TABLE OF CONTENTS

DISTRICT DOCUMENTS:

1. Resolution of the Board of Trustees of McFarland Unified School District Authorizing the Issuance of the District's 2012 General Obligation Refunding Bonds, together with Certificate of Clerk.

2. Preliminary Official Statement.

3. Rule 15c2-12 Certificate of District.

4. Official Statement.

5. Certificate of District Regarding No Litigation and Authorization to Use Official Statement.

6. Incumbency and Signature Certificate of District.

7. Disclosure Certificate of District.

8. Certificate of District Pursuant to the Bond Purchase Agreement.

9. Written Order to Authenticate Bonds.

10. Specimen Bonds.

11. District's Receipt for Purchase Price.

12. Tax Certificate.

13. Continuing Disclosure Certificate.

14. Reserved.

15. Material Event Notice Regarding 1998 GO Bonds.

16. Material Event Notice Regarding 2004 GO Bonds.

17. Verification Report.

UNDERWRITER DOCUMENTS:

18. Bond Purchase Agreement.

19. Certificate of Underwriter.

20. Receipt for Bonds.

21. Opinion of Underwriter's Counsel.

PAYING AGENT and 2004 ESCROW AGENT DOCUMENTS:

22. Incumbency Certificate, together with Authorizing Resolution.

23. Agreement for Services as Cost Administrator.

24. Acceptance of Duties of Paying Agent.

25. Certificate of Paying Agent.

26. Receipt of Paying Agent.

27. Receipt of 2004 Escrow Agent.

28. 2004 Escrow and Deposit Agreement.

29. SLGs Subscription.

1998 ESCROW AGENT DOCUMENTS:

30. Incumbency Certificate, together with Authorizing Resolution.

31. Receipt of 1998 Escrow Agent.

32. 1998 Escrow and Deposit Agreement.

BOND INSURER DOCUMENTS:

33. Bond Insurance Policy.

34. Certificate of Bond Insurer.

35. Opinion of Counsel to Bond Insurer.

36. Rating Letter.

BOND COUNSEL DOCUMENTS:

37. Final Opinion.

38. Reliance Letter.

39. Supplemental Opinion.

40. Opinion of Disclosure Counsel.

41. Defeasance Opinion.

42. California Debt and Investment Advisory Commission Report of Proposed Debt Issuance.

43. California Debt and Investment Advisory Commission Report of Final Sale.

44. IRS Form 8038-G.

45. Closing Memorandum.

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

CERTIFICATE OF CLERK

I, Marlin Isaacs, Clerk of the Board of Trustees (the "Board") of the McFarland Unified School District, do hereby certify that:

(i) attached hereto is a true and correct copy of the resolution No. 1112-10 duly adopted by the Board at a meeting duly noticed and held on March 13, 2012 (the "Resolution"); and

(ii) such Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect as of the date hereof.

Dated: August 30, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____
Marlin Isaacs
Clerk of the Board of Trustees

INFORMATION BACKGROUND

MEETING DATE: March 13, 2013

ACTION ITEM: Approval of Resolution 1112-10 Authorizing the Issuance of the District's General Obligation Refunding Bonds, 2012 Series A

BACKGROUND: The Board of Trustees of the District has previously approved the issuance of $9,150,000 aggregate principal amount of the District's 1992 Election General Obligation Refunding Bonds (the "1998 Bonds"), of which $395,000 is presently outstanding, and the issuance of $5,285,308.20 aggregate principal amount of the District's 2004 Election General Obligation Refunding Bonds (the "2004 Bonds"), of which $4,450,308.20 is presently outstanding.

It currently makes economic sense to refund all or a portion of the outstanding 1998 Bonds and/or 2004 Bonds. Such refunding is expected to generate net present value savings in excess of 3.0%, taking advantage of historically low interest rates. The refunding will reduce property taxes and will not increase the term of the bonds. Staff wishes to proceed with the refunding, subject to realizing adequate net present value savings in excess of 3.0% as determined by staff.

A Resolution approving the issuance and delivery of refunding bonds by the District is presented for the Board's consideration. The Resolution will authorize the District's financing team to proceed with the refunding and approves the form of the following documents in connection with the refunding:

1. Preliminary Official Statement;
2. Escrow Agreement;
3. Continuing Disclosure Agreement; and
4. Bond Purchase Agreement

BUDGET IMPLICATIONS: None.

RECOMMENDED ACTION: Approval is requested.

RESOLUTION NO. 1112-10

RESOLUTION OF THE BOARD OF TRUSTEES OF THE MCFARLAND UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF THE DISTRICT'S GENERAL OBLIGATION REFUNDING BONDS, 2012 SERIES A

WHEREAS, a duly called election (the "1992 Election") was held in the McFarland Unified School District, County of Kern, State of California (the "District"), on November 5, 1992, and thereafter canvassed pursuant to law;

WHEREAS, at the 1992 Election, there was submitted to and approved by the requisite 2/3 vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, payable from the levy of an *ad valorem* tax against the taxable property in the District;

WHEREAS, a duly called election (the "2004 Election") was held in the McFarland Unified School District, County of Kern, State of California (the "District"), on March 2, 2004, and thereafter canvassed pursuant to law;

WHEREAS, at the 2004 Election, there was submitted to and approved by the requisite 55 percent vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, in the maximum amount of $8,300,000, payable from the levy of an *ad valorem* tax against the taxable property in the District;

WHEREAS, the Board of Trustees of the District (the "Board") has previously approved the issuance, among other series, of $9,150,000 aggregate principal amount of the District's 1992 Election General Obligation Refunding Bonds (the "Prior 1998 Bonds"), of which $395,000 is presently outstanding;

WHEREAS, the Board has previously approved the issuance, among other series, of $5,285,308.20 aggregate principal amount of the District's 2004 Election General Obligation Refunding Bonds (the "Prior 2004 Bonds"), of which $4,450,308.20 is presently outstanding;

WHEREAS, the Board has now determined that conditions in the financial marketplace are favorable for the refunding of the outstanding principal amount of all of the Prior 1998 Bonds and all or a portion of the Prior 2004 Bonds, which bonds subject to refunding shall be referred to herein as the "Refunded Bonds";

WHEREAS, pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), the District is authorized to issue refunding bonds to refund the Refunded Bonds; and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation refunding bonds of the District, and the indebtedness of the District, including this proposed issue of Refunding Bonds (as hereinafter defined), is within all limits prescribed by law;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE MCFARLAND SCHOOL DISTRICT, COUNTY OF KERN, CALIFORNIA, AS FOLLOWS:

SECTION 1. Purpose. That to refund all or a portion of the Refunded Bonds and to pay all necessary legal, financial, and contingent costs in connection therewith, the District authorizes the issuance of its General Obligation Refunding Bonds, 2012 Series A (the "Refunding Bonds") in a principal or issue amount not to exceed $5,000,000. Additional costs authorized to be paid from the proceeds of the Refunding Bonds are all of the authorized costs of issuance set forth in Section 53550(e) and (f) and Section 53587 of the Act.

SECTION 2. Terms and Conditions of Sale. The Refunding Bonds shall be issued as current interest bonds and shall be sold at a negotiated public or private sale upon the direction of the Superintendent of the District (the "Superintendent"). The Refunding Bonds shall be sold pursuant to the terms and conditions set forth in the Purchase Agreement, as described below; The Refunding Bonds shall achieve a net present value savings as determined by the Superintendent; provided, however that such net present value savings shall be at least 3.0%.

SECTION 3. Approval of Purchase Agreement. The form of Purchase Agreement (the "Purchase Agreement") by and between the District and Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter"), for the purchase and sale of the Refunding Bonds, substantially in the form on file with the Clerk of the Board, is hereby approved and the Superintendent, the Business Manager of the District (the "Business Manager"), or any designee thereof (each, an "Authorized Officer"), are hereby authorized to execute and deliver such Purchase Agreement, with such changes therein, deletions therefrom and modifications thereto as an Authorized Officer may approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the interest rate and maximum yield on the Refunding Bonds shall not exceed the maximum allowed by law, and that the Underwriter's discount, excluding original issue discount, thereon shall not exceed 0.75% of the aggregate of principal of Refunding Bonds issued. The Authorized Officer is further authorized to determine the principal or issue amount of the Refunding Bonds to be specified in the Purchase Agreement for sale by the District up to $5,000,000. Upon the direction of the Superintendent, a private placement agreement may be prepared in lieu of the Purchase Agreement if the Refunding Bonds will be sold pursuant to a private sale.

An Authorized Officer may, upon consultation with Bond Counsel, and in accordance with Section 17 below, purchase bond insurance to secure the payment when due of debt service on all or a portion of the Refunding Bonds, the cost of which is currently estimated at 50 basis points, or 0.50% of the total debt service of the Refunding Bonds. The Board currently estimates that the costs of issuance of the Refunding Bonds (other than the Underwriter's discount and bond insurance premium described above) will be $125,000.

SECTION 4. Certain Definitions. As used in this Resolution, the terms set forth below shall have the meanings ascribed to them (unless otherwise set forth in the Purchase Agreement):

(a) "Act" means Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

(b) "Authorization" means the authorization received by the District to issue the Prior 1998 Bonds at the 1992 Election and to issue the Prior 2004 Bonds at the 2004 Election.

(c) "Bond Insurer" means any insurance company which issues a municipal bond insurance policy insuring the payment of the Principal of interest on the Refunding Bonds.

(d) "Bond Payment Date" means (unless otherwise provided by the Purchase Agreement), with respect to the Bonds, May 1 and November 1 of each year commencing November 1, 2012 (unless otherwise provided in the Purchase Agreement) with respect to the interest on the Bonds and November 1 of each year, commencing November 1, 2012 (unless otherwise provided in the Purchase Agreement) with respect to the principal payments on the Bonds.

(e) "Depository" means DTC or such other securities depository serving in such capacity for the Refunding Bonds.

(f) "DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the Refunding Bonds.

(g) "Escrow Agent" means Wells Fargo Bank, National Association, in its capacity as escrow agent under the Escrow Agreement, or such other escrow agent as shall be named in connection with all or a portion of the Refunded Bonds.

(h) "Escrow Agreement" means the Escrow and Deposit Agreement(s) relating to the Refunded Bonds, by and between the District and the Escrow Agent.

(i) "Federal Securities" means direct or indirect noncallable obligations of, or noncallable, nonprepayable obligations unconditionally guaranteed as to full and timely payment of principal and interest by, the United States of America, but excluding investments in mutual funds or unit investment trusts, or as otherwise permitted under Section 53635 of the Government Code of the State of California.

(j) "Information Service" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, at *www.emma.msrb.org*; provided, however, in accordance with the then current guidelines of the Securities and Exchange Commission, Information Service shall mean such other

organization(s) providing information with respect to called Refunding Bonds as the District may designate in a Certificate of the District delivered to the Paying Agent.

(k) "Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 6(c) hereof.

(l) "Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

(m) "Principal" or "Principal Amount" means, with respect to any Refunding Bond, the Principal or Principal Amount thereof.

(n) "Record Date" means the fifteenth (15th) day of the month preceding each Bond Payment Date.

(o) "Term Bonds" means those Refunding Bonds for which mandatory redemption dates have been established in the Purchase Agreement.

(p) "Transfer Amount" means, with respect to any Outstanding Refunding Bond, the Principal Amount.

SECTION 5. Terms of the Refunding Bonds.

(a) Denomination, Interest, Dated Dates. The Refunding Bonds shall be issued as bonds registered as to both Principal and interest in the denominations of $5,000 or any integral multiple thereof, except as otherwise provided in the Purchase Agreement or private placement agreement. The Refunding Bonds will be initially registered to "Cede & Co.," the nominee of The Depository Trust Company, New York, New York.

Each Refunding Bond shall be dated the date of its initial issuance or such other date as shall appear in the Purchase Agreement or the Official Statement (the "Dated Date"), and shall bear interest at the rates as set forth in the Purchase Agreement 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 15th day of the month preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, or such other date set forth in the Official Statement, in which event it shall bear interest from Dated Date. Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

The Refunding Bonds shall bear interest at a rate or rates such that the maximum interest rate on the Refunding Bonds shall not exceed the maximum rates per annum permitted by law. Interest shall be payable on the respective Bond Payment Dates.

No Refunding Bonds shall mature later than November 1, 2024.

(b) Redemption.

(i) Terms of Redemption. The Bonds shall be subject to redemption prior to maturity or not be subject to redemption prior to maturity as provided in the Purchase Agreement or private placement agreement.

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

(iii) Notice of Redemption. When redemption is authorized or required pursuant to this Resolution, the Paying Agent, upon written instruction from the District, shall give notice (a "Redemption Notice") of the redemption of the Refunding Bonds. Such Redemption Notice shall specify: (a) the Refunding Bonds or designated portions thereof (in the case of redemption of the Refunding 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 Refunding Bonds to be redeemed, (f) the Bond numbers of the Refunding 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. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed at the redemption price thereof, together with the interest accrued to the redemption date thereon, and that from and after such date, interest with respect thereto shall cease to accrue.

The Paying Agent shall take the following actions with respect to such Redemption Notice:

(1) At least 30 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Refunding Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the Bond Register.

(2) At least 30 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service to each of the Depository.

(3) At least 30 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given by electronic means to the Information Service.

Neither failure to receive or failure to publish any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Refunding Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Refunding Bonds shall bear or include the CUSIP number identifying, by issue and maturity, the Refunding Bonds being redeemed with the proceeds of such check or other transfer.

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

(v) Effect of Notice of Redemption. Notice having been given as aforesaid, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) having been set aside in the District's Debt Service Fund, the Refunding Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Refunding Bonds to be redeemed as provided in Section 6(b)(i) hereof, together with interest accrued to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Refunding Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Refunding Bonds shall be held in trust for the account of the Owners of the Refunding Bonds so to be redeemed.

