NEW ISSUE — FULL BOOK-ENTRY

INSURED RATING: Standard & Poor's: "AA"
UNDERLYING RATING: Standard & Poor's: "A+"
(See "MISCELLANEOUS – Ratings" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

$20,100,000
BASSETT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2014 General Obligation Bonds, Series B

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

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used but not otherwise defined on this cover page shall have the meanings assigned to such terms herein.

The Bassett Unified School District (Los Angeles County, California) Election of 2014 General Obligation Bonds, Series B (the "Bonds"), were authorized at an election of the registered voters of the Bassett Unified School District (the "District") held on November 4, 2014, at which the requisite fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $30,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to (i) pay the District's 2016 General Obligation Bond Anticipation Notes (the "2016 Notes"), (ii) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and (iii) pay the costs of issuing the Bonds. The 2016 Notes were issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, in anticipation of the issuance of bonds under the 2014 Authorization.

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

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

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery of the Bonds, and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2017.

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

BAM
BUILD AMERICA MUTUAL

Payments of principal of and interest on the Bonds will be made by the designated Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. U.S. Bank National Association has been appointed as agent of the Treasurer and Tax Collector of Los Angeles County to act as Paying Agent for the Bonds.

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

MATURITY SCHEDULE
(see inside front cover)

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Nixon Peabody LLP, Los Angeles, California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about February 22, 2017.

BOK Financial Securities, Inc.

Dated: February 9, 2017

MATURITY SCHEDULE

Base CUSIP[2]: 070185

$20,100,000
BASSETT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2014 General Obligation Bonds, Series B

$6,320,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[2]
2018	$145,000	3.000%	1.100%	VD2
2019	200,000	3.000	1.400	VE0
2020	225,000	3.000	1.550	UG6
2024	105,000	4.000	2.300	UL5
2025	115,000	4.000	2.450	UM3
2026	155,000	4.000	2.600	UN1
2027	195,000	4.000	2.730[1]	UP6
2028	240,000	4.000	2.970[1]	UQ4
2029	295,000	4.000	3.070[1]	UR2
2030	350,000	4.000	3.300[1]	US0
2031	405,000	4.000	3.400[1]	UT8
2032	465,000	4.000	3.520[1]	UU5
2033	535,000	4.000	3.570[1]	UV3
2034	605,000	4.000	3.670[1]	UW1
2035	680,000	4.000	3.720[1]	UX9
2036	760,000	3.750	3.800	UY7
2037	845,000	3.750	3.850	UZ4

$3,110,000 – 3.750% Term Bonds due August 1, 2040 – Yield 3.900%; CUSIP[2]: VA8

$2,605,000 – 3.750% Term Bonds due August 1, 2042 – Yield 3.920%; CUSIP[2]: VB6

$8,065,000 – 3.850% Term Bonds due August 1, 2046 – Yield 3.970%; CUSIP[2]: VC4

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(1) Yield to call at par on August 1, 2026.

(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Financial Advisor or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Financial Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

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

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE 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 AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The District maintains a website. However, the information presented on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Bonds.

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

BASSETT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)

Board of Education

Dolores Rivera, President
Javier Romo, Vice President
Armando Barajas, Clerk
Paul Solano, Member
Natalie Ybarra, Member

District Administration

Alex J. Rojas, Ed.D., *Superintendent*
Antoine Hawkins, D.Min., *Assistant Superintendent/CBO*

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

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

Financial Advisor
Mission Trail Advisors LLC
Long Beach, California

Paying Agent

U.S. Bank National Association,
as agent of the Treasurer and Tax Collector of Los Angeles County
Los Angeles, California

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$20,100,000
BASSETT UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2014 General Obligation Bonds, Series B

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Bassett Unified School District (Los Angeles County, California) Election of 2014 General Obligation Bonds, Series B (the "Bonds").

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

General

The Bassett Unified School District (the "District") encompasses approximately eight square miles in eastern Los Angeles County (the "County"), serving the cities of La Puente and Industry and a small, adjacent portion of Baldwin Park. The District operates three elementary schools for students in kindergarten through fifth grade, one magnet school academy for students in kindergarten through eighth grade, one middle school for students in sixth through eighth grade, one high school for students in ninth through twelfth grade, one continuation high school, and one adult school. For fiscal year 2016-17, the District has budgeted an enrollment of 3,664 students. Taxable property within the District has a total fiscal year 2016-17 assessed valuation of $2,099,277,177.

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. The current board member's terms were extended by one year to align board member elections with even year elections. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board, who is responsible for day-to-day District operations, as well as the supervision of the District's other key personnel. Alex J. Rojas, Ed.D. is the District Superintendent and Antoine Hawkins, D.Min. is the Assistant Superintendent/CBO.

See "TAX BASE FOR REPAYMENT OF BONDS" for more information regarding the District's assessed valuation, and "DISTRICT FINANCIAL INFORMATION" and "BASSETT UNIFIED SCHOOL DISTRICT" herein for more information regarding the District generally. The District's audited financial statements for the fiscal year ended June 30, 2015 are attached hereto as APPENDIX B and should be read in their entirety. The discussion of the District's financial history and the financial information contained herein does not purport to be complete or definitive.

Purpose of the Bonds

The Bonds are being issued to (i) pay the District's 2016 General Obligation Bond Anticipation Notes (the "2016 Notes"), (ii) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and (iii) pay the costs of issuing the Bonds.

The 2016 Notes were issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, in anticipation of the issuance of bonds under the 2014 Authorization. See "THE BONDS – Application and Investment of Bond Proceeds – Bonds" and "ESTIMATED SOURCES AND USES OF FUNDS – Bonds" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and pursuant to a resolution adopted by the Board on January 10, 2017 (the "Resolution"). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

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

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. See "THE BONDS – General Provisions" and "– Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds" herein.

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

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

Redemption. The Bonds are subject to optional redemption prior to their stated maturity dates, as further described herein. The Bonds are further subject to mandatory sinking fund redemption as further described herein. See "THE BONDS– Redemption" herein.

Payments. The Bonds will be dated as of the date of their initial execution and issuance (the "Date of Delivery"). The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery, and be payable semiannually on each February 1 and August 1, commencing August 1, 2017 (each, a "Bond Payment Date"). Principal of the Bonds is payable on August 1 of each year, as shown on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners. U.S. Bank National Association has been appointed as agent of the Treasurer and Tax Collector (the "Treasurer") of the County, to act as Paying Agent for the Bonds. See also "THE BONDS – Book-Entry Only System" herein.

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

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through DTC in New York, New York, on or about February 22, 2017.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes which are authorized to be levied on all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding the District's financial condition, see "DISTRICT FINANCIAL INFORMATION" and "BASSETT UNIFIED SCHOOL DISTRICT," and for additional information regarding taxation of property within the District see "TAX BASE FOR REPAYMENT OF BONDS" herein.

Continuing Disclosure

The District has covenanted that it will comply with and carry out the provisions of that certain Continuing Disclosure Certificate relating to the Bonds. Pursuant thereto, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events. Such covenants will be made in order to assist the Underwriter (defined herein) to comply with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of listed events is summarized below under "LEGAL MATTERS – Continuing Disclosure" and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" herein.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Mission Trail Advisors LLC, Long Beach, California, is acting as Financial Advisor to the District in connection with the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Mission Trail Advisors LLC will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriter by Nixon Peabody LLP, Los Angeles, California.

The Financial Advisor has provided the following information for inclusion in this Official Statement:

Mission Trail Advisors, LLC, Long Beach, California, is employed as Financial Advisor to the District in connection with the issuance of the Bonds. Mission Trail Advisors, LLC, in its capacity as Financial Advisor, is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement, and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impacts of any present, pending or future actions taken by any legislative or judicial bodies that may affect the Bonds.

Forward Looking Statements

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

The achievements of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Bassett Unified School District, 904 North Willow Avenue, La Puente, California 91746, telephone: (626) 931-3000. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

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

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq*., as amended, Article XIIIA of the California Constitution and pursuant to the Resolution. The District received authorization at an election held on November 4, 2014 (the "Election"), by the requisite fifty-five percent of the votes cast by eligible voters within the District to issue $30,000,000 aggregate principal amount of general obligation bonds (the "2014 Authorization"). The Bonds are the second and final series of bonds issued under the 2014 Authorization, and following the issuance thereof, none of the 2014 Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish such a reserve, and the District can make no representation that the County will do so. Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the Debt Service Fund (defined herein), which is segregated and held by the County and which is designated for the payment of the Bonds and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds, and the County will maintain the Debt Service Fund, the Bonds are not a debt of the County.

Pursuant to Section 53515 of the State Government Code, enacted by Senate Bill 222 (Stats. 2015, Chapter 78), the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the District Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same becomes due and payable, shall be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

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

Bond Insurance

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

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

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

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

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

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

Capitalization of BAM.

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2016 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $496.7 million, $65.2 million and $431.5 million, respectively.

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

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

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

Additional Information Available from BAM.

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

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

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

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

General Provisions

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

Interest on the Bonds accrues from the Date of Delivery, and is payable on each Bond Payment Date, commencing August 1, 2017. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2017, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount, or any integral multiple thereof, and mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Payments. The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal office of the Paying Agent. The interest on the Bonds will be payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month preceding any Bond Payment Date (a “Record Date”), whether or not such day is a business day, such interest to be paid by wire transfer on such Bond Payment Date to such bank and account number as the registered Owner may have filed with the Paying Agent for that purpose.

Annual Debt Service

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

Year Ending Aug. 1	Annual Principal Payment	Annual Interest Payment[1]	Total Annual Debt Service Payment
2017	--	$339,156.94	$339,156.94
2018	$145,000.00	767,902.50	912,902.50
2019	200,000.00	763,552.50	963,552.50
2020	225,000.00	757,552.50	982,552.50
2021	--	750,802.50	750,802.50
2022	--	750,802.50	750,802.50
2023	--	750,802.50	750,802.50
2024	105,000.00	750,802.50	855,802.50
2025	115,000.00	746,602.50	861,602.50
2026	155,000.00	742,002.50	897,002.50
2027	195,000.00	735,802.50	930,802.50
2028	240,000.00	728,002.50	968,002.50
2029	295,000.00	718,402.50	1,013,402.50
2030	350,000.00	706,602.50	1,056,602.50
2031	405,000.00	692,602.50	1,097,602.50
2032	465,000.00	676,402.50	1,141,402.50
2033	535,000.00	657,802.50	1,192,802.50
2034	605,000.00	636,402.50	1,241,402.50
2035	680,000.00	612,202.50	1,292,202.50
2036	760,000.00	585,002.50	1,345,002.50
2037	845,000.00	556,502.50	1,401,502.50
2038	940,000.00	524,815.00	1,464,815.00
2039	1,035,000.00	489,565.00	1,524,565.00
2040	1,135,000.00	450,752.50	1,585,752.50
2041	1,245,000.00	408,190.00	1,653,190.00
2042	1,360,000.00	361,502.50	1,721,502.50
2043	1,485,000.00	310,502.50	1,795,502.50
4044	1,615,000.00	253,330.00	1,868,330.00
2045	2,385,000.00	191,152.50	2,576,152.50
2046	2,580,000.00	99,330.00	2,679,330.00
Total:	$20,100,000.00	$17,514,846.94	$37,614,846.94

(1) Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2017.

See "BASSETT UNIFIED SCHOOL DISTRICT – District Debt Structure – General Obligation Bonds" for a full table of the annual debt service requirements for the District's outstanding general obligation bonded debt.

Application and Investment of Bond Proceeds

The Bonds are being issued to (i) pay the District's 2016 Notes, (ii) finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and (iii) pay the costs of issuing the Bonds.

Payment of 2016 Notes. The net proceeds from the sale of Bonds, will be paid to U.S. Bank National Association, in its capacity as paying agent for the 2016 Notes, to the credit of the debt service fund held therefor (the "Prior Notes Debt Service Fund"). Amounts deposited in the Prior Notes Debt Service Fund will be held uninvested as cash and used to pay the principal of the 2016 Notes on the first optional redemption date therefor, as well as the interest due on such 2016 Notes on and before such date.

Building Fund. The remaining net proceeds of the Bonds, net costs of issuance, will be deposited in the fund held by the County and known as the "Bassett Unified School District Election of 2014 General Obligation Bonds, Series B Building Fund" (the "Building Fund") and will be applied only for the purposes authorized by the voters at the Election and for which the Bonds are issued. Any interest earnings on moneys held in the Building Fund will be retained therein.

Debt Service Fund. Any accrued interest or premium received by the District from the sale of the Bonds will be deposited in the fund held by the County and known as the "Bassett Unified School District Election of 2014 General Obligation Bonds, Series B Debt Service Fund" (the "Debt Service Fund"). The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will also be deposited into the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County's pooled investment fund. See "APPENDIX E – LOS ANGELES COUNTY TREASURY POOL" herein.

Redemption

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

Mandatory Redemption. The Term Bonds maturing on August 1, 2040, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2038, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	**Principal Amount**
2038	$940,000
2039	1,035,000
2040(1)	1,135,000
Total:	$3,110,000

(1) Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 2040 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Term Bonds optionally redeemed.

The Term Bonds maturing on August 1, 2042, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2041, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	**Principal Amount**
2041	$1,245,000
2042(1)	1,360,000
Total:	$2,605,000

(1) Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 2042 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Term Bonds optionally redeemed.

The Term Bonds maturing on August 1, 2046, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2043, at a redemption price equal to the principal amount thereof, plus interest accrued to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	Principal Amount
2043	$1,485,000
2044	1,615,000
2045	2,385,000
2046[1]	2,580,000
Total:	$8,065,000

(1) Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 2046 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Term Bonds optionally redeemed.

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

Redemption Notice. When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

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

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

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

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in "—Defeasance," the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

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

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in "—Defeasance," and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

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

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

Book-Entry Only System

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) (collectively, the "DTC Participants") will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of maturity of the Bonds, each in the aggregate principal amount of such bond, 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. However, the information presented on such website is not incorporated herein by any reference to such website.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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 or distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Registration, Payment and Transfer of Bonds

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

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

The principal of, premium and interest on the Bonds upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the principal trust office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of Bonds of at least $1,000,000 in aggregate principal amount, interest payments thereon shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like series, tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount thereof, as applicable) upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register only upon presentation and surrender of the Bond at the designated office of the Paying Agent, together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent.

Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

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

Defeasance

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

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which together with amounts transferred from the Debt Service Fund (if any) is sufficient to pay all such Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premium, if any) at or before their maturity date; or

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$20,100,000.00
Net Original Issue Discount	(91,395.15)
Total Sources	$20,008,604.85
Uses of Funds	
Costs of Issuance[1]	$353,356.72
Prior Notes Debt Service Fund	4,714,524.31
Deposit to Building Fund	14,601,566.88
Deposit to Debt Service Fund	$339,156.94
Total Uses	$20,008,604.85

[1] Reflects all costs of issuance, including the underwriting discount, legal and financial advisory fees, bond insurance premium, printing costs, rating agency fees, verification agent fees, and the costs and fees of the Paying Agent.

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TAX BASE FOR REPAYMENT OF BONDS

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

***Ad Valorem* Property Taxation**

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

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

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Treasurer. After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of $10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecure tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

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

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

Assessed Valuations

Property within the District has a total assessed valuation for fiscal year 2016-17 of $2,099,277,177. Shown in the following table are the assessed valuations for the District for the period 2008-09 through 2016-17.

ASSESSED VALUATION
Fiscal Years 2008-09 through 2016-17
Bassett Unified School District

	Local Secured	Utility	Unsecured	Total
2008-09	$1,583,242,010	$149,660	$120,664,875	$1,704,056,545
2009-10	1,526,063,701	172,461	133,662,305	1,659,898,467
2010-11	1,494,823,356	172,461	135,911,988	1,630,907,805
2011-12	1,525,899,289	172,461	131,668,790	1,657,740,540
2012-13	1,555,627,643	172,461	153,243,034	1,709,043,138
2013-14	1,621,926,613	172,461	172,858,956	1,794,958,030
2014-15	1,725,906,614	110,170	205,409,626	1,931,426,410
2015-16	1,805,953,538	100,180	219,623,929	2,025,677,647
2016-17	1,889,626,674	100,180	209,550,323	2,099,277,177

Source: California Municipal Statistics, Inc.

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

Drought. With respect to droughts specifically, the State of California in recent years has been facing water shortfalls. Most recently, on May 9, 2016, in response to a five-year drought, Governor Edmund G. Brown Jr. issued an executive order which established a new water use efficiency framework for California. The order bolstered the State's drought resilience and preparedness by establishing longer-term water conservation measures that include permanent monthly water use reporting, new urban water use targets, reducing system leaks and eliminating clearly wasteful practices, strengthening urban drought contingency plans and improving agricultural water management and drought plans. On May 18, 2016, the State Water Resources Control Board adopted a statewide water conservation approach that requires local water agencies to ensure a three-year supply assuming three more dry years like the ones the State experienced from 2012 to 2015. Water agencies that face shortages under three additional dry years are required to meet a conservation standard equal to the amount of the shortage.

The District cannot predict how long the drought conditions will last, or what effect drought conditions may have on taxable property within the District.

Appeals and Adjustments of Assessed Valuation. Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

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

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

No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the boundaries of the District.

Assessed Valuation by Land Use. The following table shows the distribution of taxable property within the District by principal use, as measured by assessed valuation and parcels in fiscal year 2016-17.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2016-17
Bassett Unified School District

	2016-17 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	$79,603,003	4.21%	98	1.73%
Vacant Commercial	9,402,753	0.50	30	0.53
Industrial	537,101,211	28.42	121	2.14
Vacant Industrial	22,399,772	1.19	43	0.76
Recreational	3,724,241	0.20	2	0.04
Government/Social/Institutional	8,469,593	0.45	12	0.21
Miscellaneous	8,409,158	0.45	70	1.24
Subtotal Non-Residential	$669,109,731	35.41%	376	6.64%
Residential:				
Single Family Residence	$1,133,267,853	59.97%	4,969	87.81%
Condominium/Townhouse	13,010,557	0.69	73	1.29
Mobile Home	481,593	0.03	30	0.53
Mobile Home Park	3,368,071	0.18	3	0.05
2-4 Residential Units	42,830,206	2.27	124	2.19
5+ Residential Units/Apartments	20,422,871	1.08	13	0.23
Vacant Residential	7,135,792	0.38	71	1.25
Subtotal Residential	$1,220,516,943	64.59%	5,283	93.36%
Total	$1,889,626,674	100.00%	5,659	100.00%

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

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2016-17 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2016-17
Bassett Unified School District

	No. of Parcels	2016-17 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	4,969	$1,133,267,853	$228,068	$223,793

2016-17 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	1	0.020%	0.020%	$23,902	0.002%	0.002%
25,000 - 49,999	443	8.915	8.935	19,795,790	1.747	1.749
50,000 - 74,999	371	7.466	16.402	22,247,046	1.963	3.712
75,000 - 99,999	188	3.783	20.185	16,269,819	1.436	5.148
100,000 - 124,999	214	4.307	24.492	24,218,377	2.137	7.285
125,000 - 149,999	221	4.448	28.939	30,314,322	2.675	9.960
150,000 - 174,999	253	5.092	34.031	41,285,230	3.643	13.603
175,000 - 199,999	389	7.829	41.860	73,304,976	6.468	20.071
200,000 - 224,999	425	8.553	50.413	90,165,956	7.956	28.027
225,000 - 249,999	377	7.587	58.000	89,438,435	7.892	35.919
250,000 - 274,999	322	6.480	64.480	84,486,231	7.455	43.375
275,000 - 299,999	324	6.520	71.000	92,901,043	8.198	51.572
300,000 - 324,999	294	5.917	76.917	91,839,277	8.104	59.676
325,000 - 349,999	230	4.629	81.546	77,568,922	6.845	66.521
350,000 - 374,999	267	5.373	86.919	96,707,733	8.534	75.054
375,000 - 399,999	232	4.669	91.588	89,382,816	7.887	82.942
400,000 - 424,999	153	3.079	94.667	62,670,941	5.530	88.472
425,000 - 449,999	98	1.972	96.639	42,653,183	3.764	92.235
450,000 - 474,999	52	1.046	97.686	23,997,343	2.118	94.353
475,000 - 499,999	29	0.584	98.269	14,136,022	1.247	95.600
500,000 and greater	86	1.731	100.000	49,860,489	4.400	100.000
Total	4,969	100.000%		$1,133,267,853	100.000%	

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

Assessed Valuation by Jurisdiction. The following table shows a per-parcel analysis of the distribution of taxable property within the District by jurisdiction for fiscal year 2016-17.

