Type of auditors' report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ Yes	X No	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

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

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?	____ Yes	X No
Type of auditors' report issued on compliance for state programs:	Unmodified	

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

BEARDSLEY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented

There were no findings for the year ending June 30, 2014.

APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

BEARDSLEY SCHOOL DISTRICT
GENERAL OBLIGATION BONDS
ELECTION OF 2016, SERIES 2016

CONTINUING DISCLOSURE CERTIFICATE

[CLOSING DATE]

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the Beardsley School District (the "District") in connection with the issuance of ___________________ dollars ($_________) aggregate principal amount of Beardsley School District, General Obligation Bonds, Election of 2016, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to a Paying Agent Agreement dated October 1, 2016 (the "Paying Agent Agreement"), between the District and Zions Bank, a division of ZB, National Association (the "Paying Agent"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being delivered by the District for the benefit of the holders and beneficial owners of the Bonds, and to assist the Participating Underwriter, as defined below, in complying with S.E.C. Rule 15c2-12(b)(5).

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

Annual Report means any report provided by the District pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) of this Disclosure Certificate.

Beneficial Owner means any person who (a) has or shares the power, directly or indirectly, to make investment decisions concerning 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.

Bondholders means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

Dissemination Agent means the District, or any successor Dissemination Agent designated in writing by the District, and which has filed with the District a written acceptance of such designation.

EMMA or Electronic Municipal Market Access means the centralized online repository for documents 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 means any of the events listed in Section 5(a) (Reporting of Significant Events – Significant Events) 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.

Official Statement means the final Official Statement dated [SALE DATE], relating to the Bonds.

Opinion of Bond Counsel means a written opinion of a law firm or attorney experienced in matters relating to obligations the interest on which is excludable from gross income for federal income tax purposes.

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

Repository means MSRB or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

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

State means the State of California.

Section 3. Provision of Annual Reports.

a. Delivery of Annual Report to Repositories. The District shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of each fiscal year, commencing with the report for the 2015-2016 Fiscal Year, due March 31, 2017, provide to the Repository an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) of this Disclosure Certificate. The Annual Report may be submitted as a single document or as a package of separate documents and may include by cross-reference other information as provided in Section 4 (Content of Annual Reports) of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

If the District does not provide, or cause the Dissemination Agent to provide, an Annual Report by the date required above, the Dissemination Agent shall provide to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

b. The Dissemination Agent shall:

(1) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(2) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. **Content of Annual Reports**. The District's Annual Report shall contain or include by reference the following:

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

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

(1) Adopted budget of the District fore the then current fiscal year, or a summary thereof;

(2) Average daily attendance of the District for the last completed fiscal year;

(3) Outstanding District indebtedness for the last completed fiscal year;

(4) Assessed valuation for real property located in the District for the then current fiscal year; and

(5) List of ten largest taxpayers, together with their assessed valuation and percentage of total assessed valuation of the District for last completed fiscal year, to the extent such information is provided by Kern County at no additional cost to the District.

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 that have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

a. Significant Events. Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;
(2) non-payment related defaults, if material;
(3) unscheduled draws on debt service reserves reflecting financial difficulties;
(4) unscheduled draws on credit enhancements reflecting financial difficulties;
(5) substitution of credit or liquidity providers, or their failure to perform;
(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
(7) modifications to rights of Bondholders, if material;
(8) Bond calls, if material;
(9) tender offers;
(10) defeasances;
(11) release, substitution, or sale of property securing repayment of the Bonds, if material;
(12) rating changes;
(13) bankruptcy, insolvency, receivership or similar event of the District;
(14) the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the District, or entry into or termination of a definitive agreement relating to the foregoing, if material;
(15) appointment of a successor or additional trustee or paying agent, or the change of name of the trustee or paying agent, if material.

b. Determination of Materiality. Whenever the District obtains knowledge of one of the foregoing events notice of which must be given only if material, the District shall immediately determine if such event would be material under applicable federal securities laws.

c. Notice to Dissemination Agent. If the District has determined an occurrence of a Listed Event under applicable federal securities laws, the District shall promptly notify the Dissemination Agent (if other than the District) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (d) (Notice of Listed Events).

d. Notice of Listed Events. The District shall file, or cause the Dissemination Agent to file, with the Repository, in an electronic format prescribed by the MSRB, a notice of the occurrence of a Listed Event to provide notice of specified events in a timely manner not in excess of ten (10) business days after the event's occurrence. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) (Bond calls) need not be given under this subsection any earlier than the notice (if any) given to Bondholders of affected Bonds pursuant to the Paying Agent Agreement.