All Refunding Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Section 6 shall be cancelled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Refunding Bond purchased by the District shall be cancelled by the Paying Agent.

(vi) Refunding Bonds No Longer Outstanding. When any Refunding Bonds (or portions thereof) which have been duly called for redemption prior to maturity under the provisions of this Resolution, 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 by the Paying Agent irrevocably in trust for the payment of the redemption price of such Refunding Bonds or portions thereof, and, accrued interest with respect thereto to the date fixed for redemption, all as provided in this Resolution, then such Refunding Bonds shall no longer be deemed Outstanding and shall be surrendered to the Paying Agent for cancellation.

(c) Book-Entry System.

(i) Election of Book-Entry System. The Refunding Bonds shall initially be delivered in the form of a separate single fully-registered bond (which may be typewritten) for each maturity date of such Refunding Bonds in an authorized denomination. The ownership of each such Refunding Bond shall be registered in the Bond Register (as defined below) in the name of the initial purchaser thereof or the Nominee, as nominee of the DTC and ownership of the Refunding Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 6(c)(i)(4), or as provided in a private placement agreement for the Refunding Bonds, with the advice of Bond Counsel.

The District and the Paying Agent shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such the Refunding Bonds. Without limiting the immediately preceding sentence, the District and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Refunding Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to the Refunding Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Refunding Bonds to be prepaid in the event the District redeems the Refunding Bonds in part, or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to Principal, premium, if any, or interest on the Refunding Bonds. The District and the Paying Agent may treat and consider the person in whose name each the Refunding Bond is registered in the Bond Register as the absolute owner (the "Registered Owner" or "Owner") of such the Refunding Bond for the purpose of payment of Principal of and premium and interest on and to such Refunding Bond, for the purpose of giving notices of redemption and other matters with respect to such Refunding Bond, for the purpose of registering transfers with respect to such Refunding Bond, and for all other purposes whatsoever. The Paying Agent shall pay all Principal of and premium, if any, and interest on the Refunding Bonds only to or upon the order of the respective Owner, as shown in the Bond Register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of Principal of, and premium, if any, and interest on the Refunding Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a certificate evidencing the obligation to make payments of Principal of, and premium, if any, and interest on the Refunding Bonds. Upon delivery by the Depository to the Owner and the Paying Agent, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to the Record Date, the word "Nominee" in this Resolution shall refer to such nominee of the Depository.

1. Delivery of Letter of Representations. In order to qualify the Refunding Bonds for the Depository's book-entry system, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the District or the Paying Agent any obligation whatsoever with respect to persons having interests in the Refunding Bonds other than the Owners, as shown on the Bond Register. By executing a Letter of Representations, the Paying Agent shall agree to take all action necessary at all

times so that the District will be in compliance with all representations of the District in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the District and the Paying Agent shall take such other actions, not inconsistent with this Resolution, as are reasonably necessary to qualify the Refunding Bonds for the Depository's book-entry program.

2. Selection of Depository. If (i) the Depository determines not to continue to act as securities depository for the Refunding Bonds, or (ii) the District determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Refunding Bonds or the District, then the District will discontinue the book-entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered bond for each maturity date of such the Refunding Bond, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (4) hereof. If the District fails to identify another qualified securities depository to replace the Depository, then the Refunding Bonds shall no longer be restricted to being registered in such Bond Register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Refunding Bonds shall designate, in accordance with the provisions of this Section.

3. Payments to Depository. Notwithstanding any other provision of this Resolution to the contrary, so long as all outstanding Refunding Bonds are held in book-entry and registered in the name of the Nominee, all payments by the District or the Paying Agent with respect to Principal of and premium, if any, or interest on the Refunding Bonds and all notices with respect to such Refunding Bonds shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Paying Agent notwithstanding any inconsistent provisions herein.

4. Transfer of Refunding Bonds to Substitute Depository.

(A) The Refunding Bonds shall be initially issued as described in the Official Statement. Registered ownership of such Refunding Bonds, or any portions thereof, may not thereafter be transferred except as provided in a private placement agreement with the advice of Bond Counsel or except:

(1) to any successor of DTC or its Nominee, or of any substitute depository designated pursuant to Section 6(c)(i)(4)(A)(2) ("Substitute Depository"); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) to any Substitute Depository, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository

shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(B) In the case of any transfer pursuant to Section 6(c)(i)(4)(A)(1) or (2), upon receipt of all outstanding Refunding Bonds by the Paying Agent, together with a written request of the District to the Paying Agent designating the Substitute Depository, a single new Bond, which the District shall prepare or cause to be prepared, shall be executed and delivered for each maturity of Refunding Bonds then outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to Section 6(c)(i)(4)(A)(3), upon receipt of all outstanding Refunding Bonds by the Paying Agent, together with a written request of the District to the Paying Agent, new Refunding Bonds, which the District shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the District, provided that the Paying Agent shall not be required to deliver such new Refunding Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the District.

(C) In the case of a partial redemption of any Refunding Bonds evidencing a portion of the Principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Refunding Bonds indicating the date and amounts of such reduction in Principal, in form acceptable to the Paying Agent, all in accordance with the Letter of Representations. The Paying Agent shall not be liable for such Depository's failure to make such notations or errors in making such notations.

(D) The District and the Paying Agent shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of this Resolution and any applicable laws, notwithstanding any notice to the contrary received by the Paying Agent or the District; and the District and the Paying Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Refunding Bonds. Neither the District nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Refunding Bonds, and the Paying Agent may rely conclusively on its records as to the identity of the Owners of the Refunding Bonds.

SECTION 6. Execution of Refunding Bonds. The Refunding Bonds shall be signed by the President of the Board, by his or her manual or facsimile signature and countersigned by the manual or facsimile signature of and may be embossed or printed with the seal or facsimile seal of the District affixed thereto by the Clerk of the Board, all in their official capacities. No Refunding Bond shall be valid or obligatory for any purpose or shall be entitled to any security or benefit under this Resolution unless and until the certificate of authentication printed on the Refunding Bond is signed by the Paying Agent as authenticating agent. Authentication by the Paying Agent shall be conclusive evidence that the Refunding Bond so authenticated has been duly issued, signed and delivered under this Resolution and is entitled to the security and benefit of this Resolution.

SECTION 7. Bond Registrar; Transfer and Exchange. The Board does hereby appoint Wells Fargo Bank, National Association to act as the authenticating agent, Bond Registrar, transfer agent and Paying Agent for the Refunding Bonds (the "Paying Agent").

So long as any of the Refunding Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Refunding Bonds as provided in this Section. Subject to the provisions of Section 9 below, the person in whose name a Refunding Bond is registered on the Bond Register shall be regarded as the absolute Owner of that Refunding Bond for all purposes of this Resolution. Payment of or on account of the Principal of and premium, if any, and interest on any Refunding Bond shall be made only to or upon the order of that person; neither the District nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in this Section. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Refunding Bonds, including interest, to the extent of the amount or amounts so paid.

Any Refunding Bond may be exchanged for Refunding Bonds of like tenor, maturity and Transfer Amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Refunding Bond may be transferred on the Bond Register only upon presentation and surrender of the Refunding Bond at the principal 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 Refunding Bond or Refunding Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Refunding Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

If any Refunding Bond shall become mutilated, the District, at the expense of the Owner of said Refunding Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Refunding Bond of like series, tenor and Transfer Amount in exchange and substitution for the Refunding Bond so mutilated, but only upon surrender to the Paying Agent of the Refunding Bond so mutilated. If any Refunding Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence be satisfactory to the Paying Agent and indemnity for the Paying Agent and the District satisfactory to the Paying Agent shall be given by the Owner, the District,

at the expense of the Refunding Bond Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Refunding Bond of like tenor in lieu of and in substitution for the Refunding Bond so lost, destroyed or stolen (or if any such Refunding Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Refunding Bond the Paying Agent may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Paying Agent and the District). The Paying Agent may require payment of a reasonable fee for each new Refunding Bond issued under this paragraph and of the expenses which may be incurred by the District and the Paying Agent.

If manual signatures on behalf of the District are required in connection with an exchange or transfer, the Paying Agent shall undertake the exchange or transfer of Refunding Bonds only after the new Refunding Bonds are signed by the authorized officers of the District. In all cases of exchanged or transferred Refunding Bonds, the District shall sign and the Paying Agent shall authenticate and deliver Refunding Bonds in accordance with the provisions of this Resolution. All fees and costs of transfer shall be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Refunding Bonds issued upon any exchange or transfer shall be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under this Resolution as the Refunding Bonds surrendered upon that exchange or transfer.

Any Refunding Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be cancelled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Refunding Bonds that the District may have acquired in any manner whatsoever, and those Refunding Bonds shall be promptly cancelled by the Paying Agent. Written reports of the surrender and cancellation of Refunding Bonds shall be made to the District by the Paying Agent on or before June 15 and December 15 of each year. The cancelled Refunding Bonds shall be retained for six years, then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Refunding Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of Refunding 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 Refunding Bonds which have been selected or called for redemption in whole or in part.

SECTION 8. Payment. Payment of interest on any Refunding Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate Principal Amount of $1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The Principal, and redemption price, if any, payable on the Refunding Bonds shall be payable upon maturity or redemption upon surrender at the principal

office of the Paying Agent. The interest, Principal and premiums, if any, on the Refunding Bonds shall be payable in lawful money of the United States of America. The Paying Agent is hereby authorized to pay the Refunding Bonds when duly presented for payment at maturity, and to cancel all Refunding Bonds upon payment thereof. The Refunding Bonds are general obligations of the District, payable without limit as to rate or amount from the levy of *ad valorem* property taxes upon all property subject to taxation within the District.

SECTION 9. Forms of Refunding Bonds. The Refunding Bonds shall be in substantially the following form, allowing those officials executing the Refunding Bonds to make the insertions and deletions necessary to conform the Refunding Bonds to this Resolution, the Purchase Agreement or any private placement agreement and the Official Statement.

(Form of Refunding Bond)

REGISTERED
NO.

REGISTERED
$

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
__% per annum	November 1, 20__	Delivery Date	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each

Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes the full faith and credit of the District are hereby pledged.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution (described below) until the Certificate of Authentication below has been signed.

This bond is one of an authorization of bonds issued by the District pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act") for the purpose of refunding certain of the outstanding bonds of the McFarland Unified School District designated as its General Obligation Refunding Bonds, 2012 Series A and to pay all necessary legal, financial, and contingent costs in connection therewith. The bonds are being issued under authority of and pursuant to the Act, the laws of the State of California, and the resolution of the Board of Trustees of the District adopted on _____, 2012 (the "Bond Resolution"). This bond and the issue of which this bond is one are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount. The bonds of this issue are general obligations of the District.

The bonds of this issue are comprised of $_____ principal amount of the Refunding Bonds.

This bond is exchangeable and transferable for bonds of like tenor, maturity and Transfer Amount (as defined in the Bond Resolution) and in authorized denominations at the principal office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute Owner of this bond for the purpose of receiving payment of or on account of principal or interest

and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any bond during a period beginning with the opening of business on the 15th business 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 day on which the applicable notice of redemption is given or (b) to transfer any bond which has been selected or called for redemption in whole or in part.

The Refunding Bonds maturing on or before November 1, 20__ are not subject to redemption prior to their fixed maturity dates. The Refunding Bonds maturing on or after November 1, 20__ are subject to redemption on or after November 1, 20__ at the option of the District as a whole or in part, on any date, at the Principal Amount of the Refunding Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption.

The Refunding Bonds maturing on November 1, 20__ are subject to mandatory sinking fund redemption from moneys in the Debt Service Fund prior to their stated maturity date, at the Principal Amount thereof without premium on each November 1, on and after November 1, 20__, in the Principal Amounts as set forth in the following table:

Redemption Dates	Principal Amounts
November 1, 20__	
November 1, 20__	

If less than all of the bonds of any one maturity shall be called for redemption, the particular bonds or portions of bonds of such maturity to be redeemed shall be selected by lot by the District in such manner as the District in its discretion may determine; provided, however, that the portion of any bond to be redeemed shall be in the principal amount of $5,000 or some multiple thereof. If less than all of the bonds stated to mature on different dates shall be called for redemption, the particular bonds or portions thereof to be redeemed shall be called in any order of maturity selected by the District or, if not so selected, in the inverse order of maturity.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

IN WITNESS WHEREOF, the McFarland Unified School District, County of Kern, California, has caused this bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signature of the President of the Board of Trustees and to be countersigned by the manual or facsimile signature of the Clerk of the Board of Trustees, and has caused the seal of the District to be affixed hereto, all as of the date stated above.

[SEAL]

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____[form document]_____
President, Board of Trustees

COUNTERSIGNED:

By: _____[form document]_____
Clerk, Board of Trustees

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the Bond Resolution referred to herein which has been authenticated and registered on _____, 2012.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Paying Agent

By _____[form document]_____

_____

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers to (print or typewrite name, address and zip code of Transferee): _____ this bond and irrevocably constitutes and appoints attorney to transfer this bond on the books for registration thereof, with full power of substitution in the premises.

Dated:_____ _____

Signature Guaranteed:

_____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the within bond in every particular, without alteration or any change whatever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

Unless this bond is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

SECTION 10. Delivery of Refunding Bonds. The proper officials of the District shall cause the Refunding Bonds to be prepared and, following their sale, shall have the Refunding Bonds signed and delivered, together with a true transcript of proceedings with reference to the issuance of the Refunding Bonds, to the original purchaser upon payment of the purchase price therefor.