ASSESSED VALUATION BY JURISDICTION[(1)]
Fiscal Year 2016-17
Bassett Unified School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Baldwin Park	$31,348,032	1.49%	$4,392,751,545	0.71%
City of Industry	652,899,024	31.10	8,007,462,476	8.15
City of La Puente	154,915,638	7.38	2,098,513,315	7.38
City of West Covina	1,198,264	0.06	10,763,871,370	0.01
Unincorporated Los Angeles County	1,258,916,219	59.97	98,268,176,262	1.28
Total District	$2,099,277,177	100.00%		
Los Angeles County	$2,099,277,177	100.00%	$1,344,647,265,846	0.16%

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

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Tax Levies, Collections and Delinquencies

The following tables show secured ad valorem property tax levies within the District and the amounts delinquent as of June 30 for fiscal years 2009-10 through 2015-16.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2009-10 through 2015-16
Bassett Unified School District

Tax Year	Secured Tax Charge[1]	Amount Delinquent June 30	Percent Delinquent June 30
2009-10	$3,471,747.35	$119,404.27	3.44%
2010-11	3,428,260.83	82,449.68	2.41
2011-12	3,498,121.98	73,163.38	2.09
2012-13	3,619,404.98	65,209.63	1.80
2013-14	3,804,737.07	56,262.53	1.48
2014-15	4,096,713.44	59,191.05	1.44
2015-16	4,306,085.46	61,282.80	1.42

Tax Year	Secured Tax Charge[2]	Amount Delinquent June 30	Percent Delinquent June 30
2009-10	$1,626,852.51	$58,150.57	3.57%
2010-11	1,813,389.39	34,619.69	1.91
2011-12	1,739,323.24	47,534.73	2.73
2012-13	1,967,287.75	32,551.87	1.65
2013-14	1,871,047.88	31,757.57	1.70
2014-15	1,965,084.28	23,454.92	1.19
2015-16	2,806,650.60	35,666.35	1.27

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects County-wide delinquency rate.
(2) General obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – "Teeter Plan"

Certain counties in the State of California operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. **The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.**

The District participates in the California Statewide Delinquent Tax Finance Authority ("CSDTFA"). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code of the State of California. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* property tax receivables from the District. For the most recent fiscal year for which CSDTFA purchase delinquencies (the 2014-15 fiscal year), such delinquencies were purchased from the District at a purchase price equal to 110% thereof. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA. CSDTFA does not ensure that the District will receive the timely payment of *ad valorem* property taxes levied to secure the Bonds. See also "—*Ad Valorem* Property Taxation" herein.

Tax Rates

The following table summarizes the total *ad valorem* tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a "TRA") within the District during the period from fiscal year 2012-13 through fiscal year 2016-17.

SUMMARY OF *AD VALOREM* TAX RATES
Fiscal Years 2012-13 through 2016-17
Bassett Unified School District

TRA 2179 – 2016-17 Assessed Valuation: $578,908,382

	2012-13	2013-14	2014-15	2015-16	2016-17
General Tax Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
City of Industry	.737500	.737500	.737500	.737500	.737500
Bassett Unified School District	.127725	.116316	.115393	.157710	.167813
Mt. San Antonio Community College District	.028957	.020231	.021294	.021537	.023996
Metropolitan Water District	.003500	.003500	.003500	.003500	.003500
TOTAL	1.897682%	1.877547%	1.877686%	1.920247%	1.932809%

(1) The 2016-17 assessed valuation of TRA 2179 is $578,908,382, which is 27.58% of the District's total assessed valuation for that year.

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the 20 largest local secured taxpayers in the District in terms of their 2016-17 secured assessed valuations:

20 LARGEST LOCAL SECURED TAXPAYERS
2016-17 Assessed Valuations
Bassett Unified School District

	Property Owner	Primary Land Use	2016-17 Assessed Valuation	% of Total [1]
1.	MCP Socal Industrial Kellwood	Industrial	$47,945,251	2.54%
2.	Intex Realty Corp.	Industrial	27,263,337	1.44
3.	Nelson Industrial Holdings 4 LLC	Industrial	25,370,599	1.34
4.	Canam PO LP	Industrial	21,066,219	1.11
5.	JCS Properties LLC	Industrial	20,918,614	1.11
6.	Shivom LLC	Industrial	16,366,000	0.87
7.	Columbia California Valley	Industrial	15,400,000	0.81
8.	Pacific Eastern Properties LLC	Industrial	13,598,289	0.72
9.	13644 Nelson Avenue Holdings LLC	Industrial	13,243,712	0.70
10.	PJB Sunkist LP	Shopping Center	13,170,587	0.70
11.	245 Vineland LLC	Industrial	12,250,686	0.65
12.	500 Baldwin Park LLC	Industrial	12,003,122	0.64
13.	Coca Cola Bottling Co. of LA	Industrial	11,471,970	0.61
14.	San Gabriel Valley Water Co.	Water Company	9,581,214	0.51
15.	Fifth Alfred St.	Industrial	9,419,970	0.50
16.	FR JH 10 LLC	Industrial	9,030,000	0.48
17.	Mason Way Partners	Industrial	8,907,189	0.47
18.	Mabek Co.	Industrial	8,797,130	0.47
19.	Yang Yang	Industrial	8,781,912	0.46
20.	Baldwin Creations LLC	Industrial	8,738,194	0.46
			$313,323,995	16.58%

[1] 2016-17 Local Secured Assessed Valuation: $1,889,626,674.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. effective as of January 1, 2017. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the boundaries of 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 within the boundaries of the District.

STATEMENT OF DIRECT AND OVERLAPPING DEBT
Bassett Unified School District

2016-17 Assessed Valuation: $2,099,277,177

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 1/1/17**
Los Angeles County Flood Control District	0.159%	$20,082
Metropolitan Water District	0.081	75,463
Mt. San Antonio Community College District	2.525	9,015,579
Bassett Unified School District	**100.000**	**48,836,937**(1)
City of Industry	8.154	7,670,876
Los Angeles County Regional Park and Open Space Assessment District	0.156	60,676
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$65,679,613
OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.156%	$3,065,941
Los Angeles County Superintendent of Schools Certificates of Participation	0.156	11,240
City of Baldwin Park General Fund Obligations	0.714	57,049
City of Baldwin Park Pension Obligation Bonds	0.714	24,562
City of Industry General Fund Obligations	8.154	281,313
City of West Covina General Fund Obligations	0.011	4,984
Los Angeles County Sanitation District No. 15 Authority	3.341	487,016
Los Angeles County Sanitation District No. 22 Authority	0.061	4,529
TOTAL OVERLAPPING GENERAL FUND DEBT		$3,936,634
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$851,400
COMBINED TOTAL DEBT		$70,467,647(2)

Ratios to 2016-17 Assessed Valuation:
Direct Debt ($48,836,937)... 2.33%
Total Direct and Overlapping Tax and Assessment Debt...... 3.13%
Combined Total Debt 3.36%

Ratio to Redevelopment Successor Agency Incremental Valuation ($12,403,435):
Total Overlapping Tax Increment Debt 6.86%

____
(1) Excludes the Bonds described herein and includes the 2016 Notes.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

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

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

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

Legislation Implementing Article XIIIA

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

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

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization (“SBE”) as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See also “DISTRICT FINANCIAL INFORMATION” herein.

Article XIIIB of the California Constitution

Article XIIIB (“Article XIIIB”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines:

(a) “change in the cost of living” with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

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

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

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

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "– Propositions 98 and 111" herein.

Proposition 26

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

Article XIIIC and Article XIIID of the California Constitution

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

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

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

Propositions 98 and 111

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

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

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

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

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

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

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

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

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

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

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued on if the tax rate per $100,000 of taxable property value projected to be levied as the result of any single election will not exceed $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a community college district), when assessed valuation is projected to increase in accordance with Article

XIIA of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on February 5, 2008, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools, community colleges or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Propositions 30 and 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

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

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Jarvis vs. Connell

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

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

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

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

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

Future Initiatives

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

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances and State funding of public education 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 and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County within the boundaries of the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

State Funding of Education

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

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

The following table reflects the historical ADA and base revenue limit per student for the District for fiscal years 2007-08 through 2012-13.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2007-08 through 2012-13
Bassett Unified School District

Year	Average Daily Attendance[1]	Base Revenue Limit per ADA[2]	Deficit Revenue Limit per ADA[2]
2007-08	4,974.06	$5,797.99	$5,811.81
2008-09	4,787.51	6,126.99	5,660.32
2009-10	4,585.77	3,388.99	5,229.52
2010-11	4,366.10	6,379.15	5,233.26
2011-12	4,233.35	6,506.99	5,178.72
2012-13	4,085.29	6,718.99	5,234.97

(1) Data based on state legislation which reconfigured ADA to represent actual attendance without regard to excused absences. Reflects ADA as of the second principal reporting period (P-2 ADA), ending on April 15 of each school year.
(2) Deficit revenue limit funding, if provided for in State budget legislation, previously reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for a given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein).
Source: Bassett Unified School District.

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

The primary component of AB 97, as amended by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment is required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. See "– State Budget" herein.

The Base Grants per unit of ADA for each grade span are as follows: (i) $7,820 for grades K-3, (ii) $7,189 for grades 4-6, (iii) $7,403 for grades 7-8, and (iv) $8,801 for grades 9-12. Beginning in fiscal year 2013-14, the Base Grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

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

The table on the following page shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 and 2015-16, and budgeted figures for fiscal year 2016-17.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2016-17
Bassett Unified School District

	Average Daily Attendance[(1)]					Enrollment	
Fiscal Year	**K-3**	**4-6**	**7-8**	**9-12**	**Total ADA**	**Total Enrollment**[(2)]	**% of EL/LI Enrollment**[(2)]
2013-14	1,291.59	916.15	641.19	1,123.37	3,972.30	4,138	91.52%
2014-15	1,246.56	845.83	630.85	1,144.00	3,867.24	3,959	93.86
2015-16	1,128.55	856.01	595.33	1,103.39	3,683.28	3,791	92.81
2016-17	1,091.31[(3)]	827.76[(3)]	575.68[(3)]	1,065.98[(3)]	3,560.73[(3)]	3,689	89.98

[(1)] Except for fiscal year 2014-15, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. ADA figures exclude enrollment from County operated programs.
[(2)] Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
[(3)] Projected.
Source: Bassett Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the LCFF implementation period. The District does not qualify for the ERT add-on.

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

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

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

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

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

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district to identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. On or before October 1, 2015, the State Board of Education is required to develop rubrics to assess school district performance and the need for support and intervention.

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

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

Other Funding Sources

Other Sources. The federal government provides funding for several school district programs, including specialized programs such as Every Student Succeeds Act, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, a small part of a school district's budget is from local sources other than property taxes, including but not limited to interest income, leases and rentals, educational foundations, donations and sales of property.

Developer Fees. The District maintains a fund, separate and apart from the general fund, to account for developer fees collected by the District. Residential development is assessed a fee of $3.20 per square foot, while commercial development is assessed a fee of $0.51 per square foot. The following table summarizes the revenues received by the District from developer fees over the last seven years, with a projection for fiscal year 2016-17.

DEVELOPER FEES
Fiscal Years 2009-10 through 2014-15
Bassett Unified School District

Year	Developer Fees Collected
2009-10	$29,814
2010-11	45,901
2011-12	95,798
2012-13	26,722
2013-14	167,861
2014-15	32,910
2015-16	119,304
2016-17[1]	29,408

[1] Projected.
Source: Bassett Unified School District.

***Tax Offset Revenues and Pass-Through Revenues**.* The District receives tax offset revenue from the County as a part of certain redevelopment projects within the boundaries of the District (the "Tax Offset Revenues"). The Tax Offset Revenues received by the District are deposited directly into the District's general fund and are offset against the State apportionment received by the District. The District also receives pass-through tax increment revenue (the "Pass-Through Revenues") from the successors to the redevelopment agencies formerly within the District's boundaries. The amount of Tax Offset Revenues and Pass-Through Revenues received by the District from fiscal years 2012-13 through 2015-16, and a budgeted amount for fiscal year 2016-17 are shown in the following table.

TAX OFFSET REVENUES AND PASS-THROUGH REVENUES
Fiscal Years 2012-13 through 2016-17
Bassett Unified School District

Fiscal Year	Tax Offset Revenues[1]	Pass-Through Revenues[2]
2012-13	$4,917,796.00	$7,678.00
2013-14	4,220,888.00	7,392.00
2014-15	4,744,340.00	3,998.00
2015-16	5,773,635.00	14,361.00
2016-17[3]	6,205,926.00	18,043.00

(1) Tax Offset Revenues received by the District are offset against the State apportionments received by the District.
(2) Pass-Through Revenues received by the District are not offset against the State apportionments received by the District.
(3) Projected.
Source: Bassett Unified School District.

Dissolution of Redevelopment Agencies

On December 30, 2011, the State Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("*Matosantos*"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in the State ceased to exist as a matter of law on February 1, 2012.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least $250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth is tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against revenue limit apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the District uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received had the redevelopment agency existed at that time," and that the County Auditor-Controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of [ABX1 26] using current assessed values and pursuant to statutory [pass-through] formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its revenue limit apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

Budget Process

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

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

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

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

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

Each of the District's Interim Financial Reports filed commencing with its first Interim Financial Report for Fiscal Year 2009-10 through its second Interim Financial Report for Fiscal Year 2010-11 received a positive certification from the Los Angeles County Office of Education. Each of the District's Interim Financial Reports filed commencing with its first Interim Financial Report for Fiscal Year 2011-12 through its second Interim Financial Report for Fiscal Year 2012-13 received a qualified certification from the Los Angeles County Office of Education. The District's first and second Interim Financial Reports for Fiscal Year 2013-14 each received a positive certification from the Los Angeles County Office of Education. The District's first Interim Financial Report for Fiscal Year 2014-15 received a qualified certification from the Los Angeles County Office of Education, and the District's second Interim Financial Report for Fiscal Year 2014-15 has received a positive certification. The District has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200.

General Fund Budget. The District's general fund adopted budget for fiscal years 2013-14 through 2016-17, audited actual results for the fiscal years 2013-14 through 2014-15, unaudited actual results for fiscal year 2015-16 and projected totals for fiscal year 2016-17 are set forth in the table on the following page.

GENERAL FUND BUDGET AND ACTUAL RESULTS[1] FOR
Fiscal Years 2013-14 through 2016-17
Bassett Unified School District

	Fiscal Year 2013-14		Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17	
	Budget[1]	Actual[1]	Budget[1]	Actual[1]	Budget[2]	Unaudited Actuals[3]	Budget[3]	Projected[4]
REVENUES								
LCFF:	$22,986,652	$30,627,402	$34,733,076	$35,538,964	$40,078,209	$39,496,725	$39,092,969	$39,237,386
Federal sources	3,479,432	2,645,729	2,697,603	2,795,741	2,985,853	3,233,803	3,223,642	3,223,642
Other state sources	13,700,771	6,438,975	2,231,181	2,751,577	2,237,885	4,995,377	2,777,123	2,777,123
Other local sources	146,000	3,669,911	2,596,963	5,703,913	3,082,316	3,288,159	2,794,625	2,794,625
Total Revenues	40,312,855	43,382,017	42,258,823	46,790,195	48,384,263	51,014,064	47,888,359	$48,032,776
EXPENDITURES								
Certificated salaries	17,972,059	18,347,497	18,767,578	18,870,602	17,459,334	19,548,384	19,786,774	19,786,774
Classified salaries	7,011,854	6,723,281	6,854,932	7,346,218	7,867,275	8,285,424	8,844,181	8,844,181
Employee benefits	5,725,568	5,762,779	5,634,249	6,419,836	7,262,646	7,721,252	8,471,864	8,471,864
Books and supplies	1,988,073	2,852,354	1,434,462	2,496,968	2,141,895	2,959,890	1,182,296	1,182,296
Contract services and operating expenditures	5,698,983	5,930,623	7,180,496	7,196,636	9,191,462	8,630,200	7,468,461	7,490,461
Capital outlay	456,877	84,350	581,943	108,480	253,136	2,067	185,115	185,115
Other Outgo	2,303,098	2,536,408	1,914,695	2,554,296	2,558,515	1,884,033[7]	2,107,735[7]	2,107,735[7]
Total Expenditures	41,156,512	42,237,292	42,368,355	44,993,036	46,734,263	49,031,251	48,046,426	48,068,426
(Deficiency) excess of revenues (under) over expenditures	(843,657)	1,144,725	(109,532)	1,797,159	1,650,000	1,982,813	(158,067)	(35,650)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	1,273,825	--	--	1,065,000	--	--	--	--
Operating transfers out	--	(1,109,839)	--	(1,348,028)	(1,650,000)	(487,229)	(282,000)	(282,000)
Total Other Financing Sources and Uses	1,273,825	(1,109,839)	--	(283,028)	(1,650,000)	(487,229)	(282,000)	(282,000)
Net Change in Fund Balance	430,168	34,886	(109,532)	1,514,131	--	1,495,584	(440,067)	(317,650)
Fund Balance, July 1	6,078,780	6,078,780	4,455,877[6]	4,455,877[6]	4,312,218	5,970,008	7,465,592	7,465,592
Fund Balance, June 30	$6,508,948	$6,113,666	$4,346,345	$5,970,008	$4,312,218	$7,465,592	$7,025,525	$7,147,942

(1) From the District's Audited Financial Statements for fiscal years 2013-14 through 2014-15, respectively.
(2) From the District's 2015-16 Second Interim Financial Report approved by the Board on March 8, 2016.
(3) From the District's 2015-16 Unaudited Actuals approved by the Board on September 13, 2016.
(4) From the District's 2016-17 First Interim Financial Report approved by the Board on December 6, 2016.
(5) Excludes the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects Fund and Adult Education Fund, which were included in the presentation of the audited figures for fiscal years 2012-13 through 2014-15 in accordance with the fund type definitions promulgated by GASB Statements No. 54.
(6) A prior period adjustment in the amount of $1,657,790 was made to correct an overstatement in the reported revenues from revenue limit sources in fiscal year 2012-13.
(7) The categories Other Outgoing/Support/Adjs. And Direct Support/Indirect Costs To Other Funds were combined for comparison purposes.

Source: Bassett Unified School District.

Accounting Practices

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

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2015, and prior fiscal years are on file with the District and available for public inspection at the Office of the Assistant Superintendent/CBO of the District, 904 North Willow Avenue, La Puente, California 91746, telephone:. The District's audited financial statements for the year ended June 30, 2015 are attached hereto as APPENDIX B. The table on the following page reflects the District's general fund revenues, expenditures and changes in fund balance for fiscal years 2010-11 through 2014-15.

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STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES[1]
Fiscal Years 2010-11 through 2014-15
Bassett Unified School District

	Audited Actuals 2010-11	Audited Actuals 2011-12	Audited Actuals 2012-13	Audited Actuals 2013-14	Audited Actuals 2014-15
REVENUES:					
Revenue Limit/LCFF Sources[1]	$24,091,055	$23,042,608	$21,989,884	$30,627,402	$35,538,964
Federal Sources	5,623,393	3,113,912	3,274,486	2,645,729	2,795,741
Other State Sources	10,371,891	8,007,914	11,565,150	6,438,975	2,751,577
Other Local Sources	2,129,022	2,575,077	2,476,430	3,669,911	5,703,913
Total Revenues	42,215,361	36,739,511	39,305,950	43,382,017	46,790,195
EXPENDITURES:					
Current:					
Instruction	23,515,571	22,456,251	21,747,128	23,366,820	24,370,705
Instruction-Related Activities:					
Supervision of Instruction	922,239	1,003,608	832,708	1,377,239	1,555,732
Instructional Library, Media and Technology	630,678	1,036,783	347,930	995,099	696,014
School Site Administration	2,206,082	2,064,783	1,973,901	1,162,782	1,481,441
Pupil Services:					
Home-to-School Transportation	544,204	511,881	393,731	177,325	445,254
All Other Pupil Services	2,368,710	2,144,031	1,971,000	2,475,696	2,734,623
General Administration:					
Data Processing	646,833	827,584	869,178	395,974	--
All Other General Administration	3,254,008	3,856,542	3,572,467	3,817,315	4,797,188
Plant Services	5,150,160	5,369,679	4,913,234	5,285,526	5,947,774
Facility Acquisition and Construction	216,889	--	--	--	--
Ancillary Services	408,535	364,298	367,501	431,821	410,009
Other Outgo	2,794,379	1,159,939	1,445,717	2,751,695	2,554,296
Total Expenditures	42,658,288	40,795,381	38,434,495	42,237,292	44,993,036
Excess (Deficiency) of Revenues Over (Under) Expenditures	(442,927)	(4,055,870)	871,455	1,144,725	1,797,159
Other Sources/(Uses)					
Transfers in	--	--	--	--	1,065,000
Transfers out	--	--	--	(1,109,839)	(1,348,028)
Total Other Sources/(Uses)	--	--	--	(1,109,839)	(283,028)
Net Change in Fund Balances	(442,927)	(4,055,870)	871,455	34,886	1,514,131
Fund Balance – July 1,	9,706,122	9,263,195	5,207,325	6,078,780	4,455,877[2]
Fund Balance – June 30	$9,263,195	$5,207,325	$6,078,780	$6,113,666	$5,970,008

(1) Beginning in fiscal year 2013-14, this category is coded LCFF Sources.
(2) A prior period adjustment in the amount of $1,657,790 was made to correct an overstatement in the reported revenues from revenue limit sources in fiscal year 2012-13.