Section 6. **Identifying Information for Filings with MSRB**. All documents provided to the MSRB under this Disclosure Certificate shall be filed in a readable PDF or other electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. **Termination of Reporting Obligation**. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) (Notice of Listed Events).

Section 8. **Dissemination Agent**. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent will be Government Financial Strategies inc.

Section 9. A**mendment; Waiver**. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

b. the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

c. the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Paying Agent Agreement for amendments to the Paying Agent Agreement with the consent of holders, or (ii) does not, in the opinion of the Paying Agent or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(d).

Section 10. **Additional Information**. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. **Default**. If the District fails to comply with any provision of this Disclosure Certificate, any Bondholder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Paying Agent Agreement, and the sole remedy under this Disclosure Certificate if the District fails 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 the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders, or any other party. The obligations of the District under this Section 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 Paying Agent, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the District has caused this Continuing Disclosure Certificate to be executed by its authorized officer as of the day and year first above written.

BEARDSLEY SCHOOL DISTRICT

By: ______________________________
Paul E. Miller, Superintendent

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District:	Beardsley School District
Name of Bonds:	BEARDSLEY SCHOOL DISTRICT GENERAL OBLIGATION BONDS ELECTION OF 2016, SERIES 2016
Date of Delivery:	[CLOSING DATE]

NOTICE IS HEREBY GIVEN that the Beardsley School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by a Continuing Disclosure Certificate executed [CLOSING DATE], with respect to the above-captioned bond issue. The District anticipates that the Annual Report will be filed by ___________.

Dated: ____________________

BEARDSLEY SCHOOL DISTRICT

[SAMPLE ONLY]

____

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

PARKER & COVERT LLP
Attorneys at Law
2520 Venture Oaks Way, Suite 190
Sacramento, California 95833

[Closing Date]

Board of Trustees
Beardsley School District
1001 Roberts Lane
Bakersfield, CA 93308

Re: $[PAR AMOUNT]
Beardsley School District
General Obligation Bonds
Election of 2016, Series 2016
Final Opinion of Bond Counsel

Members of the Board of Trustees:

We have acted as bond counsel in connection with the issuance by the Beardsley School District (the "District") of $[PAR AMOUNT] principal amount of Beardsley School District, General Obligation Bonds, Election of 2016, Series 2016 (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the District and are valid and binding general obligations of the District.

2. All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation regarding rate or amount (except certain personal property that is taxable at limited rates) to pay the Bonds. Kern County is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.

3. Interest on the Bonds is excludable from gross income for federal tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal tax purposes retroactively to the date of issuance of the Bonds.

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

The rights of the owners of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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.

Very truly yours,

PARKER & COVERT LLP

APPENDIX D

COUNTY OF KERN INVESTMENT POLICY

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OFFICE OF THE TREASURER-TAX COLLECTOR
COUNTY OF KERN

TREASURER'S STATEMENT OF INVESTMENT POLICY
Approved By the Board of Supervisors December 8, 2015

SCOPE:

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

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

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

FIDUCIARY RESPONSIBILITY:

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

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

PORTFOLIO OBJECTIVES:

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

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

AUTHORIZED INVESTMENTS:

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

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

PROHIBITED INVESTMENTS:

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

STAFF AUTHORIZED TO MAKE INVESTMENTS:

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

AUTHORIZED BROKER/DEALERS:

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

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

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

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

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

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

- Other institutions as authorized by law

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

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

DUE DILIGENCE:

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

INTERNAL CONTROL:

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

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

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

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

SECURITY CUSTODY & DELIVERIES:

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

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

COMPETITIVE PRICING:

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

LIQUIDITY:

The portfolio will maintain an effective duration no greater than 1.5. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio will maintain at least 40% of its total book value in securities having a maturity of one (1) year or less.

PORTFOLIO EVALUATION:

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

MITIGATING MARKET & CREDIT RISKS:

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

In the event of a downgrade of a security held in the portfolio, the Principal Treasury Investment Officer shall report the downgrade to the Treasurer promptly. In the event of a downgrade below the minimum credit ratings authorized by this policy, the security shall be evaluated on a case-by-case basis to determine whether the security shall be sold or held. It is preferred to sell such a security if there is no book loss. In the event of a potential loss upon sale, the Treasurer will evaluate whether to hold or sell the security based on the amount of loss, remaining maturity and any other relevant factors.