SECTION 11. Deposit of Proceeds of Refunding Bonds. Certain net proceeds from the sale of the Refunding Bonds shall be transferred to the Escrow Agent for deposit into the Escrow Fund established under the Escrow Agreement, which amount shall be sufficient to purchase the Federal Securities and hold uninvested an amount or amounts of cash needed to pay the Refunded Bonds in accordance with their terms, all as set forth in the Escrow Agreement. Proceeds of the sale of the Refunding Bonds required to pay all or a portion of the costs of issuing the Refunding Bonds may be deposited in the fund of the District known as the "McFarland Unified School District 2012 General Obligation Refunding Bonds Cost of Issuance Fund" (the "Cost of Issuance Fund") and shall be kept separate and distinct from all other District funds, and those proceeds shall be used solely for the purpose of paying costs of issuance of the Refunding Bonds.

Any accrued interest received by the District from the sale of the Refunding Bonds shall be kept separate and apart in the fund hereby created and established as a subaccount in the Debt Service Fund of the District previously established with the Treasurer and to be designated as the "McFarland Unified School District 2012 General Obligation Refunding Bonds Debt Service Account" (the "2012 Debt Service Account") and used only for payments of Principal of and interest on the Refunding Bonds. Any excess original issue premium received by the District from the sale of the Refunding Bonds shall be deposited in the District's Building Fund and expended solely for the purposes set forth in the Authorization. Any excess proceeds of the Refunding Bonds not needed for the authorized purposes set forth herein for which the Refunding Bonds are being issued shall be transferred to the 2012 Debt Service Account and applied to the payment of the Principal of and interest on the Refunding Bonds. If, after payment in full of the Refunding Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Notwithstanding any of the foregoing, the provisions of this Section as they relate to the dispersal and allocation of moneys on deposit in the 2012 Debt Service Account may be amended by the Purchase Agreement and Official Statement so long as the transactions contemplated by such amendment are in compliance with the provisions of the Act.

Except as required below to satisfy the requirements of Section 148(t) of the Internal Revenue Code of 1986, as amended (the "Code"), interest earned on the investment of monies held in the 2012 Debt Service Account shall be retained therein and used to pay Principal of and interest on the Refunding Bonds when due.

SECTION 12. Security for the Refunding Bonds. There shall be levied on all the taxable property in the District, in addition to all other taxes, a continuing direct *ad valorem* tax annually during the period the Refunding Bonds are outstanding in an amount sufficient to pay the Principal of and interest on the Refunding Bonds when due, which moneys when collected will

be placed in the 2012 Debt Service Account of the District, which fund is irrevocably pledged for the payment of the Principal of and interest on the Refunding Bonds when and as the same fall due. The District covenants to cause the County to take all actions necessary to levy such *ad valorem* tax in accordance with this Section 13 and Section 53559 of the Act.

The moneys in the 2012 Debt Service Account, to the extent necessary to pay the Principal of and interest on the Refunding Bonds as the same become due and payable, shall be transferred by the Treasurer to the Paying Agent which, in turn, shall pay such moneys to DTC to pay the Principal of and interest on the Refunding Bonds. DTC will thereupon make payments of Principal of and interest on the Refunding Bonds to the DTC Participants who will thereupon make payments of Principal of and interest to the beneficial owners of the Refunding Bonds. Any moneys remaining in the 2012 Debt Service Account after the Refunding Bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the general fund of the District.

SECTION 13. Arbitrage Covenants. The District hereby covenants that it shall not, directly or indirectly, use or permit the use of any proceeds of any of the Refunding Bonds, or of any of the property financed or refinanced with the proceeds of the Refunding Bonds, or other funds of the District, or take or omit to take any action that would cause the Refunding Bonds to be deemed "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the District shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury promulgated thereunder to the extent that such requirements are in effect and applicable to the Refunding Bonds.

The District covenants to comply with all the procedures and provisions set forth in the Tax Exemption Certificate, and will do and perform all acts and things necessary in order to assure that interest paid on the Refunding Bonds shall be excluded from gross income of the owners thereof for purposes of federal income taxation.

SECTION 14. Legislative Determinations. The Board determines that all acts and conditions necessary to be performed by the Board or to have been met precedent to and in the issuing of the Refunding Bonds in order to make them legal, valid and binding general obligations of the District have been performed and have been met, or will at the time of delivery of the Refunding Bonds have been performed and have been met, in regular and due form as required by law; that the full faith and credit of the District are pledged for the timely payment of the Principal of and interest on the Refunding Bonds; and that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Refunding Bonds. Furthermore, the Board finds and determines pursuant to Section 53552 of the Act that the prudent management of the fiscal affairs of the District requires that it issue the Refunding Bonds without submitting the question of the issuance of the Refunding Bonds to a vote of the qualified electors of the District.

SECTION 15. Official Statement. The Board hereby approves the use by the Underwriter of a Preliminary Official Statement or private placement memorandum, if any, relating to the Bonds, substantially in the form submitted to and considered by this Board (the "Preliminary Official Statement") and following pricing, an Official Statement in connection with the sale of the Bonds (the "Official Statement"), in each case with such changes as may be

approved by an Authorized Officer, and the Authorized Officers and such other officers of the District as may be authorized by the District Board are, and each of them acting alone hereby is, authorized to deliver copies of the Preliminary Official Statement and the Official Statement with such changes therein as such officer shall approve, in his or her discretion, as being in the best interests of the District. Upon the approval of such changes by such officer, the Preliminary Official Statement shall be "deemed final" as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule"). The Authorized Officer is hereby authorized and directed to execute such Official Statement or final private placement memorandum, if any, with such changes therein, deletions therefrom and modifications thereto as such Authorized Officer may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 16. Insurance. In the event the District purchases bond insurance for the Refunding Bonds, and to the extent that the Bond Insurer makes payment of the Principal, interest of the Refunding Bonds, it shall become the Owner of such Refunding Bonds with the right to payment of Principal of or interest on the Refunding Bonds, and shall be fully subrogated to all of the Owners' rights, including the Owners' rights to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims that were past due interest components, the Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books for the Refunding Bonds maintained by the Paying Agent upon receipt of a copy of the cancelled check issued by the Bond Insurer for the payment of such interest to the Owners of the Refunding Bonds, and (ii) in the case of subrogation as to claims for past due Principal, the Paying Agent shall note the Bond Insurer as subrogee on the registration books for the Refunding Bonds maintained by the Paying Agent upon surrender of the Refunding Bonds by the Owners thereof to the Bond Insurer or the insurance trustee for the Bond Insurer.

SECTION 17. Defeasance. All or any portion of the outstanding maturities of the Refunding 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 then on deposit in the Debt Service Fund is sufficient to pay all Refunding Bonds outstanding and designated for defeasance, including all Principal and interest and premium, if any; or

(b) United States Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable United States Obligations, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Refunding Bonds outstanding and designated for defeasance (including all Principal and interest represented thereby and prepayment premiums, if any) at or before their maturity date;

then, notwithstanding that any of such Refunding Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Refunding Bonds shall cease and terminate, except only the obligation of the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds

deposited pursuant to paragraphs (a) or (b) of this Section, to the Owners of such designated Refunding Bonds not so surrendered and paid all sums due with respect thereto.

For purposes of this Section, "United States Obligations" shall mean:

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, including (in the case of direct and general obligations of the United States of America) 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 wherein (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 in the highest or second highest rating category by Standard & Poor's Ratings Group or Moody's Investors Service.

SECTION 18. Other Actions, Determinations and Approvals.

(a) Officers of the Board, District Officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Refunding Bonds, including with respect to a private placement for the Refunding Bonds, and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

(b) The Board hereby finds and determines that the total net interest cost to maturity on the Refunding Bonds plus the Principal Amount of the Refunding Bonds will be less than the total net interest cost to maturity on the Refunded Bonds plus the Principal Amount of the Refunded Bonds.

(c) The Board anticipates that the Refunded Bonds will be refunded in accordance with their terms on their respective first available optional call dates or defeased to their maturity dates, as market conditions permit.

(d) The Board hereby appoints Wells Fargo Bank, National Association, as escrow agent (the "Escrow Agent") for the Refunded Bonds and approves the form of Escrow Agreement on file with the Clerk of the Board. Any Authorized Officer is authorized to execute the Escrow Agreement, or such other escrow agreement as shall be advisable to accomplish the purposes of this Resolution, with respect to all or a portion of the Refunded Bonds with such changes as such person shall approve, such approval to be conclusively evidenced by the signatory's execution and delivery thereof.

(e) The Board hereby confirms the appointment of Stone & Youngberg, a Division of Stifel Nicolas, as its Underwriter for the Refunding Bonds (or placement agent

if the Refunding Bonds are sold pursuant to a private placement agreement), and confirms Fulbright & Jaworski L.L.P., Los Angeles, California, as bond and disclosure counsel, with respect to the issuance of the Refunding Bonds, pursuant to letter agreements with such firms.

(f) The provisions of this Resolution as they relate to the terms of the Refunding Bonds may be amended by the Purchase Agreement and the Official Statement.

SECTION 19. Resolution to Be Delivered to County. The Clerk of this Board is hereby directed to provide a certified copy of this Resolution to the Treasurer immediately following its adoption.

SECTION 20. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Agreement, substantially in the form appended to the Preliminary Official Statement, to be executed by the District and dated the date of issuance and delivery of the Refunding Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any Bondholder 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 Section. Noncompliance with this Section shall not result in acceleration of the Refunding Bonds.

SECTION 21. Recitals. All the recitals in this Resolution above are true and correct and this Board so finds, determines and represents.

SECTION 22. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 13th day of March, 2012 by the Board of Trustees of the McFarland Unified School District of the County of Kern, State of California, by the following vote:

AYES: MEMBERS: D. Arguello, J. Beltran, M. Isaacs, K. Breyer

NOES: MEMBERS: 0

ABSENT: MEMBERS: Rey Delcon

This is to certify that this is a true and correct copy of the resolution as adopted and approved at a [regular][special] meeting of the Board of Trustees of the McFarland Unified School District.

Kaye Breyer
President

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 2, 2012

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: S&P (Insured): "AA-"
S&P (Underlying): "A"
(See "RATINGS" herein.)

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the District, under existing law interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on corporations and individuals. See "TAX MATTERS" herein.

MCFARLAND UNIFIED SCHOOL DISTRICT

(County of Kern, California)
$4,500,000*
2012 General Obligation Refunding Bonds
(Bank Qualified)

Dated: Date of Delivery **Due: on the dates shown on inside cover**

The $4,500,000* McFarland Unified School District 2012 General Obligation Refunding Bonds (Bank Qualified) (the "Bonds"). The Bonds are being issued to refund certain outstanding general obligation bonds of the District and (the "1998 Authorization") to pay costs of issuance for the Bonds. See "PLAN OF REFUNDING" herein. The Bonds are issued on a parity with all other general obligation bonds issued by or on behalf of the District.

The Bonds will mature on the dates and in the amounts and bear interest at the rates shown on the inside cover hereof. Interest on the Bonds is payable commencing November 1, 2012, and semiannually thereafter on each May 1 and November 1. The Bonds are being issued in fully registered form without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds described herein under the caption "THE BONDS – Book-Entry Only System" herein.

Principal and interest on the Bonds is payable directly to DTC by Wells Fargo Bank, National Association, as bond registrar and initial paying agent for the Bonds (the "Paying Agent"). Upon receipt of payments of principal and interest, DTC is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described herein.

The Bonds are subject to optional and mandatory sinking fund redemption as provided herein. See "THE BONDS – Redemption" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy (the "Insurance Policy") to be issued concurrently with the delivery of Bonds by Assured Guaranty Municipal Corp.

ASSURED GUARANTY MUNICIPAL

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT, SECURED BY AND PAYABLE FROM *AD VALOREM* PROPERTY TAXES ASSED ON TAXABLE PROPERTIES WITHIN THE DISTRICT, WITHOUT LIMITATION AS TO RATE OR AMOUNT. THE BONDS ARE NOT AN OBLIGATION OF THE GENERAL FUND OF THE DISTRICT OR OF THE COUNTY. See "SECURITY FOR THE BONDS" herein.

MATURITY SCHEDULE
on inside cover.

This cover page contains general information only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the District. Fulbright & Jaworski L.L.P., Los Angeles, California, is serving as Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriter by its counsel, Nossaman LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery in New York, New York, for deposit through the facilities of DTC on or about August 30, 2012.

STONE & YOUNGBERG
A DIVISION OF STIFEL NICOLAUS

Dated: August __, 2012

---

* Preliminary; subject to change.

MATURITY SCHEDULE*

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)

2012 General Obligation Refunding Bonds
(Bank Qualified)

Maturity (November 1)	Principal Amount	Interest Rate	Yield	CUSIP No. (580415)†
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				

---

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the District or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

No dealer, broker, salesperson or other person has been authorized by the McFarland Unified School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell, 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 described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of Kern (the "County"), the County has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE KERN COUNTY POOLED SURPLUS INVESTMENTS" herein.

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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix F - Specimen Municipal Bond Insurance Policy".