Source: Bassett Unified School District.

State Budget

The following information concerning the State's budget has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information 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 *property tax required to be levied by the County on taxable property within the boundaries of the District in an amount sufficient for the payment thereof.*

2016-17 Budget. On June 27, 2016, the Governor signed into the law the State budget for fiscal year 2016-17 (the "2016-17 Budget"). The following information is drawn from the Department of Finance's summary of the 2016-17 Budget and the LAO's review of the 2016-17 Budget.

The 2016-17 Budget projects, for fiscal year 2015-16, total general fund revenues and transfers of $117 billion and total expenditures of $115.6 billion. The State is projected to end the 2015-16 fiscal year with total available reserves of $7.3 billion, including $3.9 billion in the traditional general fund reserve and $3.4 billion in the BSA. For fiscal year 2016-17, the 2016-17 Budget projects a growth in State general fund revenues driven primarily by total general fund revenues of $120.3 billion and authorizes expenditures of $122.5 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of $8.5 billion, including $1.8 billion in the traditional general fund reserve and $6.7 billion in the BSA.

As a result of higher general fund revenue estimates for fiscal years 2015-16 and 2016-17, and after accounting for expenditures controlled by constitutional funding requirements such as Proposition 2 and Proposition 98, the 2016-17 Budget allocates over $6 billion in discretionary funding for various purposes. These include (i) additional deposits of $2 billion to the BSA (reflected in the discussion above) and $600 million to the State's discretionary budget reserve fund, (ii) approximately $2.9 billion in one-time funding for various purposes including infrastructure, affordable housing and public safety programs, and (iii) $700 million in on-going funding commitments for higher education (California State University and the University of California systems), corrections and rehabilitation and State courts.

As required by Proposition 2, the 2016-17 Budget applies $1.3 billion towards the repayment of existing State liabilities, including loans from special funds, State and University of California pension and retiree health benefits and settle-up payments to K-14 school districts resulting from an underfunding of the Proposition 98 minimum funding guarantee in a prior fiscal year.

With respect to education funding, the 2016-17 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2014-15 and 2015-16, as a result of increased revenue estimates. The 2016-17 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at $71.9 billion, an increase of $2.8 billion over the revised level from the prior fiscal year. With respect to K-12 education, the share of the minimum funding guarantee is $62.5 billion, including $44.5 billion from the State general fund and $18.1 billion from local property tax collections. Significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – $2.9 billion of Proposition 98 funding to continue the implementation of the LCFF. This reflects a 5.7% increase from the prior year, and is estimated to close the remaining funding implementation gap between the prior year and the LCFF target levels by approximately 54%. The 2016-17 Budget projects total LCFF implementation to be at 96% during fiscal year 2016-17. As a result, the adjusted 2016-17 Base Grants are as follows: (i) $7,820 for grades K-3, (ii) $7,189 for grades 4-6, (iii) $7,403 for grades 7-8, and (iv) $8,801 for grades 9-12. See also "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein.

- *Discretionary Funding* – $1.3 billion in additional one-time funding that local educational agencies may use for any purpose. Funding will be distributed based on ADA. While funding is intended to reduce the backlog of unpaid reimbursement claims for State-mandated activities, the 2016-17 Budget estimates that most local educational agencies do not have such unpaid claims, and that only $617 million of the total funding will be used for this purpose.

- *Maintenance Factor* – The 2016-17 Budget assumes the creation of a new maintenance factor of $746 million in fiscal year 2016-17, created by the difference in growth in per capita State general fund revenues and growth in State per capita personal income.

- *College Readiness* – $200 million in one-time Proposition 98 funding to fund a block grant for school districts and charter schools serving high school students. Funds are intended to provide additional services that support access and successful transition to higher education. Allocation of the funding will be based on the number of students in grades 9 through 12 that are English-learners, low-income or foster youth, with no district or charter school receiving less than $75,000. The 2016-17 Budget also provides $15 million in one-time Proposition 98 grant funding to support coordinated student outreach by local educational agencies and community college districts aimed at increasing college preparation, access, and success.

- *Career Technical Education (CTE)* – The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs, and provided $400 million in fiscal year 2015-16 to fund the program. The 2016-17 Budget provides $300 million in second-year funding for this program.

- *Charter Schools* – An increase of $20 million in one-time Proposition 98 funding to support startup costs for new charter schools in 2016 and 2017. The funds are intended to offset the loss of previously available federal funding.

- *Support Systems* – $20 million in one-time Proposition 98 funding to assist local educational agencies provide academic, behavioral, social and emotional student support services.

- *Truancy and Dropout Prevention* – Proposition 47, approved by voters in November 2014, reduces penalties for certain non-serious and non-violent property and drug offenses, and requires that a portion of State expenditure savings resulting from these reduced penalties by invested into K-12 truancy and dropout prevention. The 2016-17 Budget estimates approximately $9.9 million in state savings that will be available for this program. The 2016-17 Budget also includes an additional $18 million in one-time funding for the program, resulting in total funding of $27.9 million.

- *Teacher Workforce Initiatives* – The 2016-17 Budget funds several initiatives designed to increase the supply of K-12 teachers, including (i) $20 million to encourage classified employees to complete their education and pursue teaching credentials, (ii) $10 million in non-Proposition 98 funding to expand the number of integrated programs that allow a participant to concurrently earn a bachelor's degree and a teaching credential, and (iii) $5 million to fund teacher recruitment activities.

- *Drinking Water* – $9.5 million in one-time Proposition 98 funding to assist school districts that serve isolated or economically disadvantaged areas improve access to safe drinking water.

For additional information regarding the 2016-17 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Governor's Proposed 2017-18 Budget. On January 10, 2017, the Governor released his proposed State budget for fiscal year 2017-18 (the "Proposed Budget"). The following information is drawn from the Department of Finance's summary of the Proposed Budget and the LAO's overview of the Proposed Budget.

Following several years of increases, the Governor reports that the three main sources of State revenues—income, sales and corporation taxes—are showing weakness. Consequently, the Proposed Budget includes a revised revenue forecast for fiscal years 2015-16 and 2016-17 that is $3.2 billion lower for than what was included in the current State budget. The Governor attributes the change in expectations to a pattern of shortfalls in monthly revenue collections and a growth in lower-income workers, which results in decreased revenues due to the State's progressive tax structure. The Governor also identifies some increases in State general fund spending relative to the 2016-17 Budget, most significant among those being an increase in Medi-Cal costs of approximately $1.8 billion. As a result, absent corrective action, the Governor projects that the State would face a general fund deficit of approximately $1.6 billion in fiscal year 2017-18, as well as comparable deficits in future years.

To close the projected deficit, the Proposed Budget includes $3.2 billion in remedial budgetary measures designed to reduce State general fund spending in a variety of areas. Significantly, the Proposed Budget would lower, by $1.7 billion, the existing Proposition 98 funding appropriations for fiscal years 2015-16 and 2016-17 which, as a result of the drop in State revenues, are projected to overappropriate the minimum funding guarantee. As a result, the Proposed Budget also shifts, on a one-time basis (i) $310 million of previously appropriated discretionary K-12 funding from the 2015-16 fiscal year to the 2016-17 fiscal year, and (ii) $859.1 million in LCFF payments from June 2017 to July 2017. These shifts would bring Proposition 98 spending in line with the revised funding guarantees described below. Other significant remedial measures include eliminating a $400 million set aside for affordable housing and $300 million in previously approved funding for the replacement and renovation of State office buildings.

Assuming the implementation of these measures, the Proposed Budget projects, for fiscal year 2016-17, total general fund revenues and transfers of $118.8 billion and total expenditures of $122.8 billion. The State is projected to end the 2016-17 fiscal year with total available reserves of $7.7 billion, including $980 million in the traditional general fund reserve and $6.7 billion in the BSA. For fiscal year 2017-18, the Proposed Budget projects total general fund revenues of $124 billion and authorizes expenditures of $122.5 billion. The State is projected to end the 2017-18 fiscal year with total available reserves of $8.8 billion, including $980 million in the traditional general fund reserve and $7.9 billion in the BSA.

As a result of the revised State revenue estimates discussed above, the Proposed Budget adjusts the minimum funding guarantee for fiscal year 2015-16 to $68.7 billion, a decrease of $379 million from the level set by the 2016-17 Budget. Similarly, for fiscal year 2016-17, the minimum funding guarantee is revised at $71.4 billion, reflecting a decrease of $506 million from the level set by the 2016-17 Budget. For fiscal year 2017-18, the Proposed Budget sets the minimum funding guarantee at $73.5 billion, including $51.4 billion from the State general fund, reflecting a year-to-year increase of $2.1 billion (or 3%). Fiscal year 2017-18 is projected to be "Test 3" year, with the increase in the minimum guarantee driven primarily by an increase in per capital State general fund revenues. Significant proposals with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – $744 million in Proposition 98 funding to continue the implementation of the LCFF. This level of funding would support a 1.48% COLA for adjusted Base Grants in fiscal year 2017-18. The Proposed Budget projects to maintain total LCFF implementation at 96%. The Proposed Budget would also provide $2.4 million in Proposition 98 funding to support a COLA for LCFF funding levels for county offices of education.
- *Maintenance Factor* – As a result of the adjustments to the Proposition 98 minimum funding guarantee for fiscal years 2015-16 and 2016-17, as described above, the State is no longer required to make a $379 million maintenance factor payment for fiscal year 2015-16 that was approved by the 2016-17 Budget, and the maintenance factor created for fiscal year 2016-17 grows from $746 million to $838 million. In addition, the funding levels set by the Proposed Budget would create a new maintenance factor in fiscal year 2017-18 equal to $219 million, bringing the total outstanding State obligation to $1.6 billion.
- *Discretionary Funding* – An increase of $287 million in one-time funding that local educational agencies may use for any purpose. Similar to features included in prior State budgets, these funds would offset any applicable unpaid reimbursement claims for State-mandated activities.
- *Settle Up Payment* - $601 million in one-time funding to support a "settle up" payment related to an obligation created in fiscal year 2009-10 when revenue estimates understated the minimum funding guarantee.
- *Career Technical Education (CTE)* – The State Budget for fiscal year 2015-16 established the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs. The Proposed Budget would provide $200 million as the final installment of funding for this program.
- *ADA Adjustments* – The Proposed Budget's funding levels reflect the following adjustments (i) an increase of $93 million in Proposition 98 funding to support a projected growth in charter school ADA, (ii) a decrease of $4.9 million in Proposition 98 funding as a result of a projected decrease in special education ADA, and (iii) a total decrease of $232 million for fiscal years 2016-17 and 2017-18 as a result of continuing projected declines in ADA for school districts.
- *Local Property Tax Adjustments* – A decrease of $149.2 million in Proposition 98 funding in fiscal year 2016-17 for school districts and county office of education as a result of higher offsetting property tax revenues. The Proposed Budget would make a similar decrease of $922.7 million in fiscal year 2017-18.
- *Categorical Programs* – An increase of $58.1 million in Proposition 98 funding to support a 1.48% COLA for categorical programs that remain outside of the LCFF.
- *Proposition 39* – Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires that, for a five-year period starting in fiscal year 2013-14, a portion of these additional revenues be allocated to local education agencies to improve energy efficiency and expand the use of alternative energy in public buildings. The Proposed Budget allocates $422.9 million of such funds to support school district and charter school energy efficiency projects in fiscal year 2017-18.
- *Proposition 56* – Passed by voters in November 2016, Proposition 56 increases the per-pack State sales tax on cigarettes by $2, and requires that a portion of the revenue generated be used for school programs designed to prevent and reduce the use of tobacco and nicotine

products. The Proposed Budget would allocate $29.9 million of Proposition 56 revenues to support these programs.

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

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

BASSETT UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's 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 and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax which is required to be levied by the County within the boundaries of the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

General Information

The District encompasses approximately eight square miles in eastern Los Angeles County, serving the cities of La Puente and Industry and a small, adjacent portion of Baldwin Park. The District operates three elementary schools for students in kindergarten through fifth grade, one magnet school academy for students in kindergarten through eighth grade, one middle school for students in sixth through eighth grade, one high school for students in ninth through twelfth grade, one continuation high school, and one adult school. For fiscal year 2016-17, the District has budgeted an enrollment of 3,664 students. Taxable property within the District has a total fiscal year 2016-17 assessed valuation of $2,099,277,177.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Bassett Unified School District, 904 North Willow Avenue, La Puente, California 91746, attention: Assistant Superintendent/CBO.

Administration

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. The current board member's terms were extended by one year to align board member elections with even year elections. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their term expires, are listed below:

BOARD OF EDUCATION
Bassett Unified School District

Name	Office	Term Expires
Dolores Rivera	President	November 2018
Javier Romo	Vice President	November 2018
Armando Barajas	Clerk	November 2020
Paul Solano	Member	November 2018
Natalie Ybarra	Member	November 2020

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Alex J. Rojas, Ed.D. is the Superintendent of the District. Brief biographies of the Superintendent and the Assistant Superintendent/CBO follow:

Brief biographies of the Superintendent and the Assistant Superintendent /CBO follow:

Alex J. Rojas, Ed.D., Superintendent. Dr. Alex J. Rojas was named Superintendent of the District as of July 1, 2014. Immediately prior, he served as Deputy Superintendent of the District from April 2014 to June 30, 2014. Prior to joining the District, he served as the Superintendent of the La Puente Valley Regional Occupational Program, a collaborative career technical education program serving three school districts, including the District from 2013 to 2014. Dr. Rojas previously served as Assistant Superintendent of Administrative Services for the Tustin Unified School District from 2011 to 2013, and as the Director of Educational Services for the Glendale Unified School District from 2009 to 2011. He has also served as a school principal, assistant principal and middle school teacher. Dr. Rojas received his doctorate in education from the University of Southern California, his master's degree from Azusa Pacific University, and his bachelor's degree from California State University, Fullerton.

Antoine Hawkins, D.Min., Assistant Superintendent/CBO. Dr. Antoine Hawkins was named the Assistant Superintendent/CBO in February of 2016. Immediately prior, he served as the Chief Business Official and Interim LEA Superintendent at the Gorman Charter Schools. Dr. Hawkins career in education has included working on joint labor management issues at the Los Angeles Unified School District and managing business services at Adelanto Elementary School District. Dr. Hawkins received a Bachelor's degree in Management, Master's degree in business administration from Touro College and University System and a Doctor of Ministry with a research emphasis in spiritual formation. Dr. Hawkins is currently completing his Ph.D. in Transformational Leadership at Bakke Graduate University.

Average Daily Attendance and Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 24:1 for grades K-3, 24:1 in grades 4-6 and 24:1 in grades 7-8 and 24:1 in grades 9-12. The following table shows ADA and enrollment figures for the District for the last eight years.

AVERAGE DAILY ATTENDANCE
Fiscal Years 2009-10 through 2016-17
Bassett Unified School District

Year	Average Daily Attendance[1]	Enrollment[2]
2009-10	4,585.77	4,839
2010-11	4,366.10	4,526
2011-12	4,233.35	4,305
2012-13	4,085.29	4,194
2013-14	3,972.30	4,138
2014-15	3,867.24	3,959
2015-16	3,683.28	3,791
2016-17[3]	3,560.73	3,664

(1) Except for fiscal year 2016-17, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. ADA figures exclude enrollment from County operated programs.
(2) For fiscal years 2009-10 through 2012-13, reflects enrollment as of the October CBEDS report. For fiscal years 2013-14 and later, reflects enrollment as of the October CALPADS report. in each school year.
(3) Projected.
Source: The Bassett Unified School District.

Labor Relations

The District currently employs 244 full-time certificated employees and 138 classified employees. In addition, the District employs approximately 225 part-time faculty and staff. District employees, except management and some part-time employees, are represented by two employee bargaining units, as noted below:

BARGAINING UNITS
Bassett Unified School District

Labor Organization	Number of Employees in Organization	Contract Expiration Date
Bassett Teachers' Association	209	June 30, 2019
California School Employees Association	280	June 30, 2019

Source: Bassett Unified School District.

District Retirement Programs

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

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

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

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: AB 1469.

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

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

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

Source: AB 1469.

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

The District's contributions to STRS were $1,524,168 for fiscal year 2012-13, $1,591,539 for fiscal year 2013-14, $1,781,750 for fiscal year 2014-15 and $1,705,678 (unaudited) in fiscal year 2015-16. The District has budgeted a contribution of $2,054,144 for fiscal year 2016-17.

The State also contributes to STRS, currently in an amount equal to 6.328% of teacher payroll for fiscal year 2016-17. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2014 included 1,580 public agencies and 1,513 K-14 school districts. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.847% of eligible salary expenditures for fiscal year 2015-16 and 13.888% in fiscal year 2016-17. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal year 2015-16 and fiscal year 2016-17. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were $738,947 for fiscal year 2012-13, $797,629 for fiscal year 2013-14, $964,574 for fiscal year 2014-15 and $705,218 (unaudited) for fiscal year 2015-16. The District has projected a contribution of $885,013 for fiscal year 2016-17.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions) [(1)]
Fiscal Years 2010-11 through 2014-15

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[(2)]	Unfunded Liability (MVA)[(2)(3)]	Value of Trust Assets (AVA)[(4)]	Unfunded Liability (AVA)[(4)]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[(2)]	Unfunded Liability (MVA)[(2)]	Value of Trust Assets (AVA)[(4)]	Unfunded Liability (AVA)[(4)]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[(5)]	--[(5)]
2014-15	73,325	56,814	16,511	--[(5)]	--[(5)]

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets.
(3) Excludes assets allocated to the SBPA reserve.
(4) Reflects actuarial value of assets.
(5) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. The following are certain of the actuarial assumptions adopted by the STRS Board with respect to the STRS Defined Benefit Program Actuarial Valuation for fiscal year 2014-15: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” 7.50% investment rate of return (net of investment and administrative expenses), 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. According to the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2015, the future revenue from contributions and appropriations for the STRS Defined Benefit Program was projected to be sufficient to finance its obligations. This finding reflects the scheduled contribution increases specified in AB 1469 and is based on the valuation assumptions and the valuation policy adopted by the STRS Board.

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

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over the next three years in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate will go into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The three-year reduction of the discount rate to 7.0% is expected to result in average employer rate increases of approximately 1-3% of normal cost as a percent of payroll for most miscellaneous retirement plans and a 2-5% increase for most safety plans.

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions will first be reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

The District's net pension liabilities for its proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2015, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
STRS	$25,127,910
PERS	7,492,607
Total	$32,620,517

For more information, see "APPENDIX B – 2014-15 Audited FINANCIAL STATEMENTS OF THE DISTRICT – Note 10" attached hereto.

Early Retirement Incentive Program. All full-time certificated employees, as well as certain classified employees, are eligible to participate in the District's early retirement incentive program (the "ERIP"), pursuant to the terms of their bargaining unit contracts and provided such employees attain age 55 with at least 15 years of service to the District. ERIP benefit recipients receive annual benefit payments ranging in amount from $2,000 to $7,500, paid in equal installments, for terms ranging from five years to life. The ERIP benefit is paid out annually to the retiree in equal installments.