TRADING & EARLY SALE OF SECURITIES:

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

PORTFOLIO REPORTS/AUDITING:

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

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

TREASURY OVERSIGHT COMMITTEE:

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

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

All meetings of the Oversight Committee are to be open to the public and subject to the Ralph M. Brown Act. By law, the Treasury Oversight Committee is not allowed to direct individual investment decisions, nor select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the County Treasury.

QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS:

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

QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS:

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

WITHDRAWAL OF FUNDS:

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

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

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

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

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

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

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

ETHICS & CONFLICTS OF INTEREST:

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

POLICY ADOPTION & AMENDMENTS:

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

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OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

Schedule I

Authorized Investments

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

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Commercial paper of U.S. Corps with total assets in excess of $500 MM	40% total for all Commercial Paper	Max 10% of outstanding paper of any one issuer & max. See Note 1	270 Days	Minimum A-1, P-1 or F-1
Asset-backed Commercial Paper	Included in Commercial Paper Requirements	Issuer must have program-wide credit enhancements	270 Days	Minimum A-1, P-1 or F-1
Local Agency Investment Fund (LAIF)	$50,000,000	LAIF Policies	Daily	Not Applicable
Negotiable CD's issued by US National or State chartered banks or a savings association or a federal association, a state or federal credit union, or by a federally licensed or state licensed branch of a foreign bank	30%	See Note 1	5 years	Minimum A-1, P-1 or F-1 for CDs issued with a maturity of one year or less. AA for CDs issued with a maturity of more than one year (must be rated by 2 of the 3 rating agencies)
Collateralized Certificates of Deposit/Deposits	10%	As stipulated in Article 2, Section 53630 et al of the Calif. Government Code	1 year	See Section 53630 et al of the California Government Code
Repurchase Agreements with 102% collateral	40%	Repurchase Agreements(contracts) must be on file	180 days	Restricted to Primary Dealers on Eligible Dealer list
Reverse Repurchase Agreements	10%	See Schedule II	92 days (See Schedule III)	Restricted to Primary Dealers on Eligible Dealer list
Medium Term Notes of corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.	30%	See Note 1	5 years	Minimum rating of AA for maturities exceeding 1 year. A for maturities of one year or less. (must be rated by 2 of the 3 rating agencies)
Money Market Mutual Funds that meet requirements of Calif. Gov't. Code	15%	Registered with SEC. No NAV adjustments. No Front-end loads.	Daily	AAA or equivalent by at least 2 of the 3 rating agencies or advisor requirements

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

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

MATURITY STRUCTURE		
Maturity Range	No less Than	No more than
0-366 Days - 0 to 12months	40%	n/a
367- 1097 Days - 1 to 3 years	n/a	60%
1097-1827 Days - 3 to 5 years	n/a	20%

The effective duration of the portfolio will not exceed 1.5.

Some securities purchased by the Pool will be callable securities. Callable securities are subject to redemption prior to the final maturity date. For accounting purposes, premiums will be amortized to the next applicable call date, whereas discounts will be accreted to the final maturity date. Callable securities will not exceed 35% of the portfolio.

Some callable securities have coupons that increase at specified periods if the security is not called (step-up notes). Step-up notes will be included in the 35% allocation of callable notes, but will not exceed 20% of the total portfolio.

REPURCHASE AGREEMENTS

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

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

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OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

SCHEDULE II

POLICY STATEMENT ON REVERSE REPURCHASE AGREEMENTS

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

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

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

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

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

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

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

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

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

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

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OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

SCHEDULE III

POLICY CRITERIA FOR COLLATERALIZED CERTIFICATE OF DEPOSITS

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

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

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

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

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

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

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

OFFICE OF THE TREASURER
COUNTY OF KERN
STATEMENT OF INVESTMENT POLICY

SCHEDULE IV

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS

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

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

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

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

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

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

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

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

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

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

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

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

Counterparties must have:

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

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GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CUSIP – A unique identifier for a security developed by the Committee on Uniform Security

Identification Procedures (CUSIP). The identifier is a nine-digit alphanumeric character *string*. The first six characters identify the issuer, the following two identify the issue, and the final character is a Check-digit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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BROKER RECEIPT FOR INVESTMENT POLICY AND CERTIFICATE OF COMPLIANCE

TO:

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

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

hereby certify that:

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

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

Signed:

____ Date:_______________________

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.

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Sacramento, CA 95814
(916) 444-5100

Government
Financial
Strategies
inc.