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the District in any way, regardless of the level of optimism communicated in the information. The District is not obligated to issue nor does it plan to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)

Board of Trustees

Kaye Breyer, President
Jim Beltran, Vice President
Marlin Isaacs, Clerk
David Arguello, Member
Rey DeLeon, Member

District Administrators

Gabriel McCurtis, Superintendent
Ambelina Garcia, Business Manager

SPECIAL SERVICES

Bond and Disclosure Counsel

Fulbright & Jaworski L.L.P.
Los Angeles, California

Financial Advisor

Caldwell Flores Winters, Inc.
Emeryville, California

Underwriter

Stone & Youngberg,
a Division of Stifel Nicolaus
Los Angeles, California

Paying Agent

Wells Fargo Bank, National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

TABLE OF CONTENTS

Page

INTRODUCTION 1
THE BONDS 1
Authority for Issuance 1
Description of the Bonds 2
Payment of the Bonds 2
Estimated Sources and Uses of Funds 3
Redemption 3
Transfer and Exchange 5
Debt Service Schedule 6
Defeasance 6
Book-Entry Only System 7
Continuing Disclosure Certificate 7
SECURITY FOR THE BONDS 7
BOND INSURANCE 7
PLAN OF REFUNDING 10
DISTRICT FINANCIAL INFORMATION 10
Assessed Valuations 10
Tax Rates 13
Tax Levies and Delinquencies 14
Teeter Plan 14
District Reports and Certification 15
FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA 15
Major Revenues 15
Ad Valorem Property Taxes 17
Proposition 98 17
State Assistance 19
Jarvis v. Connell 23
Recent Litigation Regarding State Funding of Education 23
Financial Statements 24
Budgets of District 25
State Emergency Loan Program 25
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS 27
Article XIIIA of the California Constitution 27
Legislation Implementing Article XIIIA 27
Article XIIIB of the California Constitution 27
Unitary Property 28
California Lottery 28
Propositions 46 and 39 28
Article XIIIC and XIIID of the California Constitution 29
Proposition 1A 30
Proposition 22 30
Future Initiatives 31
THE KERN COUNTY TREASURY POOL 31

TABLE OF CONTENTS
(continued)

Page

LEGAL MATTERS 33
TAX MATTERS 33
Opinion of Bond Counsel 33
CONTINUING DISCLOSURE 36
LEGALITY FOR INVESTMENT 37
RATINGS 37
UNDERWRITING 37
FINANCIAL ADVISOR 37
VERIFICATION OF MATHEMATICAL COMPUTATIONS 37
NO LITIGATION 38
OTHER INFORMATION 38
APPENDIX A – FORM OF BOND COUNSEL OPINION A-1
APPENDIX B – MCFARLAND UNIFIED SCHOOL DISTRICT B-1
APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011 ..... C-1
APPENDIX D – PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE D-1
APPENDIX E – BOOK-ENTRY ONLY SYSTEM E-1
APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY F-1

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)

$4,500,000*
2012 General Obligation Refunding Bonds
(Bank Qualified)

INTRODUCTION

The $4,500,000* McFarland Unified School District 2012 General Obligation Refunding Bonds (Bank Qualified) (the "Bonds") are being issued to refund certain outstanding general obligation bonds of the District. On June 2, 2004, the District issued $5,285,308.20 aggregate amount of its General Obligation Bonds, Election of 2004, Series 2004A (the "2004 Bonds"), of which $3,815,000 are currently outstanding. On September 15, 1998, the District issued its 1998 General Obligation Refunding Bonds (the "1998 Bonds" and, together with the 2004 Bonds, the "Prior Bonds"), of which $395,000 are currently outstanding. The Bonds are being issued to refund all of the outstanding 1998 Bonds and to refund a portion of the outstanding 2004 Bonds in the amount of $3,815,000*. See "PLAN OF REFUNDING" herein. A portion of the proceeds of the Bonds will also be used to pay all legal, financial and contingent costs in connection therewith, as more fully described herein under "THE BONDS – Estimated Sources and Uses of Funds" below. The Bonds are issued on a parity with all other general obligation bonds issued by or on behalf of the District.

The McFarland Unified School District, a unified K-12 school district of the State of California (the "State"). The District is located in the northern part of the County of Kern (the "County"). The District serves approximately 3,300 students enrolled in grades K-12. The District currently operates two elementary schools, one intermediate school, two high schools and one continuing school and employs approximately 360 teachers, administrators and classified personnel. The current student-teacher ratio in the District is 20:1 in grades K-3, 25:1 in grades 4-6, 25:1 in grades 7-8 and 28:1 in grades 9-12. The District's average daily attendance for fiscal year 2010-11 was 3,127. The District's projected average daily attendance for fiscal year 2011-12 and fiscal year 2012-13 is 3,127. The District has a 2011-12 assessed valuation of $1,234,543,942. The District's fiscal year 2010-11 share of the property tax revenue in the County equaled $5,703,579.82 and is estimated to equal $4,472,463.00 in fiscal year 2011-12. Additional information on the District is included under the caption "DISTRICT FINANCIAL INFORMATION," in APPENDIX B – "MCFARLAND UNIFIED SCHOOL DISTRICT" and in "APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District, payable solely from *ad valorem* tax revenues collected within the District. The Bonds are being issued pursuant to Article 9 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Government Code"), as amended, as authorized by a resolution adopted by the Board of Trustees of the District on March 13, 2012 (the "Resolution").

* Preliminary, subject to change.

Description of the Bonds

The Bonds will be issued in denominations of $5,000 or any integral multiple thereof and will mature on the dates and in the amounts and bear interest at the rates per annum, all as set forth on the inside cover page of this Official Statement. The Bonds are not subject to acceleration.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Payments of principal and premium, if any, for any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent. See "THE BONDS – Book Entry Only System" herein.

Payment of the Bonds

Interest on the Bonds that are Current Interest Bonds is payable commencing on November 1, 2012, and semiannually thereafter on each May 1 and November 1 (each, an "Interest Payment Date"). Interest on each Bond shall accrue from its dated date and shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date. Interest with respect to each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on October 15, 2012, in which event interest with respect thereto shall be payable from its Dated Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

[Remainder of page intentionally left blank.]

Estimated Sources and Uses of Funds

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

Sources of Funds

Principal Amount	$
Net Original Issue [Premium/Discount]	
Total Sources	$

Uses of Funds

Deposit to Escrow Fund(s)	$
Costs of Issuance[(1)]	
Total Uses	$

[(1)] Includes Financial Advisor fees, Bond Counsel and Disclosure Counsel fees, Underwriter's discount, rating fees, fees of the Paying Agent and Verification Agent, bond insurance premium, printing fees and other costs of issuance. The District will pay the costs of issuance with Bond proceeds.

Redemption

Optional Redemption*

The Bonds may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after November 1, 2022, at their principal amount, together with interest accrued thereon to the date of redemption, without premium.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond that is a Bond to be redeemed in part shall be in the Principal Amount of $5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized or required, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption (or such lesser period to which the Paying Agent agrees), shall give notice (a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall 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 or accretion rate and stated maturity date of each Bond to be redeemed in

* Preliminary, subject to change.

whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date and that from and after such date interest with respect thereto shall cease to accrue or accrete and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice: (i) at least 30 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register. Notice of redemption may be given on a conditional basis in connection with a refunding of the Bonds, (ii) if the Bonds shall no longer be held in book-entry only form, at least two days before the date of the notice required by clause (i) such Redemption Notice shall be given by first class mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Securities Depository, and (iii) if the Bonds shall no longer be held in book-entry only form, at least two days before the date of notice required by clause (i) such Redemption Notice shall be given by first class mail, postage prepaid, or overnight delivery service to the Information Service.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall 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 shall bear the CUSIP number identifying the Bonds being redeemed with the proceeds of such check or other transfer.

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Partial Redemption of Bonds

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

Effect of Notice of Redemption

Notice having been given as required by the Resolution, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for the payment of their redemption price, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Resolution, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying

Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Resolution shall be cancelled upon surrender thereof and delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be cancelled by the Paying Agent upon written notice by the District given to the Paying Agent.

Transfer and Exchange

The transfer of any Bond may be registered upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or accompanied by delivery of the written instrument of transfer, duly executed by the Owner or his duly authorized attorney, and payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same Transfer Amount and in authorized denominations, will be executed and delivered to the transferee in exchange therefor.

The Paying Agent shall deem and treat the person in whose name any Outstanding Bond shall be registered upon the Bond Register as the absolute Owner of such Bond, whether the Principal, premium, if any, Accreted Value or interest with respect to such Bond shall be overdue or not, for the purpose of receiving payment of Principal, premium, if any, Accreted Value and interest with respect to such Bond and for all other purposes, and any such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the District or the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged at the office of the Paying Agent for Bonds of like tenor, maturity and Transfer Amount. All Bonds surrendered in any such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge the Owner a reasonable sum for each new Bond executed and delivered upon any exchange (except in the case of the first exchange of any Bond in the form in which it is originally delivered, for which no charge shall be imposed) and the Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Paying Agent shall not be required to register the transfer or exchange of any Bond (i) during the period beginning at the close of business on any Record Date through the close of business on the immediately following Interest Payment Date, or (ii) that has been called or is subject to being called for redemption, during a period beginning at the opening of business 15 days before any selection of Bonds to be redeemed through the close of business on the applicable redemption date, except for the unredeemed portion of any Bond to be redeemed only in part.

Debt Service Schedule

The following table summarizes the combined debt service requirements of the District for its outstanding bonds (collectively, the "Existing Bonds") and the Bonds:

Bond Year Ending (November 1)	Existing Bonds	Bonds		
		Annual Principal Payment	Annual Interest Payment	Total Annual Debt Service
2012	$ 867,721.26	$	$	$
2013	932,786.26			
2014	927,501.26			
2015	924,988.76			
2016	916,241.26			
2017	910,113.76			
2018	908,003.76			
2019	909,533.76			
2020	649,568.76			
2021	668,431.26			
2022	680,468.76			
2023	695,881.26			
2024	713,971.26			
2025	730,006.26			
2026	749,606.26			
2027	768,518.76			
2028	786,742.25			
2029	803,592.50			
2030	822,475.70			
2031	840,078.36			
2032	835,000.00			
TOTAL	$17,041,231.47	$	$	$

Defeasance

If all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the Principal of and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and

permitted under Section 149(b) of the Internal Revenue Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under the Resolution with respect to all Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry Only System

The Bonds will be issued under a book entry system, evidencing ownership of the Bonds in principal amounts or Maturity Amounts of $5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book-entry system, see "APPENDIX F – BOOK-ENTRY ONLY SYSTEM."

Continuing Disclosure Certificate

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the beneficial owners of the Bonds, to provide certain information as set forth therein and notices of enumerated events. The covenants contained in the Continuing Disclosure Certificate have been made to assist the Underwriter in complying with the Rule. See "CONTINUING DISCLOSURE" herein.

SECURITY FOR THE BONDS

The Bonds are general obligations of the District, and the Board of Supervisors of Kern County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both Principal or Maturity Value of and interest on the Bonds. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – *Ad Valorem* Property Taxes" below.

BOND INSURANCE

Information in this section and the specimen of the Insurance Policy attached as Appendix F hereto have been furnished by the Insurer for use in this Preliminary Official Statement. No representation is made by the District as to the accuracy, completeness or adequacy of such information, nor as to the absence of material adverse changes in such information subsequent to the date of this Preliminary Official Statement. The District has not made any independent investigation of the Insurer or the Insurance Policy, and reference is made to the information set forth below under this heading and in Appendix F hereto for a description thereof.

The Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Insurance Policy"). The Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Insurance Policy included as an exhibit to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012.

Capitalization of AGM. At March 31, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,123,869,658 and its total net unearned premium reserve was approximately $2,275,867,231, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, and for the quarterly period ended March 31, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at http://www.assuredguaranty.com, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters. AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE."

PLAN OF REFUNDING

A portion of the proceeds of the Bonds will be used to refund all of the outstanding 1998 Bonds, currently outstanding in the aggregate principal amount of $395,000 (the "1998 Refunded Bonds"). A portion of the proceeds of the Bonds will also be used to refund $3,815,000 outstanding principal amount of the 2004 Bonds (the "2004 Refunded Bonds" and, together with the 1998 Refunded Bonds, the "Refunded Bonds"), currently outstanding in the aggregate principal amount of $4,155,000.

The 1998 Refunded Bonds will be redeemed on October 1, 2012 (the "1998 Redemption Date") at the principal amount thereof, plus interest accrued and unpaid to the date thereof. The 2004 Refunded Bonds will be redeemed on November 1, 2013 (the "2004 Redemption Date"). The redemption of the 2004 Refunded Bonds will be effected by depositing a portion of the proceeds of the Bonds in an escrow fund (the "Escrow Fund") created and established under the Escrow Agreement, dated as of April 1, 2012, by and between the District and Wells Fargo Bank, National Association, as escrow agent. Such proceeds will be used to purchase Federal Securities, the principal and interest on which when due will be sufficient to pay the 2004 Refunded Bonds at 101% of the principal amount thereof on the 2004 Redemption Date, plus any interest due on or prior to the 2004 Redemption Date.

Causey Demgen & Moore P.C., certified public accountants and consultants (the "Verification Agent"), will deliver a report stating that the firm has verified the accuracy of mathematical computations concerning the adequacy of the cash and securities deposited in the Escrow Fund to pay the interest due with respect to the 2004 Refunded Bonds to and including the 2004 Redemption Date, and to pay on the 2004 Redemption Date the redemption price thereof. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

DISTRICT FINANCIAL INFORMATION

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES" herein.

The California State-reimbursed exemption currently provides a credit of $7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

MCFARLAND UNIFIED SCHOOL DISTRICT
SUMMARY OF ASSESSED VALUATIONS
FISCAL YEARS 2007-08 THROUGH 2011-12

Fiscal Year	Local Secured	Utility	Unsecured	Total
2007-08	$ 783,389,905	$411,487	$37,020,403	$ 820,821,795
2008-09	1,023,544,641	411,487	38,915,648	1,062,871,776
2009-10	924,334,509	411,487	42,250,962	966,996,958
2010-11	1,045,070,009	411,487	44,138,666	1,089,620,162
2011-12	1,168,351,738	369,484	65,822,720	1,234,543,942

Source: California Municipal Statistics, Inc.

Under California 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, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an 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." 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. No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

[Remainder of page intentionally left blank.]

The following table presents the assessed valuation by land use within the District for fiscal year 2011-12.