Additionally, on April 3, 2012, the District entered into a Memorandum of Understanding (the "MOU") with the Bassett Teachers' Association, pursuant to which certificated non-management employees became eligible for the following early retirement benefits: (i) employees that attained age 65 or older by June 30, 2013 receive a one-time payment from the District of $22,000 upon separation from service pursuant to the MOU; (ii) employees that attained age 64 by June 30, 2013 receive a one-time payment from the District of $41,250 upon separation from service pursuant to the MOS; and (iii) employees that attained age 55 but who have not yet reached age 64 by June 30, 2013 receive a one-time payment from the District of $52,250 upon separation from service pursuant to the MOU.

As of June 30, 2016, 60 employees participated in the ERIP or received benefits pursuant to the MOU, and the District's obligations under the ERIP and MOU totaled $358,582.66.

Other Postemployment Benefits

Benefits Plan. The District provides supplemental postemployment health care benefits (the "OPEB") to eligible employees who retire from the District on or after attaining age 55 (to age 65). On June 30, 2015, 20 retirees and beneficiaries met these eligibility requirements and were OPEB recipients, and the OPEB plan had 268 active members.

The District currently finances the OPEB on a "pay-as-you-go" basis, with additional amounts paid to prefund benefits if so determined annually by the OPEB plan governing board. The District's contributions to the OPEB were $96,158 in fiscal year 2014-15 (all of which was used for current premiums), $73,556 in fiscal year 2015-16 (unaudited) (all of which was used for current premiums), and has budgeted a contribution of $165,000 in fiscal year 2016-17 (all of which is expected to be used for current premiums).

Accrued Liability. The District has implemented GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, pursuant to which the District has commissioned and received several actuarial studies of its outstanding liabilities with respect to the Benefits. The most recent of these studies, prepared by Total Compensation Systems, Inc. on October 1, 2013, determined that the actuarial accrued liability ("AAL") with respect to the Benefits, as of a September 1, 2013 valuation date, is $2,668,994. The Study also concluded that the annual required contribution ("ARC") is $221,553. The ARC is the amount that would be necessary to fund the value of future benefits earned by current employees during each fiscal year (the "Normal Cost") and the amount necessary to amortize the AAL, in accordance with the GASB Statements Nos. 43 and 45.

As of June 30, 2015, the District recognized a net long-term obligation of $928,051 with respect to the Benefits (the "Net OPEB Obligation"), based on the District's contributions towards the ARC during fiscal year 2014-15. See "BASSETT UNIFIED SCHOOL DISTRICT – District Debt Structure – Long-Term Debt" herein and "APPENDIX B –2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 8" attached hereto.

Risk Management and Joint Powers Authorities

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases property insurance through the Alliance for School's Cooperative Insurance Programs ("ASCIP") JPA for property damage or loss with coverage up to a maximum of $500 million ($500,000,000 replacement cost subject to policy limits, terms, conditions, sub-limits and exclusions).

The District also purchases insurance for general liability claims with coverage up to $1 million ($1,000,000) combined single limit per occurrence and $5 million ($5,000,000) aggregate, with excess liability coverage up to $20 million, up to a maximum of $25 million ($25,000,000) ultimate net loss for each occurrence for 2015. The District has dollar-one coverage for general liability and a $5,000 deductible for property coverage.

The District also purchases workers' compensation insurance coverage through the ASCIP JPA for bodily injury by accident or disease of employees arising out of and in the course and scope of the injured employee's employment. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

Description. The District's risk management activities are recorded in the General and Deductible Insurance Funds. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. Effective July 1, 2009, the District is a member participant of the Alliance for School's Cooperative Insurance Programs ("ASCIP") under a joint powers agreement. Liability coverage is through ASCIP's vendor Schools Excess Liability Fund ("SELF"). Refer to Note 12 for additional information regarding the joint powers agreement.

District Debt Structure

Bond Anticipation Notes. On November 23, 2016, the District issued the 2016 Notes in an aggregate principal amount of $4,700,000. The 2016 Notes mature on June 1, 2017. The 2016 Notes were issued to finance the repair, upgrading, construction and equipping of certain District sites and facilities, in anticipation of the issuance of bonds pursuant to the 2010 Authorization. The 2016 Notes are general obligations of the District payable from (i) proceeds of a future sale of such bonds, (ii) renewal notes, or (iii) from other funds of the District lawfully available for the purpose of repaying the 2016 Notes, including State grants. Proceeds from the sale of the Bonds will be used to pay the redemption price of the 2016 Notes to be redeemed on the first optional redemption date therefor, together with any interest due on the 2016 Notes on and prior to such date. Following the application and investment of the proceeds of the Bonds as described in "THE BONDS – Application and Investment of Bond Proceeds" the 2016 Notes will be defeased and the obligation of the District to make payments of principal thereof and interest thereon will terminate. See "THE BONDS – Application and Investment of Bond Proceeds" herein.

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

	Balance as of July 1, 2014	**Additions**	**Deductions**	**Balance June 30, 2015**
General Obligation Bonds[1]	$43,639,476	$25,809,418	$(15,740,000)	$53,708,894
Compensated Absences[2]	474,683	--	--	474,683
Retirement Incentive Program [2]	926,460	--	(5,210)	921,250
Capital Lease Obligations	2,590,211	--	(166,316)	2,423,895
OPEB obligation[2][3]	802,656	221,553	(96,158)	928,051
Unamortized Bond Premium	--	993,446	--	993,446
Net Pension Liability[4]	40,913,148	--	(8,292,631)	32,620,517
Total	$89,346,634	$27,024,417	$(24,300,315)	$92,070,736

(1) Does not include 2016 Notes.
(2) Payments on the ERIP and OPEB are made from the District's general fund. Payments on the compensated absences are made from the fund for which the related employee worked.
(3) Reflects the change in the District's net OPEB obligation, based on its contributions towards the ARC. See "BASSETT UNIFIED SCHOOL DISTRICT – Other Post-Employment Benefits" herein.
(4) Reflects the aggregate of the District's proportionate share of net pension liabilities for the STRS and PERS programs for fiscal year ending June 30, 2015. See also "Bassett Unified School District – District Retirement Progams – GASB Statement Nos. 67 and 68" and Note 10 to the fiscal year 2014-15 audited financial statements included as APPENDIX B hereto.
Source: Bassett Unified School District.

General Obligation Bonds. On November 2, 2004, the voters of the District approved the issuance of not-to-exceed $23,000,000 of general obligation bonds (the "2004 Authorization"). On March 10, 2005, the District issued its General Obligation Bonds, Election of 2004, Series 2005A in the aggregate principal amount of $12,363,351.50 (the "2004 Series A Bonds") pursuant to the 2004 Authorization. On August 2, 2006, the District issued its General Obligation Bonds, Election of 2004, Series B in the aggregate principal amount of $6,614,360.70 (the "2004 Series B Bonds") and its General Obligation Bonds, Election of 2004, Series C in the aggregate principal amount of $4,021,831.55 (the "2004 Series C Bonds"), both pursuant to the 2004 Authorization and as the final bond issuances thereunder.

On November 7, 2006, the voters of the District approved the issuance of not-to-exceed $20,000,000 of general obligation bonds (the "2006 Authorization"). On September 5, 2007, the District issued its General Obligation Bonds, Election of 2006, Series 2007 in the aggregate principal amount of $14,999,566.05 (the "2006 Series A Bonds") pursuant to the 2006 Authorization. On January 31, 2008, the District issued its General Obligation Bonds, Election of 2006, Series B (Bank Qualified) in the aggregate principal amount of $4,999,970.20 (the "2006 Series B Bonds") pursuant to the 2006 Authorization and as the final bond issuance thereunder.

On December 17, 2014, the District issued its 2014 General Obligation Refunding Bonds, Series A in the aggregate principal amount of $8,690,000 (the "2014 Refunding Bonds, Series A") to refund portions of the District's then-outstanding 2004 Series A Bonds and 2004 Series B Bonds. On May 5, 2015, the District will issue its 2014 General Obligation Refunding Bonds, Series B on a forward delivery basis in the aggregate principal amount of $6,415,000 (the "2014 Refunding Bonds, Series B") to refund additional portions of the District's then-outstanding 2004 Series A Bonds and 2004 Series B Bonds.

The District received authorization at the Election, held on November 4, 2014, by at least 55% of the votes cast by eligible voters within the District to issue $30,000,000 maximum principal amount of general obligation bonds (the "2014 Authorization"). On May 20, 2015, the District issued its Election of 2014 General Obligation Bonds, Series A in the aggregate principal amount of $9,900,000 (the "2014 Series A Bonds") pursuant to the 2014 Authorization and as the first bond issuance thereunder. $20,100,000 of the 2014 Authorization remains unissued.

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GENERAL OBLIGATION BONDED INDEBTEDNESS – ANNUAL DEBT SERVICE REQUIREMENTS
Bassett Unified School District

Year Ending August 1	2004 Series A Bonds[1]	2004 Series B Bonds[1]	2004 Series C Bonds[1]	2006 Series A Bonds[1]	2006 Series B Bonds[1]	2014 Refunding Bonds, Series A[1]	2014 Refunding Bonds, Series B[1]	2014 Series A Bonds[1]	The Bonds	Total Annual Debt Service
2017	$500,000.00	--	--	$1,098,848.76	$144,860.00	$390,200.00	$320,750.00	$1,095,493.76	$339,156.94	$3,889,309.46
2018	550,000.00	--	--	1,121,173.76	166,375.00	392,900.00	320,750.00	348,143.76	912,902.50	3,812,245.02
2019	--	--	--	1,149,918.76	181,865.00	510,500.00	740,750.00	357,743.76	963,552.50	3,904,330.02
2020	--	--	--	1,173,200.00	206,535.00	525,700.00	774,750.00	372,143.76	982,552.50	4,034,881.26
2021	--	--	--	1,194,075.00	229,975.00	527,700.00	826,000.00	386,243.76	750,802.50	3,914,796.26
2022	--	--	--	1,221,500.00	257,185.00	538,950.00	863,500.00	395,043.76	750,802.50	4,026,981.26
2023	--	--	--	1,246,000.00	282,960.00	523,950.00	942,750.00	413,643.76	750,802.50	4,160,106.26
2024	--	--	--	1,272,750.00	312,300.00	569,950.00	956,500.00	426,731.26	855,802.50	4,394,033.76
2025	--	--	--	1,300,750.00	335,000.00	589,300.00	997,750.00	438,581.26	861,602.50	4,522,983.76
2026	--	--	--	1,329,750.00	365,000.00	592,750.00	1,050,000.00	454,981.26	897,002.50	4,689,483.76
2027	--	--	--	1,354,500.00	400,000.00	610,750.00	1,102,500.00	470,781.26	930,802.50	4,869,333.76
2028	--	--	--	1,385,000.00	430,000.00	1,762,850.00	--	490,981.26	968,002.50	5,036,833.76
2029	--	--	--	1,415,000.00	465,000.00	1,833,006.26	--	505,200.00	1,013,402.50	5,231,608.76
2030	--	--	--	1,445,000.00	505,000.00	1,907,268.76	--	522,000.00	1,056,602.50	5,435,871.26
2031	--	$2,190,000.00	--	--	2,015,000.00	--	--	542,800.00	1,097,602.50	5,845,402.50
2032	--	--	$2,100,000.00	1,500,000.00	--	--	--	562,400.00	1,141,402.50	5,303,802.50
2033	--	--	2,185,000.00	--	1,500,000.00	--	--	580,800.00	1,192,802.50	5,458,602.50
2034	--	--	2,270,000.00	--	1,500,000.00	--	--	598,000.00	1,241,402.50	5,609,402.50
2035	--	--	2,250,000.00	--	1,500,000.00	--	--	624,000.00	1,292,202.50	5,666,202.50
2036	--	--	2,250,000.00	--	1,500,000.00	--	--	643,400.00	1,345,002.50	5,738,402.50
2037	--	--	2,250,000.00	--	1,000,000.00	--	--	666,400.00	1,401,502.50	5,317,902.50
2038	--	--	2,050,000.00	--	--	--	--	687,800.00	1,464,815.00	4,202,615.00
2039	--	--	2,050,000.00	--	--	--	--	712,600.00	1,524,565.00	4,287,165.00
2040	--	--	2,050,000.00	--	--	--	--	740,600.00	1,585,752.50	4,376,352.50
2041	--	--	2,050,000.00	--	--	--	--	761,600.00	1,653,190.00	4,464,790.00
2042	--	--	2,050,000.00	--	--	--	--	790,800.00	1,721,502.50	4,562,302.50
2043	--	--	2,050,000.00	--	--	--	--	817,800.00	1,795,502.50	4,663,302.50
2044	--	--	--	--	--	--	--	847,600.00	1,868,330.00	2,715,930.00
2045	--	--	--	--	--	--	--	--	2,576,152.50	2,576,152.50
2046	--	--	--	--	--	--	--	--	2,679,330.00	2,679,330.00
Total	$1,050,000.00	$2,190,000.00	$25,605,000.00	$19,207,466.28	$13,297,055.00	$11,275,775.02	$8,896,000.00	$16,254,312.62	$37,614,846.94	$135,390,455.86

(1) Semi-annual interest payments thereon are due each February 1 and August 1. Principal thereof payable on August 1 of each year.

Capital Lease Obligations. The District leased facilities and equipment under agreements that were classified as capital leases. The liability under the lease agreement with option to purchase was $3,105,252 as of June 30, 2015. The required minimum lease payments under the terms of the capital lease as of June 30, 2015 are as follows:

	Year Ending (June 30)	Lease Payment
	2016	$282,300
	2017	282,300
	2018	282,300
	2019	282,300
	2020	282,300
	2021-2025	1,411,500
	2026	282,252
		3,105,252
Less amount representing interest		(681,357)
Present value of minimum lease payments		$2,423,895

Source: Bassett Unified School District.

The cost under capital leases of $3,598,885 and accumulated amortization of $2,483,231 were included in capital assets in the statement of net position in the District's 2015 Audited Financial Statements. Amortization of assets under capital leases was included in depreciation expense under such audit. The net book value of the equipment under capital lease as of June 30, 2015 is as follows:

	Lease Payment
Equipment	$3,598,885
Less: accumulated depreciation	(2,483,231)
Total:	1,115,654

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted 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). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

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

LIMITATION ON REMEDIES; BANKRUPTCY

General. State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

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

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies. The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the Los Angeles County Treasury Pool, as described in "THE BONDS – Application and Investment of Bond Proceeds" and "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX E – LOS ANGELES COUNTY TREASURY POOL" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinion of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed form of the approving opinion of

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

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertakings. The District has covenanted for the benefit of the Owners 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 following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2015-16 Fiscal Year, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS." These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has failed to file notices of certain enumerated events, as required by its existing continuing disclosure obligations.

No Litigation

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

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2015, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Vavrinek Trine Day & Co. LLP (the "Auditor"), are included in this Official Statement as Appendix B. In connection with the inclusion of the financial statements and the report of the Auditor herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report. In the District's audited financial statements attached as APPENDIX B hereto, the District restated the beginning net position as of the beginning of Fiscal Year 2014-15 to retroactively implement GASB Statement Nos. 68 and 71, which require the reporting of the net pension liability of the District's defined benefit pension plan in the financial statements. The effect of such restatement was to reduce such beginning net position by $39,142,161 as of July 1, 2014. In addition, the general fund balance as of June 30, 2014 was restated to correct the overstatement in revenues from revenue limit sources reported in fiscal year 2012-13. The effect of such restatement was to reduce the beginning balance of the general fund by $1,657,790. See "APPENDIX B – 2014-15 Audited FINANCIAL STATEMENTS OF THE DISTRICT – Note 13" herein.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds are expected to be assigned a rating of "AA," with a stable outlook, by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), based upon the issuance of the Policy by BAM. The Bonds have also been assigned an underlying rating of "A+" by S&P.

The ratings reflect only the views of S&P, and any explanation of the significance of such ratings should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

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

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any ratings changes on the Bonds. See "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agency prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to S&P and its website and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

Underwriting

Purchase of Bonds. BOK Financial Securities, Inc. (the "Underwriter") has agreed, pursuant to a purchase contract by and between the District and the Underwriter, to purchase all of the Bonds for a purchase price of $19,877,954.85 (consisting of the aggregate principal amount of the Bonds of $20,100,000.00, minus net original issue discount of $91,395.15, and less an Underwriter's discount of $130,650.00).

The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

The Underwriter has provided the following information for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should not be construed as a representation of the District.

BOK Financial Securities, Inc. is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

Additional Information

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

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

BASSETT UNIFIED SCHOOL DISTRICT

By: /s/ Alex J. Rojas, Ed.D.
Superintendent

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APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

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

February 22, 2017

Board of Education
Bassett Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $20,100,000 Bassett Unified School District Election of 2014 General Obligation Bonds, Series B (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq*., a fifty-five percent vote of the qualified electors of the Bassett Unified School District (the "District") voting at an election held on November 4, 2014, and a resolution of the Board of Education of the District (the "Resolution").

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the federal income tax liability of corporations.

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

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The

amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6 The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Bond Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bond Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and by the limitation on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

2014-15 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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Bassett Unified School District
Audited Financial Statements
Year Ended June 30, 2015
with Report of Independent Auditors

An Independently Owned Member
McGLADREY ALLIANCE
McGladrey

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

GOVERNING BOARD

Member	Office	Term Expires
Paul Solano	President	2018
Dolores Rivera	Vice President	2018
Javier Romo	Clerk	2018
Joe Medina	Member	2015
Patrice Stanzione	Member	2015

ADMINISTRATION

Alex Rojas	Superintendent
Arturo Sanchez-Macias	Asst. Superintendent, Adminstrative Services/CBO
Julio Fonseca	Associate Superintendent
Martha Arceo	Executive Director, Curriculum & Instruction

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Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

Report of Independent Auditors

The Honorable Board of Trustees
Bassett Unified School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bassett Unified 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 an opinion 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, the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States and the *2014-2015 Guide for Annual Audits of California K-12 Local Education Agencies* and *State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the required supplementary information on pages 56 through 60 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 District's basic financial statements. The supplementary information listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Combining Statements - Nonmajor Governmental Funds, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, on our consideration of the 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 the District's internal control over financial reporting and compliance.

Vasquez & Company LLP

Los Angeles, California
January 29, 2016

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Management’s Discussion and Analysis

This section of Bassett Unified School District's (the "District") (2014-15) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015 with comparative totals for June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The Bassett Unified School District has ended the 2014-15 fiscal year with a deficit in net position of $7.3 million which was lower by $44.5 million from the prior year's net position mainly because of restatements made to record net pension liability of $39.1 million as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statements No. 27 and 50*. The District continues to experience a decline in enrollment which results in lower attendance. Average Daily Attendance (ADA) and current year's enrollment are now factored in the calculation of the newly approved Local Control Funding Formula (LCFF) or AB 97, signed by Governor Brown on June 27, 2013. The LCFF is the major financing resource, which represents approximately 62% of the district's actual revenues. The significant changes in the District's net position and changes in net position are discussed below.

During the fiscal year ended June 30, 2015, the District implemented the following new Statements of the Governmental Accounting Standards Board (GASB): GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statements No. 27 and 50* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. These statements required the District to report unfunded pension liability in its financial statements starting in fiscal year 2014-2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide financial statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term,* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

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

District-Wide Financial Statements

The District-Wide Financial 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 District's assets and liabilities with the exception of other post-employment benefits. 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 District-Wide Financial Statements report the District's *net position* and how they have changed. Net position – the difference between the District's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources - are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are shown as governmental activities.

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term obligations) or to show that it is properly using certain revenues (like State grants for building projects).

The District has two kinds of funds:

Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* 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 district-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's deficit in net position was $7.3 million for the fiscal year ended June 30, 2015. Of this amount, $32.1 million represents deficit in unrestricted net position which was a result of net pension liability reported as of June 30, 2015. Restricted net position of $3.2 million is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and enabling legislation that limit the School Board's ability to use this net position for day-to-day operations. The net position which represents net investment in capital assets of $21.6 million pertains to capital assets the District use to provide basic services and programs. The analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	2015	2014
Assets		
Current and other assets	**$ 29,016,540**	$ 28,646,465
Capital assets	**67,455,165**	64,771,801
Deferred outflows of resources	**2,746,324**	-
Total assets and deferred ouflows of resources	**99,218,029**	93,418,266
Liabilities and deferred inflows of resources		
Current liabilities	**7,833,461**	6,923,784
Long-term liabilities	**89,951,633**	48,433,486
Deferred inflows of resources	**8,762,244**	892,241
Total liabilities and deferred inflows of resources	**106,547,338**	56,249,511
Net position		
Net investment in capital assets	**21,586,590**	21,691,534
Restricted	**3,195,653**	8,937,199
Unrestricted	**(32,111,552)**	6,540,022
Total net position	**$ (7,329,309)**	$ 37,168,755

*The 2014 information do not include the effects of the GASB 68 implementation.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 presents total revenues and total expenses for governmental activities by category.

Table 2

	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	**$ 5,621,375**	$ 2,298,717
Operating grants and contributions	**24,086,521**	12,540,023
General revenues		
State revenue limit sources	**31,295,250**	30,629,264
Property taxes	**4,458,544**	6,311,658
Other general revenues	**619,144**	322,540
Total revenues	**66,080,834**	52,102,202
Expenses		
Instruction related	**34,295,350**	32,762,861
Pupil services	**5,979,744**	5,891,882
General administration	**4,821,169**	4,188,306
Plant services	**7,488,386**	6,326,222
Other (other outgo, interest on long-term obligations)	**17,194,298**	5,635,054
Total expenses	**69,778,947**	54,804,325
Change in net position	**$ (3,698,113)**	$ (2,702,123)

*The 2014 information do not include the effects of the GASB 68 implementation.

The District's expenses are predominantly related to education of students which represent 58% percent of total expenses. The general administrative activities of the District accounted for only 7% of total costs.

Governmental Activities

Table 3 presents the costs of five major District activities: instruction-related, pupil services, general administration, plant services, and other (other outgo, depreciation, interest on long-term obligations). The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

The cost of all *governmental* activities was $69.8 million during the year ended June 30, 2015.

- The Federal and State governments subsidized certain programs with grants and contributions.
- District taxpayers and the taxpayers of our State, however, financed most of the District's costs.
  - This portion of governmental activities was financed with $4.5 million in property taxes, and $29.6 million of unrestricted State aid based on the statewide education aid formula.

Table 3

	Governmental Activities			
	2015		2014	
	Total Cost of Services	**Net Cost of Services**	Total Cost of Services	Net Cost of Services
Instruction related	**$ 34,295,350**	**$ 21,335,972**	$ 32,762,861	$ 26,504,984
Pupil services	**5,979,744**	**(5,158,216)**	5,891,882	187,050
General administration	**4,821,169**	**4,821,169**	4,188,306	4,188,306
Plant services	**7,488,386**	**6,812,495**	6,326,222	6,019,297
Other (other outgo, ancillary services, enterprise services, interest on long-term obligations)	**17,194,298**	**12,259,631**	5,635,054	3,065,948
Total	**$ 69,778,947**	**$ 40,071,051**	$ 54,804,325	$ 39,965,585

*The 2014 information do not include the effects of the GASB 68 implementation.

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 *combined* fund balances of $24.1 million compared to $19.8 million in the prior year. This increase of $4.3 million is attributable mainly to the net increase in the Building Fund and one time funding in the General Fund during the year ended June 30, 2015.

General Fund Budgetary Highlights

According to Education Code (EC) Sections 42600-42603, and 42610, over the course of the year, the District revised its annual operating budget several times. These budget amendments fall into two categories:

- To reflect State budget changes.
- To control and monitor budget to prevent expenditure overruns.

While the District's final adopted budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues by $109.5 thousand, the actual results for the year showed that expenditures and transfers out were lesser than actual revenues and transfers in by $1.5 million; increasing the fund balance by the same amount.

- Actual revenues were approximately $4.5 million higher than the final adopted budget.
- The actual expenditures were higher by $2.6 million than the final adopted budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, the District had invested $67.5 million (net of accumulated depreciation of $26.8 million) in a broad range of capital assets, including building and building improvements, furniture, computer and audiovisual equipment (See Table 4). More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was $2.4 million.

Table 4

	Governmental Activities	
	2015	2014
Land and construction in progress	**$ 1,259,276**	$ 1,673,224
Building and improvements	**60,933,020**	58,233,770
Furniture and equipment	**5,262,869**	4,864,807
	$ 67,455,165	$ 64,771,801

Long-Term Obligations

At year-end, the District had $92.1 million in long-term obligations outstanding – an increase of $43.5 million from last year mainly due to the restatement made for net pension liability of $32.6 million and issuance of new bonds. During the year the district obtained funding from bonds issuance and refunding amounting to $25.0 million and paid off loans amounting to $15.7 million. Refer also to Table 5. (More detailed information about the District's long-term obligations is presented in Note 6 to the financial statements.)

Table 5

	Governmental Activities	
	2015	2014
General obligation bonds	**$ 53,708,894**	$ 43,639,476
Compensated absences	**474,683**	474,683
Retirement incentive program	**921,250**	926,460
Capital leases	**2,423,895**	2,590,211
OPEB obligation - net	**928,051**	802,656
Unamortized bond premium	**993,446**	-
Net pension liability	**32,620,517**	-
Total	**92,070,736**	48,433,486
Less: current portion of long term debt	**(2,119,103)**	(1,757,813)
Noncurrent portion of long term debt	**$ 89,951,633**	$ 46,675,673

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has been positively impacted by the implementation of LCFF. While the statutory COLA is forecasted to be only .47% in 2016-17, the biggest financial impact came from the supplemental and concentration grants of LCFF in 2015-2016. Fiscal Year 2014-2015 ended financially stable on both restricted and unrestricted funds. The District went through a challenging administrative transition due to changes in the Finance staff. Even with a strong governor's budget and significant increase in State Aid, fiscal prudence must be applied and the District will be actively working to match ongoing revenues with ongoing expenses. Even with the positive economic growth, and LCFF gap closure, the increase in expenditures charged to "base funding" are at a pace that exceeds the COLAs applied to the base. Increases in CalPERS and CalSTRS will create necessary adjustments in other areas of the District's budget. Accountability, transparency and the involvement of all stakeholders will be the basis of creating a sound financial future that not only guarantees the 3% economic uncertainty required by the state, but controls spending to maximize and enhance the education of children.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, communities, parents, investors and creditors with a general overview of the District's financial situation and to demonstrate the District's accountability for managing fund. If you have any questions about this report or need additional financial information, please contact the Business Office, Bassett Unified School District, 904 N. Willow Avenue, La Puente, California 91746, or email arojas@bassettusd.org.

Basic Financial Statements

	Governmental Activities
ASSETS	
Current Assets	
Deposits and investments	$ 25,466,263
Receivables	3,014,694
Stores inventories and other assets	535,583
Total current assets	29,016,540
Noncurrent Assets	
Capital assets:	
Land and construction in process	1,259,276
Other capital assets	93,052,327
Less accumulated depreciation	(26,856,438)
Net capital assets	67,455,165
Total noncurrent assets	67,455,165
Total assets	96,471,705
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	2,746,324
Total assets and deferred outflows of resources	99,218,029
LIABILITIES	
Current liabilities	
Accounts payable	4,429,790
Interest payable	777,705
Unearned revenue	506,863
Current portion of long-term obligations	2,119,103
Total current liabilities	7,833,461
Noncurrent liabilities	
Noncurrent portion of long-term obligations	56,337,670
Unamortized bond premium	993,446
Net pension liability	32,620,517
Total noncurrent liabilities	89,951,633
Total liabilities	97,785,094
DEFERRED INFLOWS OF RESOURCES	
Net difference between projected and actual earnings on pension plan investments	8,762,244
Total liabilities and deferred inflows of resources	106,547,338
NET POSITION	
Net investment in capital assets	21,586,590
Restricted	3,195,653
Unrestricted	(32,111,552)
Total net position	$ (7,329,309)

The accompanying notes to the financial statements are an integral part of these financial statements.

Bassett Unified School District
Government-wide Financial Statements
Statement of Activities
Year ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental activities:				
Instruction	$ 28,679,101	$ 4,378,592	$ 7,734,577	$ (16,565,932)
Instruction - related activities:				
Supervision of instruction	2,781,218	-	846,209	(1,935,009)
Instruction library, media and technology	1,139,840	-	-	(1,139,840)
School site administration	1,695,191	-	-	(1,695,191)
Pupil services:				
Home-to-school transportation	471,827	-	458,559	(13,268)
Food services	1,261,012	707,551	4,576,801	4,023,340
All other pupil services	4,246,905	132,724	5,262,325	1,148,144
General administration:				
Data processing	23,981	-	-	(23,981)
All other general administration	4,797,188	-	-	(4,797,188)
Plant services	7,488,386	402,508	273,383	(6,812,495)
Ancillary services	410,009	-	-	(410,009)
Enterprise services	885,192	-	-	(885,192)
Debt service - interest and finance charges	3,406,117	-	-	(3,406,117)
Other outgo	12,492,980	-	4,934,667	(7,558,313)
Total governmental activities	$ 69,778,947	$ 5,621,375	$ 24,086,521	(40,071,051)
General revenues and subventions:				
Property taxes, levied for general purposes				4,458,544
Federal and State aid not restricted to specific purposes				31,295,250
Interest and investments earnings				121,295
Miscellaneous				497,849
Total general revenues				36,372,938
Change in net position				(3,698,113)
Net position - beginning (as restated)				(3,631,196)
Net position - ending				$ (7,329,309)

The accompanying notes to the financial statements are an integral part of these financial statements.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	$ 7,700,406	$ 10,252,133	$ 7,513,724	$ 25,466,263
Receivables	1,810,390	12,081	1,192,223	3,014,694
Stores inventories and other assets	195,771	-	339,812	535,583
Total assets	9,706,567	10,264,214	9,045,759	29,016,540
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	3,229,696	642,265	557,829	4,429,790
Unearned revenue	506,863	-	-	506,863
Total liabilities	3,736,559	642,265	557,829	4,936,653
FUND BALANCES				
Nonspendable	220,771	-	339,812	560,583
Restricted	914,850	-	1,720,220	2,635,070
Committed	-	9,621,949	2,211,119	11,833,068
Assigned	-	-	2,122,302	2,122,302
Unassigned	4,834,387	-	2,094,477	6,928,864
Total fund balance	5,970,008	9,621,949	8,487,930	24,079,887
Total liabilities, deferred inflows of resources and fund balance	$ 9,706,567	$ 10,264,214	$ 9,045,759	$ 29,016,540

The accompanying notes to the financial statements are an integral part of these financial statements.

Bassett Unified School District
Fund Financial Statements
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total fund balance - governmental funds		$ 24,079,887
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets and long-term obligations used in governmental activities are not financial resources and, therefore, are not reported as assets and liabilities in governmental funds.		
Capital assets at year-end consist of:		
The cost of capital assets	$ 94,311,603	
Accumulated depreciation	(26,856,438)	
Net capital assets		67,455,165
Deferred pension contributions are not considered financial resources and are not reported in the governmental funds.		2,746,324
In governmental funds, interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, interest on long-term obligations is recognized when it is incurred.		(777,705)
Deferred inflows of resources related to pensions are not available to pay for current period expenses and are not reported in governmental funds.		(8,762,244)
Long-term obligations at year-end consist of:		
General obligation bonds	(53,708,894)	
Compensated absences	(474,683)	
Retirement incentive program	(921,250)	
Capital lease obligations	(2,423,895)	
Other postemployment benefits (OPEB)	(928,051)	
Unamortized bond premium	(993,446)	
Net pension liability	(32,620,517)	
Total long-term obligations		(92,070,736)
Total net position - governmental activities		$ (7,329,309)

The accompanying notes to the financial statements are an integral part of these financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2015

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula	$ 35,538,964	$ -	$ -	$ 35,538,964
Federal sources	2,795,741	-	4,390,302	7,186,043
Other state sources	2,751,577	-	1,212,189	3,963,766
Other local sources	5,703,913	21,924	3,561,224	9,287,061
Total revenue	46,790,195	21,924	9,163,715	55,975,834
Expenditures				
Instruction	24,370,705	-	2,693,320	27,064,025
Instruction-related services				
Supervision of instruction	1,555,732	-	1,142,208	2,697,940
Instruction library, media and technology	696,014	-	428,357	1,124,371
School site administration	1,481,441	-	85,955	1,567,396
Pupil services				
Home-to-school transportation	445,254	-	-	445,254
Food services	-	-	1,192,072	1,192,072
All other pupil services	2,734,623	-	1,410,080	4,144,703
General administration				
Data processing	-	-	-	-
All other general administration	4,797,188	-	-	4,797,188
Plant services	5,947,774	4,979,267	1,693,562	12,620,603
Ancillary services	410,009	-	-	410,009
Other outgo	2,554,296	-	-	2,554,296
Enterprise services	-	-	885,192	885,192
Debt service - interest and finance charges	-	-	1,478,298	1,478,298
Debt service - principal repayment	-	-	840,000	840,000
Total expenditures	44,993,036	4,979,267	11,849,044	61,821,347
Excess(deficiency) of revenues over expenditures	1,797,159	(4,957,343)	(2,685,329)	(5,845,513)
Other financing sources/uses				
Transfers in	1,065,000	1,412,966	1,348,028	3,825,994
Transfers out	(1,348,028)	-	(2,477,966)	(3,825,994)
Proceeds and premium from issuance of bonds	-	25,005,000	-	25,005,000
Payments to refunded debt escrow agent	-	(14,900,000)	-	(14,900,000)
	(283,028)	11,517,966	(1,129,938)	10,105,000
Net change in fund balance	1,514,131	6,560,623	(3,815,267)	4,259,487
Fund balance - beginning, as restated	4,455,877	3,061,326	12,303,197	19,820,400
Fund balance - ending	$ 5,970,008	$ 9,621,949	$ 8,487,930	$ 24,079,887

The accompanying notes to the financial statements are an integral part of these financial statements.

Total net change in fund balances - governmental funds		$ 4,259,487
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, those costs are shown in the Statement of Net Assets, and allocated over their estimated useful lives as depreciation expense in the Statement of Activities.		
This is the amount of which depreciation expense exceeds capital outlay in the period.		
Capital outlay	$ 5,132,217	
Depreciation expense	(2,448,853)	2,683,364
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds	15,740,000	
Capital lease obligations	166,316	
Retirement incentive program	5,210	15,911,526
Proceeds from debt issuance is reported as revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(25,005,000)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of the net effect of the decrease in accrued interest on the general obligation bonds and capital lease obligations and the additional accumulated interest that was accreted on the District's "capital appreciation" general obligation bonds.		(934,373)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these related items:		
Unamortized premium on debt		(993,446)
In the Statement of Activities, Pension Expense is reported based on determined amount. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the net pension liability were more than the actuarially determined pension expense by $505,724.		505,724
In the Statement of Activities Other Postemployment Benefit Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by $125,395.		(125,395)
Change in net position of governmental activities		$ (3,698,113)

The accompanying notes to the financial statements are an integral part of these financial statements.

	Foundation Scholarship Trust	Agency Funds
ASSETS		
Deposits and investments	$ 29,913	$ 80,140
Receivables	96	-
Total assets	$ 30,009	$ 80,140
LIABILITIES		
Due to student groups	$ -	$ 80,140
NET POSITION		
Restricted	$ 30,009	$ -

The accompanying notes to the financial statements are an integral part of these financial statements.

	Foundation Scholarship Trust
Additions	
Interest	$ 201
Deductions	
Other expenditures	-
Changes in net position	201
Net position - beginning of year	29,808
Net position - end of year	$ 30,009

The accompanying notes to the financial statements are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Bassett Unified School District (the "District") was formed on July 1, 1962, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates three elementary schools, one magnet school, one academy, one senior high school, one continuation high school, and preschool and adult education.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Bassett Unified School District, this includes general operations, food service, and student-related activities of the District.

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds. Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and nonmajor governmental funds:

<u>*Major Governmental Funds*</u>

General Fund. The General Fund is the chief operating fund for the District. It is used to account for the ordinary operations of the district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Building Fund. The Building 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Governmental Funds

Special Revenue Funds. The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

Adult Education Fund. The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund. The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund. The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).

Deferred Maintenance Fund. The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Special Reserve Fund for Other Than Capital Outlay Projects. The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (Education Code Section 42840).

Special Reserve Fund for Postemployment Benefits. The Special Reserve Fund for Postemployment Benefits may be used pursuant to Education Code Section 42840 to account for amounts the District has earmarked for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment benefit plan.

Deductible Insurance Fund. The Deductible Insurance Fund is used to set aside money for insurance premium payments.

Capital Project Funds. The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds):

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

State School Building Lease-Purchase Fund. The State School Building Lease Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (Education Code Section 17000 et seq.).

County Schools Facilities Fund. The County Schools Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), 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. The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

Debt Service Funds. The Debt Service funds are used to account for the accumulation of resources for, and the payment of, long-term obligations principal, interest, and related costs. The District maintains the following debt service funds:

Tax Override Fund. The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

Bond Interest and Redemption Fund. The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds. Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: foundation scholarship trust funds and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust fund is the Foundation Scholarship Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting – Measurement Focus

Government-wide Financial Statements. The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide Statement of Activities presents a comparison between direct expenses for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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 are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net position use.

Fund Financial Statements. Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is in a separate column. Non-major funds are aggregated and in a single column.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Fiduciary Funds. Fiduciary funds reporting are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements, because they do not represent resources of the District.

Revenues-Exchange and Non-Exchange Transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources. Pursuant to GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Expenses/Expenditures. On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations which has not matured, are recognized as expenditures when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Implementation of New Accounting Pronouncements
During the fiscal year ended June 30, 2015, the District adopted the following new Statements of the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statements No. 27 and 50*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures of pensions that are provided by local governmental employers through pension plans that are administered through trusts that meet certain conditions. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

- GASB Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and California State Teachers' Retirement System (CalSTRS) plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cash and Cash Equivalents

The District's cash and cash equivalents include cash on hand and in financial institution and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Investments

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation (continued)

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair value on the date donated.

Capital asset is depreciated using the straight-line method over the estimated useful lives of the asset. Estimated useful lives of the various classes of depreciable capital assets are as follows: building, 25 to 50 years; improvement, 20 to 50 years; furniture and equipment, 2 to 20 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absences liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-term Obligations
Claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the government-wide financial statements.

Debt Premiums and Discounts
In the government-wide financial statements and in proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources
Pursuant to GASB Statement Nos. 63 and 65, the District recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

Fund Balance
Fund balance is the difference between the assets and liabilities reported in the District's governmental funds. There are generally limitations on the purpose for which all or a portion of the resources of a governmental fund may be used. The force behind these limitations can vary significantly, depending upon their source. Consequently, the fund balance reported in the annual financial statements is categorized into five components whereby each component identifies the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The five components of fund balance are as follows:

- *Nonspendable*: Resources that are 1) not in spendable form, such as inventories, prepaids, long-term receivables, or non-financial assets held for resale, or 2) required to be maintained intact such as an endowment.
- *Restricted*: Resources that are subject to externally enforceable legal restrictions; these restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (continued)

- *Committed*: Resources that are constrained to specific purposes by a formal action of the Board of Education such as an ordinance or resolution. The constraint remains binding unless removed in the same formal manner by the Board of Education. Board's action to commit fund balance must occur within the fiscal reporting period while the amount committed may be determined subsequently.
- *Assigned*: Resources that are constrained by the District's intent to be used for specific purposes, but that are neither restricted nor committed.
- *Unassigned*: Within the General Fund, the residual resources, either positive or negative, in excess of what can be properly classified in one of the other four fund balance categories. Within all other governmental funds, the negative residual resources in excess of what can be properly classified as nonspendable, restricted, or committed.

Net Position

Net positions are classified according to external donor restrictions or availability of assets for satisfaction of District obligations according to the following categories:

<u>Net Investment in Capital Assets</u>
This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

<u>Restricted net position – expendable</u>
Restricted expendable net position include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or by enabling legislation adopted by the District. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

<u>Restricted net position - nonexpendable</u>
Nonexpendable restricted net position consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District had no restricted net position - nonexpendable.

<u>Unrestricted net position</u>
Unrestricted net position represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the statement of activities.

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after accounting for all budget amendments. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Los Angeles bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2015 are classified as follows:

Governmental activities	$	25,466,263
Fiduciary funds		110,053
	$	25,576,316

The composition of deposits and investments as of June 30, 2015 is summarized as follows:

Cash on hand and in banks	$	80,140
Cash in revolving fund		25,200
Investments		25,470,976
	$	25,576,316

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with the County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorization

Limitations with respect to investments of the County Treasurer's pool, as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	N/A	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Invesment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type		Fair Value	Weighted Average Maturity in Days
County Pool	$	25,470,976	632

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County pool is not required to be rated, nor has it been rated as of June 30, 2015.