MCFARLAND UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use

	2011-12 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$367,948,866	31.50%	1,182	26.34%
Commercial	72,485,802	6.20	96	2.14
Vacant Commercial	820,560	0.07	22	0.49
Oil & Gas	411,008,171	35.18	178	3.97
Industrial	89,919,184	7.70	39	0.87
Vacant Industrial	1,427,422	0.12	23	0.51
Recreational	44,978	0.00	1	0.02
Government/Social/Institutional	792,582	0.07	211	4.70
Subtotal Non-Residential	$944,447,565	80.84%	1,752	39.04%
Residential:				
Single Family Residence	$189,187,215	16.19%	2,027	45.16%
Condominium/Townhouse	3,071,493	0.26	50	1.11
Mobile Home	753,116	0.06	22	0.49
2-4 Residential Units	15,637,886	1.34	201	4.48
5+ Residential Units/Apartments	3,700,858	0.32	23	0.51
Vacant Residential	11,442,888	0.98	413	9.20
Subtotal Residential	$223,793,456	19.16%	2,736	60.96%
Total	$1,168,241,021	100.00%	4,488	100.00%

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

[Remainder of page intentionally left blank.]

The following table presents the largest local taxpayers based on secured assessed valuation within the District for fiscal year 2011-12.

MCFARLAND UNIFIED SCHOOL DISTRICT
2011-12 Largest Local Secured Taxpayers

	Property Owner	Primary Land Use	Assessed Valuation	Total [1]
1.	Berry Petroleum Company	Oil & Gas Production	$284,387,052	24.34%
2.	Elysium West LLC	Oil & Gas Production	60,320,260	5.16
3.	CPT Operating Partnership LP	Correctional Facilities	56,520,978	4.84
4.	Vintage Petroleum LLC	Oil & Gas Production	38,277,834	3.28
5.	Sun World International LLC	Food Processing	30,947,579	2.65
6.	Farmland Reserve Inc.	Agricultural	21,322,662	1.83
7.	Paramount Land Co. LP	Agricultural	17,956,657	1.54
8.	E&B Natural Res. Mtmt. Corp.	Oil & Gas Production	17,054,941	1.46
9.	Jakov Dulcich & Sons LLC	Agricultural	16,914,597	1.45
10.	Paramount Orchards Partners II, III, VI	Agricultural	14,037,555	1.20
11.	Oxy USA Inc.	Oil & Gas Production	13,233,532	1.13
12.	Central Valley Almond Assn.	Food Processing	13,033,435	1.12
13.	Paramount Citrus Association	Agricultural	10,434,607	0.89
14.	McFarland Ventures LP	Agricultural	9,016,203	0.77
15.	MAMZIRP LLC	Agricultural	8,619,393	0.74
16.	Sam and Suzanne Etchegaray	Agricultural	8,230,585	0.70
17.	Golden State Vintners Inc.	Food Processing	8,198,103	0.70
18.	Rio Bravo Poso	Power Generation	7,932,983	0.68
19.	MZIRP Inc.	Warehouse	7,684,695	0.66
20.	Western Milling LLC	Warehouse	6,395,234	0.55
			$650,518,885	55.68%

[1] 2011-12 Local Secured Assessed Valuation: $1,168,241,021.
Source: California Municipal Statistics, Inc.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area (TRA 91-1) for fiscal years 2007-08 through 2011-12:

MCFARLAND UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates (TRA 91-1)

	2007-08	2008-09	2009-10	2010-11	2011-12
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
McFarland Unified School District	.088987	.065401	.073898	.072486	.062635
Kern Community College District SRID	.008036	.009053	.009401	.010117	.009057
Total Tax Rate	1.097023	1.074454	1.083299	1.082603	1.071692

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

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

MCFARLAND UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

Fiscal Year	Secured Tax Charge[1]	Percent Delinquent	Secured Tax Delinquencies[2]
2006-07	$749,209.12	1.55%	-0-
2007-08	759,212.96	2.28	-0-
2008-09	793,846.73	1.48	-0-
2009-10	796,931.03	1.48	-0-
2010-11	873,509.90	1.35	-0-

(1) 1% General Fund apportionment.
(2) Kern County utilizes the Teeter Plan for assessment levy and distribution. The Teeter Plan guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.
Source: California Municipal Statistics, Inc.

Teeter Plan

The County has adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing with Section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal yearend. Under the Teeter Plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, the District's general fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's general fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

Upon adopting the Teeter Plan, the County was required to distribute to participating local agencies, 95% of the then-accumulated, secured roll property tax delinquencies and to place the remaining 5% in a tax losses reserve fund. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. Since the District maintains funds in the County Treasury, the District is included in the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. In the event that the Teeter Plan were terminated, receipt of revenue of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

District Reports and Certification

The Education Code of the State of California (Section 42133 *et seq.*) requires each school district to certify at two points during the fiscal year whether or not it is able to meet its financial obligations for the remainder of such fiscal year, and, based on current forecasts, for the subsequent fiscal year. The first report covers the period ending October 31 and the second report covers the period ending January 31. Such certifications are based on the governing board's assessment based on standards and criteria for fiscal stability adopted by the State Board of Trustee and the State Superintendent of Public Instruction. Each certification is required to be classified as positive, qualified, or negative on the basis of a review of the respective report against such criteria, but may include additional financial information known by the governing board to exist at the time of each certification. Such certifications are to be filed with the County Superintendent of Schools within forty-five days after the close of the period being reported and, in the event of a negative or qualified certification, to the State Controller and the State Superintendent of Public Instruction. A negative certification is to be assigned to any school district that likely will be unable to meet its financial obligations for the remainder of the fiscal year or for which existing expenditure practices jeopardize the ability of the district to meet its multi-year financial commitments.

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

The District has filed its 2011-12 First Interim Report with the County Superintendent of Schools with a positive certification within the meaning of Section 42133 of the Education Code of the State.

Copies of the reports and certifications of the District may be obtained upon request from the District at the District's offices.

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA

Major Revenues

The Treasurer and Tax Collector of the County (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally.

School district principal revenues consist of guaranteed State moneys, *ad valorem* 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. Decreases in State revenues may affect appropriations made by the legislature to the school district.

Each school district receives a portion of the local property taxes that are collected within its district boundaries. This amount is compared to the total revenue limit; the balance is received in the

form of state aid. Therefore, the sum of the property taxes and state aid equal the district's revenue limit. Districts which receive the minimum amount of state aid are known as "Basic Aid" districts.

School districts in the State have historically received most of their income under a formula known as the State revenue limit. This apportionment, which is funded by State general fund moneys and local property taxes (and in the case of community college districts, certain other local revenues), is allocated to the school districts based on the ADA of the school districts for either the current or preceding school year. Generally, such apportionments will amount to the difference between the school district's revenue limit and the district's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type (*i.e.*, all unified school districts, all high school districts or all elementary school districts).

A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. The rest of a school district's budget comes from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The California lottery is another source of funding for school districts, providing approximately 3% of a school district's budget. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery mandates the funds be used for instructional purposes, and prohibits their use for capital purposes.

The State revenue limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district is entitled to receive from state and local sources. Prior to 1973-74, taxpayers in districts with low property values per pupil paid higher tax rates than taxpayers in districts with high property values per pupil. However, despite higher tax rates, less was spent per pupil in districts with low property values per pupil than districts with high property values per pupil. Thus, the State revenue limit helps to alleviate the inequities between the two types of districts.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the county and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of state aid owed to such school district and notify the State Controller of the amount, who then distributes the state aid.

The calculation of the amount of state aid a school district is entitled to receive each year is basically a five-step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year state revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for school districts. Third, the current year's State revenue limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year. Fourth, revenue limit add-ons are calculated for each school district if such school district qualified for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to arrive at the amount of state aid based on the State revenue limit to which each school district is entitled for the current year.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1, effective with the lien date of January 1, 1997. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). 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 property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and March 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third

calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for ADA and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990, (SB 88, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

On March 18, 2003, State Assembly Bill X1 18 ("SBX1 18") was signed into law. SBX1 18 reduced certain Proposition 98 appropriations by shifting apportionments made by the State to schools, which were to be made each June, until July, so that the June 2003 apportionment would not count toward the fiscal year 2002-03 Proposition 98 allocations. The State did not anticipate a reduction in total funding under Proposition 98 by this measure, but merely a deferment of its obligations. School and college districts may have experienced accounting and cash flow complications as result of SBX1 18's deferred payment, but this measure did not significantly affect the financial operations of the District.

SBX1 18 has no effect on the District's ability to make debt service payments on the Bonds, which are supported by *ad valorem* property taxes.

State Assistance

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the Underwriter, Bond and Disclosure Counsel nor the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, Disclosure Counsel or the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.**

2012-13 State Budget. The State budget for fiscal year 2012-13 (the "2012-13 Budget") was signed by Governor Brown on June 27, 2012, and assumes voters will approve the Governor's tax initiative on the November 2012 ballot (the "November Tax Initiative"). The 2012-13 Budget includes a $92 billion State spending plan and includes significant welfare and social service cuts, restructuring the State's welfare program, streamlining health insurance for low-income children, and reducing childcare coverage and aid to California Community Colleges ("CCCs"). The 2012-13 Budget reforms CalWORKs by establishing a 2-year time limit for parents who are not meeting federal work requirements and merges the delivery of services for those who are eligible for both Medi-Cal and Medicare to reduce costs and improve the coordination of services. In addition, the 2012-13 Budget includes the following changes: (i) eliminates the Healthy Families Program and transitions children to Medi-Cal; (ii) restructures funding for trial courts; (iii) prohibits CCCs and universities that are unable to meet minimum performance standards from participating in the Cal Grant Program; (iv) reforms the State process for K-14 education mandates by providing a block grant as an alternative to the existing, inefficient claiming process; (v) reduces the cost of State employee compensation by 5 percent; (vi) implements various reductions to hospital and nursing home funding to lower Medi-Cal costs; (vii) reduces funding for child care programs and eliminates 14,000 child care slots; (viii) creates a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services; and uses a fiscal year 2011-12 overappropriation of the minimum guarantee to prepay Proposition 98 funding required by a court settlement. K-14 education funding would increase by approximately $17.2 billion, or 37 percent, and per pupil funding would increase by over $2,500 in the next four years.

If the Governor's November Tax Initiative is not approved by voters, trigger cuts totaling $6 billion would go into effect on January 1, 2013 including funding for schools and CCCs which would be reduced by $5.4 billion and the State would reduce funding for a variety of public safety programs.

The 2012-13 Budget includes total funding of $68.4 billion ($37.9 billion General Fund and $30.5 billion from other funds) for all K-12 education programs, including the following specific items:

- *Redevelopment Agency Asset Liquidation* -- An increase of $1.3 billion in local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies. The increase in local revenue reduces Proposition 98 General Fund by an identical amount.

- *Proposition 98 Adjustments* -- A decrease of approximately $630 million due to (1) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax on gasoline in fiscal year 2010-11, and (2) using a consistent current value methodology to rebench the guarantee for the exclusion of child care programs, the inclusion of special education mental health services, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduces current year appropriations for a number of different programs by $220.1 million, backfilling those programs with one-time Proposition 98 General Fund.

- *Quality Education Investment Act* ("QEIA") -- decrease of $450 million General Fund for fiscal year 2012-13. The over-appropriation in fiscal year 2011-12 will be used to prepay the $450 million required to be provided on top of the minimum guarantee in fiscal year 2012-13 pursuant to the *California Teachers Association v. Schwarzenegger* settlement agreement. The program will be funded within the guarantee to achieve one-time savings of $450 million for fiscal year 2012-13. Additionally, savings of $181 million in fiscal year 2013-14 and $40.8 million in fiscal year 2014-15 are achieved by using the remainder of the current year over appropriation to prepay a portion of the fiscal years 2013-14 and 2014-15 QEIA obligations.

- *K-12 Deferrals* -- An increase of $2.1 billion Proposition 98 General Fund to reduce K-12 inter-year budgetary deferrals from $9.5 billion to $7.4 billion.

- *Charter Schools* -- An increase of $53.7 million Proposition 98 General Fund for charter school categorical programs to fund growth in charter school enrollment. In addition to funding growth, legislation expands the ability of school districts to convey surplus property to charter schools, while also increasing financial assistance to charters by allowing county treasurers to provide them with short-term cash loans, and by authorizing charter schools to participate in the temporary revenue anticipation note mechanism already available to schools and county offices of education.

- *Mandates Block Grant* -- An increase of $86.2 million over the fiscal year 2011-12 funding level to provide a total of $166.6 million for K-12 mandates through a new voluntary block grant. Participating school districts and county offices of education would receive $28 per student, while participating charter schools would receive $14 per student. Districts and county offices of education that choose not to participate in the block grant program would retain their right to submit claims for reimbursement, subject to audit by the State Controller.

- *Reduce Child Care Costs* -- The Budget reflects total child care savings of $294.3 million in non-Proposition 98 General Fund, resulting in the elimination of 14,000 child care slots.

- *Funding for the State Preschool Program* -- An increase of $163.9 million in Proposition 98 General Fund to cover the cost of part-day preschool services for 44,100 3- and 4-year olds.

- *Reduce Provider Contracts* -- A decrease of $30 million in Proposition 98 General Fund to reflect the 8.7-percent across the board reduction to general child care programs. Both preschool and general child care programs are administered by centers that contract directly with the Department of Education.

Suspend Statutory Cost-of-Living Adjustment -- A decrease of $11.9 million in Proposition 98 General Fund..