Custodial Credit Risk - Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2015, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 RECEIVABLES

Receivables as of June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full. Receivables by source are summarized as follows:

	General Fund	Building Fund	Non-major Governmental Funds	Total Governmental Funds
Due from grantor government	$ 1,792,446	$ -	$ 1,163,991	$ 2,956,437
Other receivables	17,944	12,081	28,232	58,257
Total	$ 1,810,390	$ 12,081	$ 1,192,223	$ 3,014,694

NOTE 4 CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deletions / Reclassifications	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated				
Land	$ 1,259,276	-	-	$ 1,259,276
Construction in process	413,948	-	(413,948)	-
Total capital assets not being depreciated	1,673,224	-	(413,948)	1,259,276
Capital assets being depreciated				
Land improvements	3,838,557	1,831,768	-	5,670,325
Buildings and improvements	70,805,673	2,619,501	-	73,425,174
Furniture and equipment	12,861,932	1,074,742	-	13,936,674
Total capital assets being depreciated	87,506,162	5,526,011	-	93,032,173
Less accumulated depreciation				
Land improvements	(1,217,279)	(283,516)	-	(1,500,795)
Buildings and improvements	(15,193,181)	(1,468,503)	-	(16,661,684)
Furniture and equipment	(7,997,125)	(696,834)	(20,154)	(8,673,805)
Total accumulated depreciation	(24,407,585)	(2,448,853)	(20,154)	(26,836,284)
Capital assets being depreciated, net	63,098,577	3,077,158	(20,154)	66,195,889
Governmental activities capital assets, net	$ 64,771,801	3,077,158	(434,102)	$ 67,455,165

Depreciation expense charged as a direct expense to governmental functions is summarized as follows:

Instruction - related activities	$ 1,916,860
Supervision of instruction	98,839
Instruction library, media and technology	18,359
School site administration	151,674
Home-to-school transportation	31,538
Food services	81,821
All other pupil services	121,299
Data processing	28,462
	$ 2,448,853

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable as of June 30, 2015 is summarized as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	$ 975,903	$ -	$ 316,630	$ 1,292,533
Salaries and benefits	2,253,793	-	241,199	2,494,992
Construction	-	642,265	-	642,265
Total	$ 3,229,696	$ 642,265	$ 557,829	$ 4,429,790

NOTE 6 LONG-TERM OBLIGATIONS

The activity of long-term obligation for the year ended June 30, 2015 is summarized as follows:

	Balance July 1, 2014 (Restated)	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	$ 43,639,476	$ 25,809,418	$ (15,740,000)	$ 53,708,894	$ 1,165,000
Compensated absences	474,683	-	-	474,683	-
Retirement incentive program	926,460	-	(5,210)	921,250	450,250
Capital leases	2,590,211	-	(166,316)	2,423,895	282,300
OPEB obligation	802,656	221,553	(96,158)	928,051	221,553
Unamortized bond premium	-	993,446	-	993,446	-
Net pension liability	40,913,148	-	(8,292,631)	32,620,517	-
	$ 89,346,634	$ 27,024,417	$ (24,300,315)	$ 92,070,736	$ 2,119,103

Payments for the General Obligation Bonds are made in the Bond Interest and Redemption Fund.

- Compensated Absences are typically liquidated in the fund for which the employee worked.
- Payments for the Retirement Incentive Program are made in the General Fund.
- Payments for the Capital Lease Obligations are made in the Deferred Maintenance Fund.
- Payments for the OPEB Obligation are made in the General Fund.

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Bonded Debt

The activity of bonded debt is summarized as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of year	Proceeds from Issuance of Bonds	Retirement of Bonds	Capital Appreciation	Redeemed	Bonds Outstanding End of year
2/17/2005	8/1/2027	3.25% - 5.00%	$ 12,363,352	$ 10,922,194	$ -	$ (8,930,000)	$ 67,946	$ (350,000)	$ 1,710,140
7/19/2006	8/1/1932	3.85% - 5.15%	6,614,361	6,884,704	-	(5,970,000)	48,134	(10,000)	952,838
7/19/2006	8/1/1944	5.16% - 5.25%	4,021,832	5,994,657	-		319,024	-	6,313,681
8/22/2007	8/1/1932	3.75% - 5.38%	14,999,566	13,665,516	-		138,901	(480,000)	13,324,417
1/23/2008	8/1/1937	3.88% - 4.69%	4,999,970	6,172,405	-	-	230,413	-	6,402,818
12/17/2014	8/1/2030	2.00% - 5.00%	8,690,000	-	8,690,000	-	-	-	8,690,000
5/5/2015	8/1/2027	2.00% - 5.00%	6,415,000	-	6,415,000	-	-	-	6,415,000
5/20/2015	8/1/2044	2.13% - 4.00%	9,900,000	-	9,900,000	-	-	-	9,900,000
				$ 43,639,476	$ 25,005,000	$ (14,900,000)	$ 804,418	$ (840,000)	$ 53,708,894

In February 2005, the District received proceeds of its Series 2005 A, General Obligation Bonds, which totaled $12,363,352. The bonds were issued to refund the 1999 Certificates of Participation, in denominations of $5,000 each and dated February 17, 2005. Interest rates vary from 3.25 percent to 5.00 percent. Bond principal is payable as scheduled below. The bonds mature on August 1, 2027, and are subject to redemption prior to maturity. In December 2014 and May 2015, bonds amounting to $8,930,000 were defeased. As of June 30, 2015, the principal balance outstanding was $1,710,140.

In July 2006, the District issued $6,614,361 of General Obligation Bonds Election of 2004, Series B. The bonds were issued to finance the renovation, construction and improvement of school facilities. The bonds were issued as Current Interest Bonds and Capital Appreciation Bonds dated July 19, 2006. Interest rates vary from 3.85 percent to 5.15 percent. The Current Interest Bonds are dated the date of delivery of the Bonds and accrue interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2007. The Capital Appreciation Bonds will not bear current interest; each Capital Appreciation Bond will accrete in value daily over the term to its maturity. In December 2014 and May 2015, bonds amounting to $5,970,000 were defeased. As of June 30, 2015, the principal balance outstanding was $952,838.

In July 2006, the District issued $4,021,832 of General Obligation Bonds Election of 2004, Series C. The bonds were issued to finance the renovation, construction and improvement of school facilities. The bonds were issued as Capital Appreciation Bonds dated July 19, 2006. The Capital Appreciation Bonds will not bear current interest; each Capital Appreciation Bond will accrete in value daily over the term to its maturity. As of June 30, 2015, the principal balance outstanding was $6,313,681.

In August 2007, the District issued $14,999,566 of General Obligation Bonds Election of 2006, Series 2007. The bonds were issued to finance the renovation, construction and improvement of school facilities and retiring of facility debt. The bonds were issued as Current Interest Bonds and Capital Appreciation Bonds dated August 22, 2007. Interest rates vary from 3.75 percent to 5.38 percent. The Current

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Interest Bonds are dated the date of delivery of the Bonds and accrue interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2008. The Capital Appreciation Bonds will not bear current interest; each Capital Appreciation Bond will accrete in value daily over the term to its maturity. As of June 30, 2015, the principal balance outstanding was $13,324,417

In January 2008, the District issued $4,999,970 of General Obligation Bonds Election of 2006, Series B. The bonds were issued to finance the renovation, construction and improvement of school facilities and retiring of facility debt. The bonds were issued as Current Interest Bonds and Capital Appreciation Bonds dated January 23, 2008. Interest rates vary from 3.88 percent to 4.69 percent. The Current Interest Bonds are dated the date of delivery of the Bonds and accrue interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2008. The Capital Appreciation Bonds will not bear current interest; each Capital Appreciation Bond will accrete in value daily over the term to its maturity. As of June 30, 2015, the principal balance outstanding was $6,402,818.

In December 2014, the District issued $8,690,000 of General Obligation Refunding Bonds of 2014, Series A. The bonds were issued to partially defease General Obligation Bonds Election of 2004. Interest rates vary from 2.00 percent to 5.00 percent. The interest on these bonds is accrued semi-annually on February 1 and August 1 of each year, commencing February 1, 2015. The first principal and interest payment will be due on August 1, 2015. As of June 30, 2015, the principal balance outstanding was $8,690,000. Unamortized premium of $18,917 was recorded for these bonds as of June 30, 2015.

In May 2015, the District issued $6,415,000 million of General Obligation Refunding Bonds of 2014, Series B. The bonds were issued to partially defease General Obligation Bonds Election of 2004. Interest rates vary from 2.00 percent to 5.00 percent. The interest on these bonds is accrued semi-annually on February 1 and August 1 of each year, commencing August 1, 2015. The first principal and interest payment will be due on August 1, 2019. As of June 30, 2015, the principal balance outstanding was $6,415,000. Unamortized premium of $883,193 was recorded for these bonds as of June 30, 2015.

In May 2015, the District issued $9,900,000 of General Obligation Bonds Election of 2014, Series A. The bonds were issued to repair, upgrade, acquire, construct, and equip certain District property and facilities and to pay the costs of issuing the Bonds. Interest rates vary from 2.13 percent to 4.00 percent. The interest on these bonds is accrued semi-annually on February 1 and August 1 of each year, commencing August 1, 2015. The first principal and interest payment will be due on August 1, 2016. As of June 30, 2015, the principal balance outstanding was $9,900,000. Unamortized premium of $91,336 was recorded for these bonds as of June 30, 2015.

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Service Requirements to Maturity

		Principal		Interest and Accreted Interest Value Payment		Total
Years Ending June 30,						
2016	$	1,165,000	$	1,808,677	$	2,973,677
2017		1,557,144		2,149,759		3,706,903
2018		1,815,255		2,148,198		3,963,453
2019		1,180,953		2,142,615		3,323,568
2020		1,545,000		1,382,577		2,927,577
2021-2025		10,655,000		5,671,555		16,326,555
2026-2030		13,310,218		6,213,532		19,523,750
2031-2035		7,889,114		13,974,020		21,863,134
2036-2040		5,232,915		12,904,585		18,137,500
2041-2044		3,918,481		8,169,619		12,088,100
Subtotal		48,269,080		56,565,137		104,834,217
Accreted interest		5,439,814		(5,439,814)		-
Total	$	53,708,894	$	51,125,323	$	104,834,217

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation as of June 30, 2015, amounted to $474,683.

Retirement Incentive Program

The District’s Collective Bargaining Agreements contain an early incentive program to qualified employees. Eligibility requirements are that an employee attain age 55 with at least 15 years of service with the District. The retirees receive annual benefit payments ranging from $2,000 to $7,500 for a term of 5 years or life. The benefit is paid out annually to the retiree in equal installments. On April 3, 2012, a memorandum of understanding was made between Bassett Unified School District and Bassett Teachers Association to give certificated non-management employees three incentives offered as follows:

1. Employees that had attained the age of 65 or older by June 30, 2013 shall receive a one-time payment from the District of $22,000 upon separation from service.

2. Employees that had attained the age of 64 by June 30, 2013 shall receive a one-time payment from the District of $41,250 upon separation from service.

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Retirement Incentive Program (continued)

3. Employees that had attained the age of 55 by June 30, 2013 but who have not yet attained the age of 64 shall receive a one-time payment from the District of $52,250 upon separation from service.

Currently, there are 9 employees participating in the plan and the District's obligation to those retirees as of June 30, 2015 is $921,250.

Capital Leases

The District leased facilities and equipment under agreements that were classified as capital leases. The liability under the lease agreement with option to purchase was $3,105,252 as of June 30, 2015.

The required minimum lease payments under the terms of the capital lease as of June 30, 2015 are as follows:

Years Ending June 30,		
2016	$	282,300
2017		282,300
2018		282,300
2019		282,300
2020		282,300
2021-2025		1,411,500
2026		282,252
		3,105,252
Less amount representing interest		(681,357)
Present value of minimum lease payments	$	2,423,895

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases (continued)

The cost under capital leases of $3,598,885 and accumulated amortization of $2,483,231 were included in capital assets in the statement of net position. Amortization of assets under capital leases was included in depreciation expense. The net book value of the equipment under capital lease as of June 30, 2015 is as follows:

Equipment	$	3,598,885
Less: accumulated depreciation		(2,483,231)
	Total $	1,115,654

Other Postemployment Benefits (OPEB) Obligations

The District implemented GASBS No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2015, was $221,553 and contributions made by the District during the year were $96,158 which resulted in a net OPEB obligation of $928,051. See Note 8 for additional information regarding the OPEB Obligation and the postemployment benefit plan.

NOTE 7 FUND BALANCES

Fund balances by component are as follows:

	General Fund	Building Fund	Other Funds	Total
Fund Balances:				
Nonspendable				
Stores Inventories	$ 13,778	$ -	$ 339,812	$ 353,590
Revolving cash and prepaid expenses	206,993	-	-	206,993
Restricted for				
Capital Facilities	-	-	1,000,000	1,000,000
Cafeteria	-	-	677,440	677,440
Other Local	914,850	-	-	914,850
Child Nutrition	-	-	42,780	42,780
Committed to				
Building Fund	-	9,621,949	-	9,621,949
Capital Facilities	-	-	520,482	520,482
Deferred Maintenance	-	-	9,946	9,946
Fund for Post-Employment Benefits	-	-	3,558	3,558
State School Building Lease Purchase Fund			1,877	1,877
Schools Facilities Fund	-	-	47,382	47,382
Special Reserve for Capital Outlay	-	-	1,550,379	1,550,379
Tax Override Fund	-	-	77,495	77,495
Assigned to				
Child Development	-	-	78,526	78,526
Cafeteria	-	-	25,076	25,076
Special Reserve Fund for Other Than Capital Outlay Projec	-	-	2,074	2,074
Interest and Redemption Fund	-	-	2,016,626	2,016,626
Unassigned				
Unassigned	4,834,387	-	2,094,477	6,928,864
Total Fund Balances	$ 5,970,008	$ 9,621,949	$ 8,487,930	$ 24,079,887

NOTE 8 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single employer defined benefit healthcare plan administered by the Bassett Unified School District. As of the latest valuation report, the Plan provided medical and dental benefits to 20 retirees currently receiving benefits and 268 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required Contribution is based on projected pay-as-you-go financing requirements. The District contributed $96,158 to the plan, all of which was used for retiree’s premium payments during the year ended June 30, 2015.

NOTE 8 POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The latest actuarial valuation was performed based on information as of September 1, 2013. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The significant assumptions in the computation include a discount rate of 4.75%, increase in healthcare cost of 4.00% per year, and an annual increase in payroll of 2.75%.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$	221,553
Contributions made		(96,158)
Increase in OPEB obligation		125,395
Net OPEB obligations, beginning of year		802,656
Net OPEB obligations, end of year	$	928,051

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015, 2014, 2013 and 2012 are as follows:

Fiscal Year		Annual Required Contribution		Percentage Contributed		Net OPEB Obligation
June 30, 2015	$	221,553	$	23.87%	$	928,051
June 30, 2014		221,553		27.60%		802,656
June 30, 2013		221,553		48.64%		675,970
June 30, 2012		203,609		46.88%		562,184

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases property insurance through the Alliance for School's Cooperative Insurance Programs (ASCIP) JPA for property damage or loss with coverage up to a maximum of $500 million ($500,000,000 replacement cost subject to policy limits, terms, conditions, sub-limits and exclusions).

NOTE 9 RISK MANAGEMENT (CONTINUED)

The District also purchases insurance for general liability claims with coverage up to $1 million ($1,000,000) combined single limit per occurrence and $5 million ($5,000,000) aggregate, with excess liability coverage up to $20 million, up to a maximum of $25 million ($25,000,000) ultimate net loss for each occurrence for 2011. The District has dollar-one coverage for general liability and a $5,000 deductible for property coverage.

The District also purchases workers' compensation insurance coverage through the ASCIP JPA for bodily injury by accident or disease of employees arising out of and in the course and scope of the injured employee's employment. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

Description
The District's risk management activities are recorded in the General and Deductible Insurance Funds. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. Effective July 1, 2009, the District is a member participant of the Alliance for School's Cooperative Insurance Programs (ASCIP) under a joint powers agreement. Liability coverage is through ASCIP's vendor Schools Excess Liability Fund (SELF). Refer to Note 12 for additional information regarding the joint powers agreement.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement 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).

CalSTRS

Plan Description
The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law (Part 13 of the California Education Code, Sec. 22000 et seq.). CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Funding Policy
Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2014-2015 was 8.88 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2015 and 2014 were $1,781,750 and $1,591,539, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description
The District contributes to the School Employer Pool under CalPERS, a cost sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street Sacramento, California 95811.

Funding Policy
Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014-2015 was 11.771 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ended June 30, 2015 and 2014 were $964,574 and $797,629, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of approximately $1.5 million (5.37 percent of annual payroll). 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 budget amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

As of June 30, 2015, the District reported net pension liability for its proportionate share of the net pension liability of each Plan as follows:

		Proportionate Share of Net Pension Liability
CalPERS	$	7,492,607
CalSTRS		25,127,910
Net Pension Liability	$	32,620,517

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 the Plan 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 the District's proportionate share of contributions to the pension plans relative to the contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2014 was as follows:

	Plan	
	CalPERS	CalSTRS
Proportion - June 30, 2014	0.06600%	0.0430%

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

At June 30, 2015, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date		
CalPERS	$ 964,574	$ -
CalSTRS	1,781,750	-
Net differences between projected and actual earnings on plan investments		
CalPERS	-	2,574,544
CalSTRS	-	6,187,700
Total	$ 2,746,324	$ 8,762,244

An amount of $2,746,324 reported as deferred outflows of resources relate to contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred inflows of resources relate to the net difference between projected and actual earnings on pension plan investments that will be recognized as pension expense as follows:

Year Ended June 30	Amount
2016	$ (2,190,561)
2017	(2,190,561)
2018	(2,190,561)
2019	(2,190,561)
2020	-
Thereafter	-

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Actuarial Assumptions

CalPERS

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

Valuation Date	30-Jun-13
Measurement Date	30-Jun-14
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)
Post-Retirement Benefit Increase	(4)

(1) Varies by Entry Age and Service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds
(4) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

CalSTRS

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

Valuation Date	30-Jun-13
Measurement Date	30-Jun-14
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-Retirement Benefit Increase	2.00% simple for DB

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Discount Rate

CalPERS

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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 7.50 percent investment return assumption used in this accounting valuation 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 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its 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, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year.

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

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

In determining the long-term expected rate of return, 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 the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects 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	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
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%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

CalSTRS

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occur midyear. Based on those assumptions, the STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47.00%	4.50%
Private Equity	12.00%	6.20%
Real Estate	15.00%	4.35%
Inflation sensitive	5.00%	3.20%
Fixed income	20.00%	0.20%
Cash/Liquidity	1.00%	0.00%
Total	100.00%	

** 10-year geometric average*

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

CalPERS

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate for the 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:

1% Decrease		6.50%
Net Pension Liability	$	13,143,743
Current Discount Rate		7.50%
Net Pension Liability	$	7,492,607
1% Increase		8.50%
Net Pension Liability	$	2,770,513

CalSTRS

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

3% Decrease (4.60%)	$	76,765,750
2% Decrease (5.60%)		56,146,390
1% Decrease (6.60%)		39,167,840
Current Discount Rate (7.60%)		25,127,910
1% Increase (8.60%)		13,421,160
2% Increase (9.60%)		3,584,480
3% Increase (10.60%)		(4,712,370)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

As of June 30, 2015, the District did not have outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 11 COMMITMENT AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

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

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects		Remaining Construction Commitment
DJES Field Renovation	$	30,038
Torch Modernization		2,110
Bassett High School - HVAC Project		950,692
Bassett High School - Science Labs		1,134,828
Total	$	2,117,668

NOTE 12 PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AGENCY

The District is a participant of the Alliance for School's Cooperative Insurance Programs (ASCIP) under a joint powers agreement. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

ASCIP has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the entity.

NOTE 12 PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AGENCY (CONTINUED)

Alliance for School's Cooperative Insurance Programs (ASCIP)

Purpose	Arranges for and provides workers' compensation, property and liability insurance for its members
Participants	Other school districts in Los Angeles and Orange Counties
Governing Board	Representatives of member districts

The District paid $501,720 to ASCIP for workers' compensation and property and liability insurance premiums, during the year ended June 30, 2015.

NOTE 13 RESTATEMENT OF PRIOR YEAR FUND BALANCE AND NET POSITION

The General Fund fund balance as of June 30, 2014 was restated to correct the overstatement in revenues from revenue limit sources reported in fiscal year 2012-2013.

Fund balance at beginning of year, as previously reported	$	6,113,667
Prior period adjustment:		
Adjustment to correct overstatement in the reported revenues from revenue limit sources FY 2012-13		(1,657,790)
Fund balance at beginning of year, as restated	$	4,455,877

The net position balance as of June 30, 2014 was restated to report the above adjustment and to retroactively report the net pension liability as of the beginning of the fiscal year as a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* which requires the reporting of net pension liability as of the beginning of the fiscal year.

Net position at beginning of year, as previously reported	$	37,168,755
Prior period adjustments:		
Adjustment to correct overstatement in the reported revenues from revenue limit sources FY 2012-13		(1,657,790)
Adjustment to record retroactive effect of implementing GASB Statement No. 68		(39,142,161)
Net position at beginning of year, as restated	$	(3,631,196)

NOTE 14 SUBSEQUENT EVENTS

The District has evaluated events subsequent to June 30, 2015 to assess the need for potential recognition or disclosure in the financial statements. Subsequent events were evaluated through January 29, 2016 the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
REVENUES				
Local control funding formula	$ 34,733,076	$ 34,733,076	$ 35,538,964	$ 805,888
Federal sources	2,697,603	2,697,603	2,795,741	98,138
Other state sources	2,231,181	2,231,181	2,751,577	520,396
Other local sources	2,596,963	2,596,963	5,703,913	3,106,950
Total revenues	42,258,823	42,258,823	46,790,195	4,531,372
EXPENDITURES				
Certificated salaries	18,767,578	18,767,578	18,870,602	(103,024)
Classified salaries	6,854,932	6,854,932	7,346,218	(491,286)
Employee benefits	5,634,249	5,634,249	6,419,836	(785,587)
Books and supplies	1,434,462	1,434,462	2,496,968	(1,062,506)
Services and other operating expenditures	7,180,496	7,180,496	7,196,636	(16,140)
Capital outlay	581,943	581,943	108,480	473,463
Other outgo	1,914,695	1,914,695	2,554,296	(639,601)
Total expenditures	42,368,355	42,368,355	44,993,036	(2,624,681)
Excess (deficiency) of revenues over expenditures	(109,532)	(109,532)	1,797,159	1,906,691
Other financing sources/uses				
Transfers in	-	-	1,065,000	1,065,000
Transfers out	-	-	(1,348,028)	(1,348,028)
	-	-	(283,028)	(283,028)
CHANGE IN FUND BALANCES	(109,532)	(109,532)	1,514,131	1,623,663
Fund balance - beginning of year (as restated)	4,455,877	4,455,877	4,455,877	-
Fund balance - end of year	$ 4,346,345	$ 4,346,345	$ 5,970,008	$ 1,623,663

See accompanying report of independent auditors.

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
REVENUES				
Other local sources	$ 90,000	$ 90,000	$ 21,924	$ (68,076)
Total revenues	90,000	90,000	21,924	(68,076)
EXPENDITURES				
Books and supplies	-	-	3,292	3,292
Services and other operating expenditures	1,500,000	1,500,000	1,616,516	116,516
Capital outlay	-	-	3,359,459	3,359,459
Total expenditures	1,500,000	1,500,000	4,979,267	3,479,267
Excess (deficiency) of revenues over expenditures	(1,410,000)	(1,410,000)	(4,957,343)	(3,547,343)
Other financing sources (uses)				
Transfers in	-	-	1,412,966	1,412,966
Proceeds and premium from issuance bonds			25,005,000	25,005,000
Payments to refunded debt escrow agent	-	-	(14,900,000)	(14,900,000)
	-	-	11,517,966	11,517,966
CHANGE IN FUND BALANCES	(1,410,000)	(1,410,000)	6,560,623	7,970,623
Fund balance - beginning of year	3,061,326	3,061,326	3,061,326	-
Fund balance - end of year	$ 1,651,326	$ 1,651,326	$ 9,621,949	$ 7,970,623

See accompanying report of independent auditors.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acturial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
October 1, 2009	$ -	$ 1,986,335	$ 1,986,335	0%	$ 5,200,000	38%
October 1, 2013	-	2,668,994	2,668,994	0%	4,918,000	54%

See accompanying report of independent auditors.

	Plan	
	CalPERS	**CalSTRS**
Proportion of the net pension liability	0.06600%	0.04300%
Proportionate Share of the net pension liability	$ 7,492,607	$ 25,127,910
Covered - employee payroll (1)	$ 8,194,495	$ 20,064,752
Proportionate Share of the net pension liability as percentage of covered-employee payroll	91.43%	125.23%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.38%	76.52%
Plan's Proportionate Share of Aggregate Employer Contributions (2)	$ 794,027	$ 1,571,650

Notes to Schedule

1 Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. GASB Statement No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Pensionable earnings are not significantly different than total earnings for covered-employees.

2 The Plan’s proportionate share of aggregate employer contributions may not match the actual contributions made by the employer during the measurement period. The Plan’s proportionate share of aggregate employer contributions is based on the Plan’s proportion of fiduciary net position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

	Plan	
	CalPERS	**CalSTRS**
Contractually required contribution (actuarially determined)	$ 794,027	$ 1,571,650
Contributions in relation to the actuarially determined contributions	(964,574)	(1,781,750)
Contribution deficiency (excess)	$ (170,547)	$ (210,100)
Covered-employee payroll	$ 8,194,495	$ 20,064,752
Contributions as a percentage of covered-employee payroll	9.69%	7.83%

Notes to Schedule

CalPERS

Valuation Date	30-Jun-13
Measurement Date	30-Jun-14
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality	(3)
Post-Retirement Benefit Increase	(4)

(1) Varies by Entry Age and Service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' Membership Data for all funds
(4) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

CalSTRS

Valuation Date	30-Jun-13
Measurement Date	30-Jun-14
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-Retirement Benefit Increase	2.00% simple for DB

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

SUPPLEMENTARY INFORMATION

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Adult Education: Adult Basic Education & English as a Second Language (ESL)	84.002A	14508	$ 63,021
Adult Education: Adult Secondary Education	84.002	13978	95,579
No Child Left Behind Act of 2001 (PL 107-110)			
Title I - Part A	84.010	14329	1,164,824
Title II - Improving Teacher Quality	84.367	14341	134,124
Title III - Limited English Proficiency	84.365	14346	174,546
Title IV - Part B 21st Century CCLP	84.287	14535	270,000
Vocational Educational Grants	84.048	14894	16,671
Individuals with Disabilities Education Act (IDEA)			
Federal Preschool	84.173	13430	14,838
Local Assistance	84.027	13379	966,449
Preschool Local Entitlement	84.027A	13682	20,785
Mental Health	84.027A	14468	6,450
Child Development			
Federal General CSPP	93.596	13609	86,678
Federal General CCTR	93.575	15136	113,908
Child Nutrition			
CCFP Claims - Centers and Family Day Care Homes	10.558	13529	260,739
Subtotal			3,388,612
U.S. Department of Agriculture			
Passed through CDE:			
National School Lunch Program (NSLP)	10.555	13396	2,094,182
Summer Food Service Program (SFSPC)	10.559	13004	18,486
Subtotal			2,112,668
U.S. Department of Health and Human Services			
Passed through Los Angeles County Office of Education (LACOE)			
Head Start	93.600	10016	2,194,432
Head Start Training and Technical Assistance	93.600	10016	6,090
Subtotal			2,200,522
Total Federal Programs			$ 7,701,802

[1] In-kind matching contributions as follows:

Head Start	$ 432,959
Head Start Training and Technical Assistance	1,523
	$ 434,482

* Major program

See accompanying notes to supplementary information

ORGANIZATION

The Bassett Unified School District was unified on July 1, 1962, and consists of an area comprising approximately 3.47 square miles. The District operates three elementary schools, one magnet school, one academy, one senior high school, one continuation high school, preschool and adult education programs. There were no boundary changes during the year.

GOVERNING BOARD

Member	Office	Term Expires
Paul Solano	President	2018
Dolores Rivera	Vice President	2018
Javier Romo	Clerk	2018
Joe Medina	Member	2015
Patrice Stanzione	Member	2015

ADMINISTRATION

Alex Rojas	Superintendent
Arturo Sanchez-Macias	Asst. Superintendent, Adminstrative Services/CBO
Julio Fonseca	Associate Superintendent
Martha Arceo	Executive Director, Curriculum & Instruction

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	318	319
First through third	910	907
Fourth through sixth	827	822
Seventh and eighth	614	612
Home and hospital	5	5
Special Education	49	49
Total elementary	2,723	2,714
SECONDARY		
Regular class	982	974
Continuation education	61	63
Home and hospital	1	2
Independent Study	58	56
Special Education	47	46
Total secondary	1,149	1,141
Total K-12	3,873	3,856

See accompanying notes to supplementary information

				Number of Days		
Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2014-15 Actual Minutes	Traditional Calendar	Multitract Calendar	Status
				180	N/A	
Kindergarten	31,500	36,000	51,370			Complied
Grades 1-3	49,450	50,400				
Grade 1			51,756	180	N/A	Complied
Grade 2			51,756	180	N/A	Complied
Grade 3			51,756	180	N/A	Complied
Grades 4-8	50,210	54,000				
Grade 4			54,000	180	N/A	Complied
Grade 5			54,000	180	N/A	Complied
Grade 6			58,630	180	N/A	Complied
Grade 7			58,630	180	N/A	Complied
Grade 8			58,630	180	N/A	Complied
Grades 9-12	56,600	64,800				
Grade 9			67,930	180	N/A	Complied
Grade 10			67,930	180	N/A	Complied
Grade 11			67,930	180	N/A	Complied
Grade 12			67,930	180	N/A	Complied

Summarized below are the Revenues – Local control funding formula reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

		General Fund
Revenues - Local control funding formula		
Balance, June 30, 2015, unaudited actuals	$	33,881,174
Adjustment to correct understatement in the reported LCFF revenue		1,657,790
Balance, June 30, 2015, audited financial statements	$	35,538,964

See accompanying notes to supplementary information

GENERAL FUND

	Budget 2016 (1)	2015	2014	2013
Revenues	$ 48,384,263	$ 46,790,195	$ 43,382,017	$ 35,171,731
Other sources	-	-	-	2,476,430
Other financing - transfer in	-	1,065,000	-	-
Total revenues and other sources	48,384,263	47,855,195	43,382,017	37,648,161
Expenditures	46,734,263	44,993,036	42,237,292	38,434,495
Other uses and transfer out	1,650,000	1,348,028	1,109,839	-
Total expenditures and transfer out	48,384,263	46,341,064	43,347,131	38,434,495
Increase (decrease) in fund balance	-	1,514,131	34,886	(786,334)
Ending fund balance	5,970,008	5,970,008	4,455,877	4,420,991
Available reserves (2)	-	3,278,289	4,244,696	4,308,713
Available reserves as a percentage of total outgo (3)	0.0%	7.1%	9.8%	11.2%
Long-term obligations	N/A	92,070,736	48,433,486	48,885,206
K-12 average daily attendance at P-2 (4)	3,872	3,856	3,989	4,091

The General Fund balance decreased by $108,772 over the last three years. The fiscal year 2015-16 budget projects no increase in fund balance. For a District of this size, the State recommends available reserve of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has generated operating income in the current year. Total long-term obligations have increased by $10,028,497 during the fiscal year.

Average daily attendance have decreased by 235 over the past two years. The District budgeted no decline or increase in enrollment during the fiscal year 2015-2016.

(1) 2016 budget is included for analytical purposes only and has not been subjected to an audit.
(2) Available reserves consist of all funds designated for economic uncertainty contained within the General Fund and all undesignated funds contained within the Special Revenue Fund Other Than Capital Outlay Projects.
(3) On behalf payments of $1,556,098 and $2,518,077 have been excluded from the calculation of available reserves for the fiscal year endeds June 30, 2015 and 2014, respectively.
(4) Excludes adult education and ROP ADA.

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	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Post-Employment Benefits	Capital Facilities Fund
ASSETS							
Deposits and investments	$ 8,121	$ (252,603)	$ 461,211	$ 9,946	$ 2,067	$ 3,256	$ 518,182
Receivables	130,818	772,296	261,808	-	7	302	2,300
Stores inventories	-	-	339,812	-	-	-	-
Total assets	138,939	519,693	1,062,831	9,946	2,074	3,558	520,482
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	138,939	398,387	20,503	-	-	-	-
Total liabilities	138,939	398,387	20,503	-	-	-	-
FUND BALANCES							
Nonspendable	-	-	339,812	-	-	-	-
Restricted	-	42,780	677,440	-	-	-	-
Committed	-	-	-	9,946	-	3,558	520,482
Assigned	-	78,526	25,076	-	2,074	-	-
Unrestricted	-	-	-	-	-	-	-
Total fund balance	-	121,306	1,042,328	9,946	2,074	3,558	520,482
Total liabilities and fund balance	$ 138,939	$ 519,693	$ 1,062,831	$ 9,946	$ 2,074	$ 3,558	$ 520,482

See accompanying note to supplementary information.

State School Building Lease Purchase Fund	County Schools Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Tax Override Fund	Deductible Insurance Fund	Retiree Benefits Fund	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
$ 1,871	$ 1,039,809	$ 1,542,955	$ 77,247	$ 2,084,923	$ 113	$ 2,016,626	$ 7,513,724
6	7,573	7,424	248	9,440	1	-	1,192,223
-	-	-	-	-	-	-	339,812
1,877	1,047,382	1,550,379	77,495	2,094,363	114	2,016,626	9,045,759
-	-	-	-	-	-	-	557,829
-	-	-	-	-	-	-	557,829
-	-	-	-	-	-		339,812
-	1,000,000	-	-	-	-	-	1,720,220
1,877	47,382	1,550,379	77,495	-	-	-	2,211,119
-	-	-	-	-	-	2,016,626	2,122,302
-	-	-	-	2,094,363	114	-	2,094,477
1,877	1,047,382	1,550,379	77,495	2,094,363	114	2,016,626	8,487,930
$ 1,877	$ 1,047,382	$ 1,550,379	$ 77,495	$ 2,094,363	$ 114	$ 2,016,626	9,045,759

See accompanying note to supplementary information.

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Post-Employment Benefits
Revenues						
Federal sources	$ 158,428	$ 2,369,523	$ 1,862,351	$ -	$ -	$ -
Other state sources	-	1,047,360	141,501	-	-	-
Other local sources	382,954	31,477	572,830	383	14	2,848
Total revenue	541,382	3,448,360	2,576,682	383	14	2,848
Expenditures						
Instruction	886,630	1,806,690	-	-	-	-
Intruction -related services						
Supervision of instruction	538,459	603,749	-	-	-	-
Instruction library, media and technology	111,653	316,704	-	-	-	-
School site administration	60,780	25,175	-	-	-	-
Pupil services				-	-	-
Food services	-	291,616	900,456	-	-	-
All other pupil services	35,595	165,233	1,209,252	-	-	-
General administration						
All other general administration	-	-	-	-	-	-
Plant services	204,019	294,640	2,961	-	-	-
Other outgo	-	-	-		-	-
Enterprise services	-	-	16,337	-	-	-
Debt service - interest and finance charges	-	-	-	282,300	-	-
Debt service - principal repayment	-	-	-	-	-	-
Total expenditures	1,837,136	3,503,807	2,129,006	282,300	-	-
Excess(deficiency) of revenues over expenditures	(1,295,754)	(55,447)	447,676	(281,917)	14	2,848
Other financing sources/uses						
Transfers in	1,293,682	-	-	54,346	-	-
Transfers out	-	-	-	-	-	(715,000)
Proceeds and premium from issuance bonds	-	-	-	-	-	-
Payments to refunded debt escrow agent	-	-	-	-	-	-
	1,293,682	-	-	54,346	-	(715,000)
Net change in fund balance	(2,072)	(55,447)	447,676	(227,571)	14	(712,152)
Fund balance - beginning	2,072	176,753	594,652	237,517	2,060	715,710
Fund balance - ending	$ -	$ 121,306	$ 1,042,328	$ 9,946	$ 2,074	$ 3,558

See accompanying note to supplementary information.

Capital Facilities Fund	State School Building Lease Purchase Fund	County Schools Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Tax Override Fund	Deductible Insurance Fund	Retiree Benefits Fund	Bond Interest and Redemption Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,390,302
-	-	-	-	-	-	-	23,328	1,212,189
123,493	13	16,265	17,034	522	19,907	2	2,393,482	3,561,224
123,493	13	16,265	17,034	522	19,907	2	2,416,810	9,163,715
-	-	-	-	-	-	-	-	2,693,320
-	-	-	-	-	-	-	-	1,142,208
-	-	-	-	-	-	-	-	428,357
-	-	-	-	-	-	-	-	85,955
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	1,192,072
-	-	-	-	-	-	-	-	1,410,080
-	-	-	-	-	-	-	-	-
-	-	-	1,191,942	-	-	-	-	1,693,562
-	-	-	-	-	-	-	-	-
-	-	-	-	-	868,855	-	-	885,192
-	-	-	-	-	-	-	1,195,998	1,478,298
-	-	-	-	-	-	-	840,000	840,000
-	-	-	1,191,942	-	868,855	-	2,035,998	11,849,044
123,493	13	16,265	(1,174,908)	522	(848,948)	2	380,812	(2,685,329)
-	-	-	-	-	-	-	-	1,348,028
(350,000)	-	(1,412,966)	-	-	-	-	-	(2,477,966)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(350,000)	-	(1,412,966)	-	-	-	-	-	(1,129,938)
(226,507)	13	(1,396,701)	(1,174,908)	522	(848,948)	2	380,812	(3,815,267)
746,989	1,864	2,444,083	2,725,287	76,973	2,943,311	112	1,635,814	12,303,197
$ 520,482	$ 1,877	$ 1,047,382	$ 1,550,379	$ 77,495	$ 2,094,363	$ 114	$ 2,016,626	$ 8,487,930

See accompanying note to supplementary information.

NOTE 1 PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards
The accompanying schedule of expenditures of federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget 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 financial statements.

The total federal revenues reported in the Statement of Revenues, Expenditure, and Changes in Fund Balances amounted to $7,186,043. On the other hand, the related expenditures reported in the Schedule of Expenditures of Federal Awards amounted to $7,701,802. The difference of $515,759 represents federal funds that have been recorded as Revenues – Other Revenue category.

Local Education Agency Organization Structure
This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Dally Attendance (ADA)
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. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis
This schedule discloses the District's financial trends by displaying past years' data along with next 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.

NOTE 1 PURPOSE OF SCHEDULES (CONTINUED)

Nonmajor Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

The Nonmajor Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Nonmajor Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance.

COMPLIANCE AND INTERNAL CONTROL

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

Report of Independent Auditors 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

The Honorable Board of Trustees
Bassett Unified School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bassett Unified School District (the District) as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 29, 2016. 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS15-1 and FS15-2 to be material weaknesses.

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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated January 29, 2016.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questions costs. The District's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly we express no opinion on them.

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.

Vasquez & Company LLP

Los Angeles, California

January 29, 2016

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

Report of Independent Auditors on Compliance for Each Major Federal Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Honorable Board of Trustees
Bassett Unified School District

Report on Compliance for Each Major Federal Program

We have audited Bassett Unified School District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the 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 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 District's internal control over compliance.

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

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

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

Vasquez & Company LLP

Los Angeles, California
January 29, 2016

Vasquez & Company LLP
Certified Public Accountants and Business Consultants

801 South Grand Ave., Suite 400
Los Angeles, CA 90017
Ph. (213) 873-1700
Fax (213) 873-1777
www.vasquezcpa.com

OFFICE LOCATIONS:
Los Angeles
Sacramento
San Diego

Report of Independent Auditors on State Compliance

The Honorable Board of Trustees
Bassett Unified School District

Report on State Compliance

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the requirements described in the Guide based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of California K-12 Local Education Agencies,* prescribed in the California Code of Regulations (CCR), Title 5, Sections 19810-19854. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the 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 on compliance with the requirements referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2015.