LAO Overview of the 2012-13 Budget. The California Legislative Analyst's Office is expected to releases an overview of the 2012-13 Budget. Once available, the complete copy of the LAO's 2012-13 Budget Overview will be posted by the Office of the Legislative Analyst at www.lao.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter makes any representation as to the accuracy of the information provided therein.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies. Redevelopment agencies, through the California Redevelopment Association ("CRA") are actively engaged in litigation to block the transfer of payments and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22, known as "ABX4 26." Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

The State budget for fiscal year 2011-12 (the "2011-12 Budget") rebenched the minimum funding guarantee to account for a $1.7 billion decrease in State general fund revenues as a result of ABx1 27, a companion bill to the 2011-12 Budget. ABx1 27 authorizes redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education, which totals $1.7 billion statewide. Pursuant to ABx1 26 (another companion bill to the 2011-12 Budget), redevelopment agencies whose establishing cities or counties elect not to make such payments will be required to shut down, and any net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. Following litigation challenging the

constitutionality of both ABx1 26 and ABx1 27, the Supreme Court of California invalidated the provisions of ABx1 27. See "—Recent Litigation Regarding State Budgetary Provisions."

Cash Management Legislation. Since 2003, the State has deferred certain apportionments to school districts in order to manage the State's cash flow. On March 1, 2010, the Governor signed into law ABX8 5, as urgency legislation, that allowed additional payment deferrals from the State to K-12 school districts for Fiscal Year 2010-11, followed by ABX8 14, signed into law on March 22, 2010 also effective immediately upon enactment, as part of legislation to provide additional cash management flexibility to the State (together, the "Cash Management Bill"). The Cash Management Bill authorized the State to defer certain payments to school districts during Fiscal Year 2010-11 (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). Deferrals of payments to K-12 schools could be made in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, the State Controller, Treasurer and Director of Finance are authorized to accelerate or delay the deferrals up to 30 days, or reduce the amounts deferred. The Cash Management Bill also permits the State to move a planned deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the deferral planned for March 2011 must be paid prior to April 30. The Cash Management Bill provides for exceptions to the deferrals for school districts that can demonstrate hardship.

Similar legislation, known as SB 82, was enacted for fiscal year 2011-12. The legislation sets forth a specific deferral plan for K-12 education payments (the "2011-12 Deferral Plan"). SB 82 defers both the July 2011 and August 2011 K-12 payments of $1.4 billion, and the October 2011 payment of $2.4 billion. In September 2011, $700 million of the July deferral is due for payment, in January 2012, $4.5 billion from the remaining July, August and October deferrals are due for payment, and in March 2012, $1.4 billion is scheduled for deferral and due for payment in April 2012. In the event any of the 2011-12 Deferral Plan is implemented, the State Controller, State Treasurer and State Director of Finance are required to review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as possible.

Unlike the 2010-11 Cash Management Bill, SB 82 does not authorize the 2011-12 Deferral Plan to be accelerated or delayed. However, SB 82 does provide similar exemption provisions for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this legislation, the District might find it necessary to increase the size or frequency of its cash flow borrowings in fiscal year 2011-12.

Future State Budgets. Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Legislature failed to pass a State budget for fiscal year 2010-11 until October 8, 2010. Accordingly, State payments were held until the 2010-11 State Budget was adopted, including those scheduled to be made to school districts under Proposition 98 and receipt of State categorical funds by the District were delayed until the State budget was adopted for the 2010-11 fiscal year. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will continue to encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

In addition, the District cannot predict the effect that the general economic conditions within the State and the State's budgetary problems may have in the future on the District budget or operations.

Jarvis v. 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.

Recent Litigation Regarding State Funding of Education

On May 20, 2010, more than 60 individual students and their respective families, nine California school districts, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.*, (the "Robles Complaint") in the Alameda County Superior Court. The Robles Complaint alleges, among other things, that the State's current system of funding public education is not designed to support core education programs and that the State has failed to meet its constitutional duties to maintain and support a system of common schools. The Robles Complaint further alleges that the State's system for funding education is not rationally or demonstrably aligned with the goals and objectives of the State's prescribed educational program, and the costs of ensuring that children of all needs have the opportunity to become proficient in accordance with State academic standards. The Robles Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program, as well as to direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution. The District is not a party to the Robles Complaint. The District cannot predict

whether any of the plaintiffs listed in the Robles Complaint will be successful, what the potential remedies would be or the State's response to any such remedies. The District makes no representation with regards to how any final court decision with respect to the Robles Complaint would affect the financial status of the District or the State.

On July 18, 2011, the California Redevelopment Association, the League of California Cities, and the Cities of Union City and San Jose filed petition for a writ of mandate (the "CRA Petition") with the Supreme Court of California alleging that ABx1 26 and ABx1 27 violate the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 1A and Proposition 22." The petitioners alleged, among other things, that ABx1 26 and ABx1 27 seek to illegally divert tax increment revenue from redevelopment agencies by threatening such agencies with dissolution if payments are not made to support the State's obligation to fund education. The CRA Petition was accompanied by an application for a stay seeking to delay implementation of the provisions of ABx1 26 and ABx1 27 until the claims are adjudicated. On December 29, 2011, the Supreme Court upheld the legality of ABx1 26, reasoning that the Legislature has broad powers to establish or dissolve local agencies as it sees fit. The Court, however, invalidated ABx1 27 on the grounds that the payments required of redevelopment agencies in order to remain in existence could not be characterized as voluntary, and thus violated Proposition 22.

On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately $2.1 billion. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget Measures – 2011-12 Budget." The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

Financial Statements

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the National Council on Governmental Accounting.

Funds and Accounting Groups used by the District are categorized as follows:

<u>Governmental Funds</u>
General Fund
Special Revenue Funds
Capital Projects Funds

<u>Proprietary Fund</u>
Internal Service Funds

<u>Fiduciary Funds</u>
Expendable Trust Funds

<u>Account Group</u>
General Long-Term Debt Account Group

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General

Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Directors of Accounting for the District and audited by independent certified public accountants each year. The District's audited financial statements for the year ended June 30, 2011 are attached hereto as APPENDIX C. The District has not requested and the auditor has not performed any update or review of such statements in connection with the inclusion in this Official Statement. Copies of the entire audited report are available from the District upon request to the District at the District offices.

Budgets of District

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. The District adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

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

State Emergency Loan Program

The California Education Code provides that a school district which determines during a fiscal year that its revenues are less than the amount necessary to meet its current year expenditure obligations may request an emergency apportionment from the State through the State Superintendent of Public Instruction (the "State Superintendent"). As a condition to the making of any such emergency apportionment, the following requirements must be met:

(a) The district requesting the apportionment must submit to the county superintendent of schools having jurisdiction over the district a report issued by an independent auditor approved by the county superintendent of schools on the financial conditions and budgetary controls of the district, a written management review conducted by a qualified management consultant approved by the county superintendent of schools and a fiscal plan adopted by the governing board to resolve the financial problems of the district.

(b) The county superintendent of schools must review, and provide written comment on, the independent auditor's report, the management review and the district plan. If the county superintendent disapproves the plan, the governing board must revise the district plan to respond to the concerns expressed by the county superintendent.

(c) Upon his or her approval of the district plan, the county superintendent must submit copies of the report, review, plan and written comments to the State Superintendent, the Auditor General, the Joint Legislative Budget Committee, the Director of Finance and the Controller.

(d) The State Superintendent must review the reports and comments submitted to him or her by the county superintendent and must certify to the Director of Finance that the action

taken to correct the financial problems of the district is realistic and will result in placing the district on a sound financial basis.

(e) The district must develop a schedule to repay the emergency loan and submit it to the county superintendent of schools, who after reviewing and commenting on it submits it to the State Superintendent for approval or disapproval. Upon the approval of the repayment schedule and of the other reports, reviews, plans and the appointment of the trustee (as described below), the State Superintendent must request the State Controller to disburse the proceeds of the emergency loan to the district.

(f) The district requesting the apportionment must reimburse the county superintendent of schools for the costs incurred by the superintendent in performing such duties.

In addition, the acceptance by the district of the apportionments made pursuant to the Education Code constitutes the agreement by the district to the following conditions:

(i) The State Superintendent shall appoint a trustee who shall have recognized expertise in management and finance. The State Superintendent shall establish the terms and conditions of the employment, including the remuneration of the trustee and the trustee shall serve at the pleasure of, and report directly to, the State Superintendent until the loan is repaid and the district has adequate fiscal systems and controls in place. Before the district repays its loan, the recipient of the loan shall select an auditor from a list established by the State Superintendent and the Controller to conduct an audit of its fiscal systems. If the fiscal systems are deemed to be inadequate, the State Superintendent may retain the trustee until the deficiencies are corrected.

(ii) The trustee appointed by the State Superintendent shall monitor and review the operation of the district. During the period of his or her service, the trustee may stay or rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district. The trustee shall approve or reject all reports and other materials required from the district as a condition of receiving the apportionment.

On or before October 31 of the year following receipt of an emergency apportionment, and each year thereafter, until the emergency apportionment is repaid, the governing board of the district shall prepare under the review and with the approval of the trustee, a report on the financial condition of the district which shall be transmitted to the county superintendent of schools, the State Superintendent and the State Controller. The report shall include all of the following information: (i) specific actions taken to reduce expenditures or increase income, and the cost savings and increased income resulting from those actions; (ii) a copy of the adopted budget for the current fiscal year; (iii) reserves for economic uncertainties; (iv) status of employee contracts; and (v) obstacles to the implementation of the adopted recovery plan.

The emergency apportionment is required to be repaid to the State over a five-year period, or less, together with interest at a rate determined in accordance with the Education Code.

The State Legislature expressly provides that these provisions of the Education Code are not intended to authorize emergency loans to school districts for the purpose of meeting cash-flow requirements pending the receipt of local taxes and other funds. Furthermore, no such emergency apportionment be made unless funds have been specifically appropriated therefor by the Legislature.

The District is not currently participating in the emergency loan program.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property, to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

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 one percent 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 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment 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 is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

Under Article XIIIB of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In fiscal year 2010-11, the District received $427,572 in State Lottery aid. The District has budgeted $419,667 for such aid in fiscal year 2011-12. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Propositions 46 and 39

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters depending upon the Article of the Constitution under which it passed. Under previous law, the District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the District to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and. ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly.

The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in August 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of August 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Pursuant to Proposition 1A, if the State reduces the Vehicle License Fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Proposition 22

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. (See "—Proposition 1A" above). These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, 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 the LAO's analysis of Proposition 22 submitted by the LAO on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will 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.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 98 and 187 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 the District's revenues or their ability to expend revenues.

THE KERN COUNTY TREASURY POOL

This section provides a general description of the County's investment policy and current portfolio holdings. The information set forth under this section relating to the County Pool has been obtained from the website of the Treasurer, and is believed to be reliable but is not guaranteed as to accuracy or completeness. The Board makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the Kern County Treasurer – Tax Collector, 1115 Truxtun Avenue, Bakersfield, California 93301, Telephone (661) 868-3490.

Funds held by the County in the County Pool are invested in accordance with the Treasurer's statement of investment policy, as authorized by Section 53630 of the State Government Code. This pooled investment fund consists primarily of operating funds of the County and local agencies, including other school districts, cities and special districts. State law requires that all moneys of the county, school districts, and certain special districts be held by the respective county's treasurer.

The County Board of Supervisors annually approves the Treasurer's statement of investment policy, with the current investment policy approved on November 29, 2011. Based on this policy, the County Pool's investment objectives are capital preservation and liquidity, while seeking high current income consistent with capital preservation and liquidity. To achieve its objectives, the County Pool invests all of its assets in various types of money market instruments. The County Pool limits its investments to those instruments that are specifically enumerated within California Government Code Section 53635, as may be amended from time to time, and as further restricted by the County Pool's investment policy.

[Remainder of page intentionally left blank.]

The following table identifies the types of securities held by the Pool as of April 30, 2012.

KERN COUNTY
Treasury Pool Portfolio Composition
(as of April 30, 2012 – dollars rounded to nearest thousand)

Asset Class	Par	Market	Cost	Yield to Maturity	Percent of Total Assets	Policy Limit	Average Maturity	Effective Duration
Pooled Funds	$ 36,251	$ 36,251	$ 36,251	0.38	1.49%	$50,000	1	0
Negotiable CD's	240,000	240,197	240,000	0.812	9.88	30%	76	0.138
Commercial Paper - Discount	705,194	705,107	704,869	0.434	29.03	40%	18	0.048
Federal Agency Issues - Coupon	794,455	798,921	797,492	0.82	32.85	75%	1,181	0.993
Medium Term Notes	572,591	588,687	599,908	1.033	24.71	30%	493	1.102
Repurchase Agreement	32,666	32,666	32,666	0.02	1.35	10%	1	0
Total Securities	2,381,158	2,401,829	2,411,187				533	0.637
Cash in Banks	16,746	16,746	16,746		0.69%			
Total Assets	2,397,903	2,418,575	2,427,932					
Accrued Interest at Purchase	449	449	449					
Total Pooled Cash Portfolio	$2,398,353	$2,419,024	$2,428,382					

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

Neither the District nor the Underwriter has made an independent investigation of the investments in the Pool and has made no assessment of the current County Investment Policy. The value of the various investments in the 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 Treasury Oversight Committee and 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 Pool will not vary significantly from the values described herein.

LEGAL MATTERS

The legal opinion of Fulbright & Jaworski L.L.P., Bond Counsel to the District attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds. Fulbright & Jaworski L.L.P. is also serving as Disclosure Counsel to the District.

TAX MATTERS

Opinion of Bond Counsel

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted in the Resolution not to take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants referred to herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that the interest on the Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, the receipt or accrual of interest on the Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax is imposed by section 55 of the Code.

Pursuant to the Resolution and in the *Certificate Pertaining to Arbitrage and Certain Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* (the "Tax Certificate") to be delivered by the District in connection with the issuance of the Bonds, the District has made representations relevant to the determination of, and has made certain additional covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinion described in the preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the District with its covenants. Except as described in the preceding paragraph, Bond Counsel expresses no opinion as to any federal, state or local tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel expresses no opinion as to any federal, state or local tax law

consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the beneficial owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from those of the beneficial owners of the Bonds. Further, public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of the ultimate outcome.

A copy of the proposed form of opinion of Bond Counsel relating to the Bonds is included in Appendix A.

Tax Accounting for Bond Premium and Original Issue Discount

To the extent that a purchaser of a Bond acquires that Bond at a price that exceeds the aggregate amount of payments (other than payments of qualified stated interest within the meaning of section 1.1273-1 of the Treasury Regulations) to be made on the Bonds, such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized on a constant yield, economic accrual, basis. The amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when a Bond owned by such owner is sold or disposed of for an amount equal to or in some circumstances even less than such owner's original cost of the Bond to the owner. Any person considering purchasing a Bond at a price that includes bond premium should consult his or her own tax advisor with respect to the amortization and treatment of such bond premium, including, but not limited to, the calculation of gain or loss upon the sale or other disposition of the Bond.

To the extent that a purchaser of a Bond acquires that Bond at a price in excess of its "stated redemption price at maturity" within the meaning of section 1273(a)(2) of the Code, such excess constitutes "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Bond is sold or

disposed of for an amount equal to or in some circumstances even less than the original cost of the Bond to the owner.

Any person considering purchasing a Bond at a price that includes bond premium or that carries original issue discount should consult his or her own tax advisor with respect to the amortization and treatment of such bond premium or original issue discount, including, but not limited to, the calculation of gain or loss upon the sale, redemption or other disposition of the Bond.

Other Tax Considerations

Although Bond Counsel is of the opinion that interest on the Bonds is exempt from California personal income tax and that interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the taxability of such benefits, and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. As indicated above, Bond Counsel expresses no opinion regarding any such other tax consequence. Any person considering purchasing a Bond should consult his or her own tax advisor with respect to such consequences.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds. No assurance can be given that pending or future legislation, or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of interest on the Series Bonds from the gross income of the owners thereof for federal income tax purposes.

Existing law may change so as to reduce or eliminate the benefit to holders of the Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Any person considering purchasing a Bond should consult his or her own tax advisor with respect to any proposed changes in tax law.

Qualified Tax Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense that is incurred by a "financial institution" of the type described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) that are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE

In accordance with the requirements of the Rule promulgated by the Securities and Exchange Commission, the District will enter into the Continuing Disclosure Certificate on or prior to the sale of the Bonds in which the District will undertake for the benefit of the beneficial Owners of the Bonds, to provide audited financial statements of the District and certain other information to the Municipal Securities Rulemaking Board at the times and in the manner set forth in the Continuing Disclosure Certificate.

The District was late in filing its audited financial statements for the fiscal years ending June 30, 2007 through June 30, 2011, with respect to the following obligations: McFarland Unified School District (Kern County, California) 1998 General Obligation Refunding Bonds; McFarland Unified School District (Kern County, California) General Obligation Bonds, Election of 2004, Series 2004A; McFarland Unified School District (Kern County, California) General Obligation Bonds, Election of 2004, Series 2006B; McFarland Unified School District (Kern County, California) General Obligation Bonds, Election of 2004, Series 2008C; and McFarland Unified School District (Kern County, California) 2008 General Obligation Refunding Bonds (collectively , the "Obligated Bonds"). The audited financial statements for fiscal year ending June 30, 2011 were filed on June 18, 2012. The audited financial statements for fiscal years ending June 30, 2007 through June 30, 2010 were filed on August 2, 2012. The District was late in filing its annual reports for the fiscal years ending June 30, 2007 through June 30, 2011, with respect to the Obligated Bonds. The annual report for fiscal year ending on June 30, 2011 was filed on June 13, 2012. The District is currently in the process of filing the annual reports for fiscal years ending June 30, 2007 through June 30, 2010. The District will implement procedures to ensure timely filing of all future reports.

The form of Continuing Disclosure Certificate is attached to this Official Statement as APPENDIX D.

LEGALITY FOR INVESTMENT

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

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA-" (stable outlook) to the Bonds based upon the issuance of the Insurance Policy, and an underlying municipal bond rating of "A" to the Bonds. Such ratings reflect only the views of the rating agency, and any explanation of the significance of such ratings may be obtained at Standard & Poor's, a Division of McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, New York 10041. See "BOND INSURANCE" herein for a discussion of recent rating actions taken with respect to the Insurer. There can be no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Inc. d.b.a. Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a purchase price of $_____ (reflecting an aggregate principal amount of $_____, plus net original issue [premium/discount] of $_____, and less an Underwriter's discount of $_____. The purchase contract 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 the purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices or yields lower than the offering prices or yields stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

Caldwell Flores Winters, Inc. (the "Financial Advisor") has been employed by the District to perform financial services in relation to the sale and delivery of the Bonds. Caldwell Flores Winters, Inc. will not participate in the underwriting of the Bonds. The 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 this Official Statement. Fees charged by Caldwell Flores Winters, Inc. are contingent upon the sale of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will deliver a report stating that the firm has verified the accuracy of mathematical computations concerning the adequacy of the uninvested cash initially deposited in the Escrow Fund to pay the interest due with respect to the Refunded Bonds to and including the 2004 Redemption Date, and to pay on the 2004 Redemption Date the 2004 Redemption Price thereof.

The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it and that the Verification Agent has no obligation to update its report because of events occurring, or data or information coming to its attention, after the date of its report.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds, and the District's certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. No litigation is pending and 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* taxes or to collect other revenues or contesting the District's ability to issue the Bonds or to pay the principal or Accreted Value of and interest thereon.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. A copy of the Resolution are available upon request from the Superintendent, McFarland Unified School District, 601 Second Street, McFarland, California 93250.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not be construed as a contract or agreement between the District and the purchasers or owners of any of the Bonds.

[Remainder of page intentionally left blank.]

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

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing Date]

Board of Trustees
McFarland Unified School District
601 Second Street
Rosamond, California 93250

Re: $_____ McFarland Unified School District 2012 General Obligation Refunding Bonds (Bank Qualified)

Ladies and Gentlemen:

We have acted as bond counsel for the McFarland Unified School District, County of Kern, State of California (the "District"), in connection with the issuance by the District of $_____ aggregate principal amount of the above-captioned bonds (the "Bonds"). The Bonds are issued pursuant to pertinent provisions of the Government Code of the State of California, as amended, and a resolution adopted by the Board of Trustees of the District on March 13, 2012 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Certificate Pertaining to Arbitrage and Certain Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), delivered by the District in connection with the issuance of the Bonds. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second

paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the opinions that:

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

2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District.

3. Under existing law interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants referred to herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes and is not included in the computation of the alternative minimum taxable income of the owners thereof for federal income tax purposes. In our further opinion, under existing statutes, regulations, rulings and court decisions, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. In the Resolution and the Tax Certificate, the District has made representations relevant to the determination of, and has made certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the District with such covenants. We express no opinion with respect to the exclusion pursuant to section 103(a) of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes in the event that any of such representations is untrue or the District should fail to comply with any of its covenants, unless such failure to comply is based on our advice or opinion.

Except as set forth above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Our opinions are based on existing law, which is subject to change. The opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

THE MCFARLAND UNIFIED SCHOOL DISTRICT

GENERAL

The McFarland Unified School District, a unified school district of the State of California (the "State"). The District is located in the northern part of the County of Kern (the "County"). The District serves approximately 3,300 students enrolled in grades K-12. The District currently operates two elementary schools, one intermediate school, two high schools and one continuing school and employs approximately 360 teachers, administrators and classified personnel. The current student-teacher ratio in the District is 20:1 in grades K-3, 25:1 in grades 4-6, 25:1 in grades 7-8 and 28:1 in grades 9-12. The District's average daily attendance for fiscal year 2010-11 was 3,127. The District's projected average daily attendance for fiscal year 2011-12 and fiscal year 2012-13 is 3,127. The District has a 2011-12 assessed valuation of $1,234,543,942. The District's fiscal year 2010-11 share of the property tax revenue in the County equaled $5,703,579.82 and is estimated to equal $4,472,463.00 in fiscal year 2011-12.

DISTRICT ORGANIZATION

The District is governed by a Board of Trustees (the "Board"). The Board consists of 5 members who are elected at-large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by an appointment by the majority vote of the remaining Board Members. The years in which the current terms for each member of the Board expire are set forth below:

BOARD OF TRUSTEES

Name	Office	Term Expires
Kaye Breyer	President	December 2012
Jim Beltran	Vice President	December 2014
Marlin Isaacs	Clerk	December 2012
David Arguello	Member	December 2014
Rey DeLeon	Member	December 2012

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District.

KEY PERSONNEL

The following is a listing of the key administrative personnel of the District:

Name	Title
Gabriel McCurtis	District Superintendent
Ambelina Garcia	Business Manager

The Superintendent of the District is appointed by and reports to the Board of Trustees. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other District administrators.

Mr. Gabriel McCurtis, Superintendent: Mr. McCurtis has been Superintendent of the District since 2007. Prior to becoming Superintendent, Mr. McCurtis held various administrative positions including serving as a high school and alternative education principal. He has worked in California public school education for over 30 years. Mr. McCurtis received his masters degree from UC Riverside and expects to complete his doctorate degree by the end of 2012.

Ms. Ambelina Garcia, Business Manager: Ms. Garcia has been Business Manager of the District since 2010. Prior to becoming Business Manager, Ms. Garcia was the Controller for a National Homebuilder. She has 20 years of accounting and managerial experience. Ms. Garcia received a degree in Business Administration/Accounting from Bakersfield State University and expects to receive her Masters in Business Administration degree from Bakersfield State University in the fall of 2012.

DISTRICT EMPLOYEES

The District employs approximately 196 full-time equivalent certificated academic professionals as well as approximately 117 full-time equivalent classified employees. The certificated employees of the District have selected the California Teachers' Association — McFarland Teachers' Association as their exclusive bargaining agent. The classified employees have appointed the California School Employees Association, Chapter 186 as their excusive bargaining agent. The District's contracts with certified and classified employees expire on June 30, 2014.

DISTRICT INVESTMENTS

The Kern County Treasurer-Tax Collector (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool. All money held in any of the funds or accounts established pursuant to the Resolution shall be held in the Treasury Pool and disbursed in accordance with the Resolution.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

For a further discussion of the Pooled Investment Fund, see the caption "THE KERN COUNTY TREASURY POOL" in the body of this Official Statement.

FINANCIAL STATEMENTS OF THE DISTRICT

The following information, concerning the operations and finances of the District is not intended to and does not suggest that the Bonds are secured by the general revenues or General Fund of the District, nor is the County obligated in any way with respect to the Bonds. The Bonds are general obligation bonds of the District, secured and payable solely from* ad valorem *property taxes collected against taxable properties within the boundaries of the District. Prospective purchasers of the Bonds should be aware that the following discussion of the District's financial condition, its fund balances, budgets and other obligations, is intended as general information only, and no implication is made the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for* ad valorem *property taxes collected by the County to pay debt service on the Bonds. Pursuant to Section 15241 of the Education Code, all tax revenues collected for payment of debt service on general obligation bonds, including the Bonds,

must be deposited into the interest and sinking fund of the District maintained within the County Treasury Pool. See the body of the Official Statement under the caption **"SECURITY FOR THE BONDS."**

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District's financial statements follows. Selected information from the District's audited financial statements for the 2010-11 fiscal year is attached hereto as APPENDIX C.

Prospective purchasers of the Bonds should be aware that none of the District's operating assets or funds are pledged to payment of principal of or interest on the Bonds, which are payable solely from the levy of an ad valorem *property tax on taxable property within the District. See "SECURITY AND SOURCES OF PAYMENT" within the body of this Official Statement. The following general financial information regarding the District is provided as background only.*

[Remainder of page intentionally left blank.]

GENERAL FUND

The following table sets forth the District's audited financial results for the fiscal years indicated.

MCFARLAND UNIFIED SCHOOL DISTRICT
Summary of General Fund
Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2007-08 through 2010-11[1]

	Audited 2007-08	Audited 2008-09	Audited 2009-10	Audited 2010-11
Revenues				
Revenue Limit Sources				
State Apportionments	$17,236,478	$16,426,612	$16,420,366	$13,250,552
Local Sources	3,243,416	3,840,840	2,006,105	5,798,188
Federal Revenues	3,029,021	4,225,123	5,382,645	4,878,152
Other State Revenues	8,517,589	8,764,741	7,267,937	8,034,105
Other Local Revenues	881,339	1,314,301	527,113	420,652
Total Revenues	32,907,843	34,571,617	31,604,166	32,381,649
Expenditures				
Instruction	18,982,512	18,704,737	17,421,263	18,851,394
Instruction-Related Services	3,781,531	3,930,520	3,871,917	4,248,470
Pupil Services	1,275,508	1,497,943	1,736,022	1,998,874
Ancillary Services	421,561	412,016	323,222	376,932
Community Service	336,540	316,359	329,003	273,710
General Administration	2,093,959	2,160,714	1,545,804	1,996,274
Plant Services	3,524,779	3,564,856	3,055,071	3,220,607
Other Outgo	1,097,981	1,219,024	710,738	645,905
Debt Service				
Principal	-	147,324	129,463	149,345
Interest	-	30,316	20,847	14,630
Total Expenditures	31,514,371	31,983,809	29,143,350	31,776,141
Excess of Revenues Over (Under) Expenditures	1,393,472	2,587,808	2,460,816	605,508
Other Financing Sources (Uses)				
Operating Transfers In	300,000	-	-	469,357
Operating Transfers Out	(174,797)	(240,063)	-	(1,260,727)
Total Other Financing Sources (Uses)	125,203	(240,063)	-	(791,370)
Net Change in Fund Balance	$1,518,675	$2,347,745	$2,460,816	$ (185,862)
Fund Balance, July 1 (as applied)	$2,941,171	$4,459,846	$6,807,590	$9,268,404
Fund Balance, June 30	$4,459,846	$6,807,591	$9,268,406	$9,082,542

[1] Totals may not foot due to rounding.
Source: McFarland Unified School District Audit Reports for fiscal years 2006-07 through 2010-11.