Procedures Performed

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:

	Procedures Performed
Attendance accounting:	
Attendance reporting	Yes
Teacher certifications and misassignments	Yes
Kindergarten continuance	Yes
Independent study	No, see below
Continuation education	Yes
Instructional time:	
School districts	Yes
Instructional materials general requirements	Yes, see below
Ratios of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	Yes
Gann limit calculation	Yes
School accountability report card	Yes
Juvenile court schools	Not Applicable
Middle or early college high schools	Yes
K-3 grade span adjustment	Yes
Transportation maintenance of effort	Yes
Regional occupational centers or programs maintenance of effort	Yes
Adult education maintenance of effort	Yes
California clean energy jobs act	Yes
After school education and safety program:	
General requirements	Yes
After school	Yes
Before school	Not Applicable
Proper expenditure of education protection account funds	Yes
Common core implementation funds	Yes
Unduplicated local control funding formula pupil counts	Yes
Local control and accountability plan	Yes

	Procedures Performed
Charter Schools:	
Contemporaneous records of attendance	Not Applicable
Mode of instruction	Not Applicable
Non classroom-based instruction/independent study	Not Applicable
Determination of funding for non classroom-based instruction	Not Applicable
Annual instruction minutes classroom based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study because the ADA was below the State threshold for testing. We performed testing of procedure (a) only for Instructional Materials General Requirements, as additional procedures were determined not to be required.

Vasquez & Company LLP

Los Angeles, California
January 29, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statements

Type of auditors' report issued on the financial statements	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified	Yes, Findings FS15-1 and FS15-2
• Significant deficiency(ies) identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over its major programs:	
• Material weakness(es) identified	No
• Significant deficiency (ies) identified that are not considered to be material weaknesses	None reported
Type of auditors' report issued on compliance for its major programs	Unmodified
Any audit findings that are required to be reported in accordance with Circular A-133, Section 510(a)	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555	National School Lunch Program (NSLP)

Dollar threshold used to distinguish between Type A and Type B programs	$300,000
Auditee qualified as a low-risk auditee	Yes

Finding FS15-1
30000
Recording and Monitoring of Bond Transactions

Observation

During our examination of the bond transactions during the year, we noted that the District had three additional bond issuances. Of this three, two had not been recorded properly in the books of the District. These two bonds were issued for the purpose of partial defeasance of the 2004 General Obligation Bonds Election Series A and B.

Unrecorded bond transactions amounted to $15,105,000 (2014 General Obligation Refunding Bonds Series A - $8,690,000 and Series B - $6,415,000). The proceeds of these bonds were deposited to an escrow account to partially retire 2004 General Obligation Bonds Election Series A and B had been partially retired in the amount of $14,900,000. The bond issuances and defeasances were not recorded in the books of the District along with the bonds issuance costs and other related fees in connection with the new bonds obtained.

Recommendation

We recommend that the District's finance department maintain and monitor proper records relating to the bonds issued and related bond post-issuance transactions and activities. The finance department should also provide timely reports related to the said monitoring and custody of bond proceeds. The Finance Department is responsible for the District's debt administration activities, particularly monitoring compliance with bond covenants, monitoring use of proceeds of bonds or other debt, monitoring use of facilities financed and continuing disclosures.

If proper recording and monitoring have not been maintained, the District may have difficulty demonstrating compliance with standard requirements once subject to financial and other compliance audits.

District's Response

It would appear that responsibilities for monitoring, reconciling and booking these unusual transactions were not assigned. The records were found in the Division Secretary's office.

These assignments have been made as it relates to the 2015-16 Bond Refunding and the 2014-15 Trustee Reconciliation.

Finding FS15-2
30000
Maintenance of Supporting Documents for Purchases and Disbursements

Observation

During our testing of cash disbursements and purchases we noted that a number of invoices cannot be located by the accountant. We were informed that the employee in-charge of maintaining the documents resigned.

The invoices for the following requested documents were missing:

Vendor	Doc. Ref	Amount
P & R PAPER SUPPLY CO.	C15-004	15,000
A & R WHOLESALE DISTRIBUTORS	C15-006	24,375
VIELE AND SONS INC.	C15-008	15,000
LEABO FOOD DISTRIBUTION, INC.	C15-011	10,000
SWIFT PRODUCE	C15-026	10,000
GOLD STAR FOODS	C15-028	10,000
A & R WHOLESALE DISTRIBUTORS	C15-025	21,638
D B Flooring	21701291	2,250
Manzo Mechanical Inc	21812025	9,698
		117,961

Recommendation

We recommend that the District review its current internal controls policy and procedures regarding its disbursements and purchases process. Supporting documents for disbursements and purchases should be properly maintained. The finance department should ensure easy tracking of invoice records. All invoices should be handled by the accounting department first before being sent out for approval. This way the invoice can be logged and properly recorded with copies scanned or maintained appropriately.

District's Response

The above date is not consistent with LACOE systems which support accounts payable function. Management will research how this information was reported to the audit team, and what controls are lacking. Recommendations will be made to implement accounts payable controls.

None reported.

None reported.

There were no audit findings reported in prior year's report.

801 South Grand Avenue, Suite 400 • Los Angeles, California 90017-4646 • Ph. (213) 873-1700 • Fax (213) 873-1777

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Bassett Unified School District (the "District") in connection with the issuance of $20,100,000 of the District's Election of 2014 General Obligation Bonds, Series B (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District adopted on January 10, 2017. The District covenants and agrees as follows:

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

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

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

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

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

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

"Official Statement" means that certain official statement, dated February 10, 2017, relating to the offering and sale of the Bonds.

"Participating Underwriter" shall mean BOK Financial Securities, Inc. or such other original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2015-16 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

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

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

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

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

2. 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):

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

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

(c) Outstanding indebtedness as of the last completed fiscal year;

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

(e) Total assessed valuation of taxable properties in the District for the current fiscal year; and

(f) Secured tax charges and delinquency information for the District for the prior fiscal year, so long as the Teeter Plan is not in effect.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to 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.

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

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. optional, contingent or unscheduled Bond calls.

5. rating changes.

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

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

8. unscheduled draws on credit enhancement reflecting financial difficulties.

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

10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(10), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

1. non-payment related defaults.

2. modifications to rights of Bondholders.

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

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

5. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

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

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

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

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

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

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

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

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

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this

Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

Dated: February 22, 2017

BASSETT UNIFIED SCHOOL DISTRICT

By: ____
Assistant Superintendent/CBO

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: BASSETT UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2014 General Obligation Bonds, Series B

Date of Issuance: February 22, 2017

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

Dated:_______________________

BASSETT UNIFIED SCHOOL DISTRICT

By ____[form only; no signature required]_____

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APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF INDUSTRY AND LA PUENTE AND LOS ANGELES COUNTY

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

General

The City of Industry. The City of Industry is an industrial suburb of Los Angeles in the San Gabriel Valley, 20 miles east of the City of Los Angeles. Industry, which covers about 12 square miles, borders the cities of La Puente, Hacienda Heights and Diamond Bar. Industry was conceived, developed and operated primarily for manufacturing, distribution and related industrial and commercial activities of all types, with approximately 92% of the city zoned for industrial purposes and the remaining 8% for commercial uses. Nearly 10% of Los Angeles County's industrial acreage is located within Industry. Industry operates under a Council-Manager form of government. The City Council has five members which includes a mayor and mayor pro tem.

The City of La Puente. The City of La Puente is located in the San Gabriel Valley, approximately 20 miles east of downtown Los Angeles. Known for its fruit and walnut groves during the 1930s, La Puente is a heavily urbanized residential area with commercial land uses located primarily along major highways. Industrial land uses are less than five percent of the City's 3.5 square mile land area. Incorporated in 1956, La Puente is a City Manager-Council form of government. The five City Council members are elected at large for four-year overlapping terms with elections held every two years. The mayor, mayor pro tem and City Manager are selected by the City Council.

Los Angeles County. Los Angeles County was incorporated on February 18, 1850 and is one of the original counties of California. With 4,061 square miles, Los Angeles County borders 70 miles of coast on the Pacific Ocean. The County is home to 88 incorporated cities and many unincorporated areas. In between the large desert portions of the county — which make up around 40 percent of its land area — and the heavily urbanized central and southern portions sits the San Gabriel Mountains containing Angeles National Forest. All of southern Los Angeles County, north to about the center of the county, is heavily urbanized. The five-member Board of Supervisors is the governing body of Los Angeles County.

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Population

The following table shows historical population figures for the Cities, County and State of California (the "State") for the past 10 years.

POPULATION ESTIMATES
2007 through 2016
City of Industry, City of La Puente, Los Angeles County and State of California

Year[1]	City of Industry	City of La Puente	Los Angeles County	State of California
2007	553	40,419	9,780,808	36,399,676
2008	541	40,139	9,785,474	36,704,375
2009	481	39,990	9,801,096	36,966,713
2010[2]	451	39,816	9,818,605	37,253,956
2011	440	39,976	9,874,887	37,563,835
2012	438	40,133	9,956,722	37,881,357
2013	439	40,136	10,023,753	38,239,207
2014	440	40,288	10,093,053	38,567,459
2015	440	40,373	10,155,069	38,907,642
2016	441	40,521	10,241,335	39,255,883

[1] As of January 1.
Source: California Department of Finance. [1] As of January 1.
[2] As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2007-09, 2011-16 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

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Income

The following table shows per capita personal income for the County, State and the United States for the past 10 years.

PER CAPITA PERSONAL INCOME
2006 through 2015
Los Angeles County, State of California, and United States

Year	Los Angeles County	State of California	United States
2006	$40,800	$42,334	$38,144
2007	42,499	43,692	39,821
2008	43,715	44,162	41,082
2009	42,043	42,224	39,376
2010	43,234	43,315	40,277
2011	45,969	45,820	42,453
2012	48,818	48,312	44,267
2013	48,140	48,471	44,462
2014	50,730	50,988	46,414
2015	53,521	53,741	48,122

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation). Data for 2016 not yet available.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Principal Employers

The following tables show the principal employers in the Cities[(1)] and County by number of employees.

PRINCIPAL EMPLOYERS
2015
City of La Puente

Company	Description	Employees
Northgate Supermarket	Retail Trade: Food Stores	120
Bodega Latina Corp.	Retail Trade: Food Stores	80
Food 4 Less	Retail Trade: Food Stores	75
Ed Butts Ford	Retail Trade: Automotive Dealers	70
Big Saver Foods	Retail Trade: Food Stores	60
Merritt's Hardware	Retail Trade: Hardware	50
Burger King	Retail Trade: Eating Places	37
99 Cents Only Store	Retail Trade: General Merchandise	34
CVS Pharmacy	Retail Trade: Drug Stores	33
Jack in the Box	Retail Trade: Eating Places	32

(1) Note: No Principal Employers data is available for the City of Industry.
Source: City of La Puente 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2015. Data for FY 2016 not yet available.

PRINCIPAL PRIVATE-SECTOR EMPLOYERS
2016
Los Angeles County

Company	Description	Employees
Kaiser Permanente	Services: Health Services	36,987
University of Southern California	Services: Educational Services	18,971
Northrop Grumman Corp.	Manufacturing: Search, Detection, Navigation, Guidance, Aeronautical, and Nautical Systems and Instruments	16,619
Target Corp.	Retail Trade: General Merchandise	15,000
Ralphs/Food 4 Less (Kroger Co. division)	Retail Trade: Food Stores	13,500
Bank of America Corp.	Finance: Depository Institutions	13,000[(1)]
Providence Health & Services Southern California	Services: Health Services	13,000
Walt Disney Co.	Services: Amusement and Recreational	12,500
Albertsons/Vons/Pavilions	Retail Trade: Food Stores	12,400
Cedars-Sinai Medical Center	Services: Health Services	11,625

(1) Business Journal estimate.
Source: Los Angeles Business Journal, The List, published August 29, 2016.

PRINCIPAL PUBLIC-SECTOR EMPLOYERS
2016
Los Angeles County

Company	People Served	Employees
Los Angeles County	10 million residents	108,093
Los Angeles Unified School District	732,833 students	59,823
U.S. Government – Federal Executive Board[(1)]	United States residents	47,200
University of California, Los Angeles	43,301 students	46,220
Los Angeles[(2)]	4.03 million residents	32,576
State of California[(3)]	State of California	28,900
Metro	10 million residents	9,892
Los Angeles Department of Water and Power (LADWP)	Los Angeles residents	9,335
Los Angeles Community College District	Nine community colleges; 155,133 students	6,909
Long Beach Unified School District	75,000 students	6,515

(1) Excludes law enforcement and judiciary employees.
(2) Excludes proprietary departments (LADWP, LAWA).
(3) Excludes education employees.
Source: Los Angeles Business Journal, The List, published August 29, 2016.

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Employment

The following table summarizes the labor force, employment and unemployment figures for the past five years for the Cities, the County, the State of California and the United States.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Industry, City of La Puente, Los Angeles County, the State of California, and the United States
2011 through 2015[1]

Year and Area	Labor Force	Employment[2]	Unemployment[3]	Unemployment Rate (%)
2011				
City of Industry	100	100	0	3.7
City of La Puente	18,600	16,600	2,000	10.8
Los Angeles County	4,928,500	4,327,900	600,500	12.2
California	18,415,100	16,258,100	2,157,000	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
2012				
City of Industry	100	100	0	3.7
City of La Puente	18,500	16,800	1,800	9.7
Los Angeles County	4,921,800	4,385,300	536,500	10.9
California	18,551,400	16,627,800	1,923,600	10.4
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
City of Industry	100	100	0	3.6
City of La Puente	18,700	17,100	1,600	8.6
Los Angeles County	4,979,000	4,494,400	484,600	9.7
California	18,670,100	17,001,000	1,669,000	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Industry	100	100	0	1.8
City of La Puente	18,900	17,500	1,400	7.3
Los Angeles County	5,025,900	4,611,500	414,300	8.2
California	18,811,400	17,418,000	1,409,900	7.5
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Industry	100	100	0	1.8
City of La Puente	18,900	17,800	1,100	5.9
Los Angeles County	5,011,700	4,674,800	336,900	6.7
California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3

Note: Data is not seasonally adjusted.
(1) Annual averages, unless otherwise specified.
(2) Includes persons involved in labor-management trade disputes.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2016 Benchmark.

Industry

The Cities and County are included in the Los Angeles-Long Beach-Glendale Metropolitan District (the “MD”). The distribution of employment in the MD is presented in the following table for the past five calendar years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2011 through 2015
Los Angeles-Long Beach-Glendale MD

Category	2011	2012	2013	2014	2015
Total Farm	5,600	5,400	5,500	5,200	5,000
Total Nonfarm	3,945,700	4,036,000	4,112,700	4,189,000	4,274,200
Total Private	3,380,200	3,479,100	3,561,400	3,632,800	3,707,800
Goods Producing	476,000	480,800	488,800	488,000	490,800
Natural Resources and Mining	4,100	4,300	4,500	4,300	3,900
Construction	105,100	109,200	116,200	119,600	126,100
Manufacturing	366,900	367,400	368,200	364,100	360,800
Durable Goods	204,200	204,300	204,300	202,900	202,400
Nondurable Goods	162,800	163,100	163,800	161,300	158,400
Service Providing	3,469,700	3,555,200	3,623,900	3,701,000	3,783,400
Private Service Providing	2,904,200	2,998,400	3,072,600	3,144,800	3,217,000
Trade, Transportation and Utilities	750,600	767,400	781,800	798,800	817,800
Wholesale Trade	205,800	211,900	218,700	222,500	227,000
Retail Trade	393,000	400,900	405,600	413,000	420,500
Transportation, Warehousing and Utilities	151,800	154,500	157,500	163,400	170,400
Information	192,000	191,500	196,400	198,000	202,700
Financial Activities	210,100	212,400	213,000	211,100	214,200
Professional and Business Services	542,500	570,100	593,200	599,100	600,300
Educational and Health Services	677,300	699,500	702,100	720,700	742,200
Leisure and Hospitality	394,700	415,800	440,500	466,600	488,100
Other Services	137,000	141,700	145,700	150,500	151,700
Government	565,500	556,800	551,200	556,200	566,400
Total, All Industries	3,951,300	4,041,400	4,118,100	4,194,200	4,279,200

Note: The “Total, All Industries” data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Los Angeles County (Los Angeles-Long Beach-Glendale MD) Annual Average Labor Force and Industry Employment, March 2015 Benchmark. Data for 2016 is not yet available.

Commercial Activity

Summaries of annual taxable sales for the Cities and County from 2009 through 2013 are shown in the following tables.

ANNUAL TAXABLE SALES
2010 through 2014[1]
City of Industry
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2010	3,481	1,215,176	4,794	2,433,996
2011	3,436	1,356,734	4,756	2,663,275
2012	3,448	1,484,737	4,775	2,998,533
2013	3,094	1,527,696	4,416	2,725,077
2014	3,074	1,579,638	4,403	2,817,814

Note: In 2009, retail permits expanded to include permits for food services.
[1] Calendar year 2015 data is not yet available.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2010 through 2014[1]
City of La Puente
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2010	1,208	183,035	1,451	199,517
2011	1,216	189,583	1,464	208,850
2012	1,140	191,118	1,397	209,433
2013	1,050	196,458	1,299	215,334
2014	1,028	214,849	1,278	236,611

Note: In 2009, retail permits expanded to include permits for food services.
[1] Calendar year 2015 data is not yet available.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2010 through 2014[1]
Los Angeles County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2010	182,491	82,175,416	271,293	116,942,334
2011	179,872	89,251,447	266,868	126,440,737
2012	180,359	95,318,603	266,414	135,295,582
2013	179,370	99,641,174	263,792	140,079,708
2014	187,408	104,189,819	272,733	147,446,927

Note: In 2009, retail permits expanded to include permits for food services.
[1] Calendar year 2015 data is not yet available.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

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Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the Cities and County are shown in the following tables.

BUILDING PERMIT VALUATIONS
2011 through 2015
City of Industry
(Dollars in Thousands)

	2011	2012	2013	2014	2015
Valuation					
Residential	$12,915	$21,759	$5,919	$3,198	$1,071
Non-Residential	60,232	42,171	33,553	90,946	37,689
Total	$73,147	$63,930	$39,472	$94,144	$38,760
Units					
Single Family	0	0	0	0	0
Multiple Family	0	0	0	0	0
Total	0	0	0	0	0

Note: Totals may not add to sum due to rounding. Data for 2016 is not yet available.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
2011 through 2015
City of La Puente
(Dollars in Thousands)

	2011	2012	2013	2014	2015
Valuation					
Residential	$1,113	$1,548	$4,433	$6,520	3,417
Non-Residential	1,384	163	5,548	6,025	5,353
Total	$2,497	$1,711	$9,981	$12,545	$8,770
Units					
Single Family	0	2	9	6	0
Multiple Family	0	5	2	5	0
Total	0	7	11	11	0

Note: Totals may not add to sum due to rounding. Data for 2016 is not yet available.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2011 through 2015
Los Angeles County
(Dollars in Thousands)

	2011	2012	2013	2014	2015
Valuation					
Residential	$3,415,434	$3,821,324	$4,743,955	$5,509,418	$6,428,532
Non-Residential	3,126,956	3,682,730	4,326,366	6,657,571	5,599,877
Total	$6,542,390	$7,504,054	$9,070,321	$12,166,989	$12,028,409
Units					
Single Family	2,370	2,820	3,607	4,358	4,487
Multiple Family	8,098	8,895	13,243	14,349	18,405
Total	10,468	11,715	16,850	18,707	22,892

Note: Totals may not add to sum because of rounding. Data for 2016 is not yet available.
Source: Construction Industry Research Board.

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APPENDIX E

LOS ANGELES COUNTY TREASURY POOL

The following information concerning the Los Angeles County Treasury Pool (the "Treasury Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. The District, the Financial Advisor and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Financial Advisor nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasurer Pool may be obtained from the Treasurer at www.ttc.lacounty.gov; however, the information presented on such website is not incorporated herein by any reference.

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THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of December 31, 2016, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$15.260
Schools and Community Colleges	12.462
Discretionary Participants	2.334
Total	$30.056

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	92.23%
Discretionary Participants:	
Independent Public Agencies	6.91%
County Bond Proceeds and Repayment Funds	0.86%
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 29, 2016, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated January 31, 2017, the December 31, 2016 book value of the Treasury Pool was approximately $30.056 billion and the corresponding market value was approximately $29.838 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of December 31, 2016:

Type of Investment	**% of Pool**
U.S. Government and Agency Obligations	51.96
Certificates of Deposit	13.97
Commercial Paper	33.76
Bankers Acceptances	0.00
Municipal Obligations	0.23
Corporate Notes & Deposit Notes	0.08
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of December 31, 2016, approximately 40.30% of the investments mature within 60 days, with an average of 623 days to maturity for the entire portfolio.

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

MEMBER: [NAME OF MEMBER]

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

Policy No: _____

Effective Date: _________

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

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

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

____

Authorized Officer