The following table sets forth the District's Board approved Budgets for Fiscal Year 2011-12 and Fiscal Year 2012-13. The Budget for Fiscal Year 2011-12 was adopted on June 18, 2010 and revised on August 11, 2011 and the Budget for Fiscal Year 2012-13 was adopted on June 21, 2012.

MCFARLAND UNIFIED SCHOOL DISTRICT
Approved Budgets
Fiscal Years 2011-12 and 2012-13

	2011-12 Approved Budget	2012-13 Approved Budget
REVENUES		
Revenue Limit Sources	$19,065,868.93	$17,888,530.11
Federal Revenues	4,615,355.00	4,305,502.00
Other State Revenues	6,101,726.00	7,196,536.50
Other Local Revenues	339,650.00	194,000.00
TOTAL REVENUES	$30,122,599.93	$29,584,568.61
EXPENDITURES		
Current Expenditures		
Certificated Salaries	12,694,657.00	14,479,808.00
Classified Salaries	4,097,891.00	4,193,355.58
Employee Benefits	7,514,178.00	7,505,805.91
Books and Supplies	1,478,117.00	1,629,919.00
Services and Other Operating Expenditures	2,896,596.00	3,848,299.51
Capital Outlay	-	30,000.00
Other Outgo (excluding Transfers of Indirect Costs)	856,476.00	787,538 00
Other Outgo - Transfers of Indirect Costs	(77,121.00)	(79,379.00)
Other Financing Uses	69,068.00	61,634.00
Transfers of Indirect/Direct Support Costs		
TOTAL EXPENDITURES	$29,529,862.00	$32,456,981.00
Net Change in Fund Balances	$ 592,737.93	$ (2,872,412.39)
Fund Balances at Beginning of Year	$ 7,474,697.91	$ 8,039,403.94
Fund Balances at End of Year	$ 8,067,435.84	$ 5,166,991.55

Source: The District.

RETIREMENT SYSTEM

The District participates in the State of California Teachers Retirement System ("STRS") which provides retirement benefits to certificated personnel. The District contributed $1,131,206 to STRS for fiscal year 2008-09, $1,051,364 for fiscal year 2009-10, and $1,150,353 for fiscal year 2010-11 and has budgeted $1,151,607 for fiscal year 2011-12. The District also participates in the State of California Public Employees' Retirement System ("PERS") which provides retirement benefits to classified personnel. The District contributed $414,380 to PERS for fiscal year 2008-09, $389,233 for fiscal year 2009-10, and $471,421 for fiscal year 2010-11, and has budgeted $470,676 for fiscal year 2011-12.

Both CalPERS and STRS are operated on a statewide basis and, based on available information, STRS and CalPERS both have unfunded liabilities. CalPERS may issue certain pension obligation bonds to reach funded status. (Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.) The amounts of the pension/award benefit obligation (CalPERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of unfunded liabilities will be in the future or the amount of the contributions which the District may be required to make.

As of June 30, 2011, accrued vacation benefits amounted to approximately $119,094.16.

POST-EMPLOYMENT BENEFITS

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The pronouncement will require public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 ("GASB 45") is effective for the District for the fiscal year ended June 30, 2009.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District. The District provides Health & Welfare Benefits to qualified eligible employees who retire from the District after attaining age 55 with at least fifteen years of service to the District. Such qualified employees will receive post-retirement health care benefits until age 65. Expenditures for post-employment benefits are currently recognized on a pay-as-you-go basis, as premiums are paid. During Fiscal Year 2010-11, expenditures of $469,364 were recognized for retirees' healthcare benefits.

Based on an actuarial study by Demsey, Fillinger & Associates ,dated May 2, 2006, the District's actuarial liability for District paid retiree benefits as of July 1, 2005 was $8,580,833. The District's annual actuarially required contribution for the fiscal year 2005-06 was $671,028. The District expects to complete a new actuarial liability study by September 2012.

CERTAIN EXISTING OBLIGATIONS

A schedule of the District's changes in long-term debt for the year ended June 30, 2011 is shown below:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
General Obligation Bonds Series 2004A	$4,785,308	--	$160,000	$ 4,625,308	$175,000
General Obligation Bonds Series 2006	1,799,838	--	--	1,799,838	5,000
General Obligation Bonds Series 2008A	2,420,000	--	270,000	2,150,000	260,000
General Obligation Bonds Series 2008C	1,214,761	--	--	1,214,761	40,000
General Obligation Bonds Series 1998	450,000	--	55,000	395,000	55,000
Capital Leases	369,794	--	145,634	224,160	156,647
Net OPEB obligation	505,869	$ 201,664	--	707,533	--
Compensated absences[1]	254,234	--	135,140	119,094	--
Total governmental activities	$11,799,804	$ 201,664	$ 765,774	$ 11,235,694	$ 691,647

[1] Other long-term liabilities.
Source: The District.

DIRECT AND OVERLAPPING DEBT

Numerous local agencies which provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the District's direct and estimated overlapping bonded debt as of February 1, 2012:

MCFARLAND UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2011-12 Assessed Valuation:	$1,234,543,942
Redevelopment Incremental Valuation:	7,440,997
Adjusted Assessed Valuation:	$1,227,102,945

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 2/1/12	
Kern Community College District Safety, Repair & Improvement District	1.768%	$ 1,841,237	
McFarland Unified School District	**100.**	**9,704,907**	(1)
Kern Community College District Assessment District	1.916	63,324	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$11,609,468	
OVERLAPPING GENERAL FUND DEBT:			
Kern County General Fund Obligations	1.542%	$1,972,064	
Kern County Pension Obligations	1.542	6,154,207	
Kern County Board of Education Certificates of Participation	1.542	807,623	
Kern Community College District Certificates of Participation	1.567	1,469,063	
Kern Community College District Pension Obligations	1.567	1,311,344	
City of Delano General Fund Obligations	0.030	7,758	
TOTAL OVERLAPPING GENERAL FUND DEBT		$11,722,059	
COMBINED TOTAL DEBT		$23,331,527	(2)

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Direct Debt ($9,704,907)	**0.79%**
Total Direct and Overlapping Tax and Assessment Debt	0.94%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt	1.90%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

Source: California Municipal Statistics, Inc.

INSURANCE

The District maintains insurance with SISC II of the County, with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and workers' compensation as the District believes are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for insured claims are adequate.

Following are the multilevel coverage amounts:

Liability Coverage

Limit Per Occurrence	School District Deductible
$1,750,000	$1,000

Liability Excess Coverage

Limit Per Occurrence	SIR
$50,000,000	$1,750,000

Real & Personal Property Coverage

Limit Per Occurrence	Deductible
$250,000	$2,500

Property Excess Coverage

Limit Per Occurrence	SIR
$150,000,000	$250,000

Workers' compensation insurance is obtained through SISC I.

Source: The District.

DISTRICT AVERAGE DAILY ATTENDANCE, ENROLLMENT AND RECENT SALARY HISTORY

The following tables show the District's Average Daily Attendance, enrollment and salary history for the years indicated. There can be no assurance that the projected numbers will not change.

Average Daily Attendance:

Fiscal Year	Average Daily Attendance	Base Revenue Limit
2007-08	3,093	20,937,831.56
2008-09	3,185	20,231,881.69
2009-10	3,128	19,194,004.76
2010-11	3,127	19,112,651.44
2011-12[1]	3124	18,077,070.83
2012-13[1]	3124	18,026,474.27

Enrollment:

Fiscal Year	Enrollment	Increase (Decrease) from Prior Year
2008-09	3269	20
2009-10	3355	86
2010-11	3311	(44)
2011-12[1]	3344	33
2012-13[1]	3311	(33)
2013-14[1]	3311	0

Recent Salary History:

Fiscal Year	Certificated Personnel	Classified Personnel	% Increase
2008-09	$18,333,535	$7,331,836	3.32%
2009-10	17,233,253	6,889,898	-6.01
2010-11	19,274,895	7,383,011	9.50
2011-12[2]	19,401,299	7,152,647	1.23
2012-13[2]	19,609,862	7,773,770	3.80

Source: The District.
[1] Projected.
[2] Budgeted.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

[THIS PAGE INTENTIONALLY LEFT BLANK]

MCFARLAND UNIFIED SCHOOL DISTRICT
COUNTY OF KERN
MCFARLAND, CALIFORNIA
AUDIT REPORT

JUNE 30, 2011

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

Introductory Section

McFarland Unified School District
Audit Report
For The Year Ended June 30, 2011

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor's Report on Financial Statements	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Fiduciary Net Assets - Fiduciary Funds	19
Notes to the Financial Statements	20
Required Supplementary Information:	
Budgetary Comparison Schedules:	
General Fund	38
Cafeteria Fund	39
Special Reserve Fund for Other Than Capital Outlay Projects	40
Combining Statements and Budgetary Comparison Schedules as Supplementary Information:	
Combining Balance Sheet - All Nonmajor Governmental Funds	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds	42
Special Revenue Funds:	
Combining Balance Sheet - Nonmajor Special Revenue Funds	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	45
Budgetary Comparison Schedules:	
Adult Education Fund	47
Child Development Fund	48
Deferred Maintenance Fund	49
Special Reserve Fund for Post-Employment Benefits	50
Debt Service Funds:	
Budgetary Comparison Schedule:	
Bond Interest and Redemption Fund	51

McFarland Unified School District
Audit Report
For The Year Ended June 30, 2011

TABLE OF CONTENTS

	Page
Capital Projects Funds:	
Combining Balance Sheet - Nonmajor Capital Projects Funds	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	53
Budgetary Comparison Schedules:	
Building Fund	54
Capital Facilities Fund	55
County School Facilities Fund	56
Special Reserve Fund for Capital Outlay Projects	57
Fiduciary Funds:	
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities	58
OTHER SUPPLEMENTARY INFORMATION SECTION	
Local Education Agency Organization Structure	60
Schedule of Average Daily Attendance	61
Schedule of Instructional Time	62
Schedule of Financial Trends and Analysis	63
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	64
Schedule of Charter Schools	65
Schedule of Expenditures of Federal Awards	66
Notes to the Schedule of Expenditures of Federal Awards	67
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	68
Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance In Accordance With OMB Circular A-133	70
Auditor's Report on State Compliance	72
Schedule of Findings and Questioned Costs	74
Summary Schedule of Prior Audit Findings	76

Financial Section

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

Independent Auditor's Report on Financial Statements

Board of Trustees
McFarland Unified School District
McFarland, California

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McFarland Unified School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of McFarland Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McFarland Unified School District as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of McFarland Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the

limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McFarland Unified School District's financial statements as a whole. The combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizaitons, and is also not a required part of the financial statements. The accompanying other supplementary is presented for purposes of additional analysis as required by the State's audit guide, Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-2011, published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information, except as noted below, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The local educational agency organization structure (page 60), the schedule of financial trends and analysis (page 63), and the budetary comparison schedules (pages 47-51 and 54-57) have not been subjected to the auditing procedures applied in the audit of the basic and combining financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

December 5, 2011

Management's Discussion and Analysis

This section of McFarland Unified School District's (MUSD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Overall, the revenues were $35,606,411.
- Total expenses were $35,089,455.
- Debt service amounted to $1,062,674 or about 3% of total expenses

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – 1) management's discussion and analysis (this section), 2) the basic financial statements, and 3) required supplementary information. The basic financial statements include two types of statements, which present different views of the District:

- The first two statements are district-wide financial statements that provide a statement of the District's assets and a statement of the activities.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail that the District-wide status
- The governmental funds tell how basic services like regular and special education were financed in the short term as well as what remains for the future.
- Fiduciary Funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. For MUSD those are student body funds for each of the schools.

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

The *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets*, we separate the District activities as follows:

Governmental activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

Business-type activities - The District charges fees to help it cover the costs of certain services it provides. The District's adult education programs and food services are included here *(if applicable).*

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending.

These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits and pensions. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $28,370,565 for the fiscal year ended June 30, 2011. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1
McFarland Unified School District
Net Assets - Governmental Activities

	6/30/2011	6/30/2010
Current and Other Assets	$ 18,864,721	$ 23,613,618
Capital Assets	23,639,075	18,843,729
Total Assets	**$ 42,503,796**	**$ 42,457,347**
Long-Term Liabilities	$ 11,235,694	$ 11,166,949
Other Liabilities	2,897,537	3,436,787
Total Liabilities	**$ 14,133,231**	**$ 14,603,736**
Net Assets		
Invested In Capital Assets	$ 13,230,008	$ 7,804,028
Restricted	3,407,813	13,087,467
Unrestricted	11,732,744	6,962,116
Total Net Assets	**$ 28,370,565**	**$ 27,853,611**

The $11,732,744 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay of all of our bills *today* including all of our non-capital liabilities (compensated absences as an example), we would have $11,732,744 left. We will need to closely monitor our expenditures in the future and adhere strictly to the budget to manage this $11,732,744.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 12. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2
McFarland Unified School District
Change in Net Assets

	6/30/2011	6/30/2010
Net Assets Beginning Balance	$ 27,853,609	$ 26,550,818
Revenue		
General Revenues	$ 24,842,666	$ 24,336,225
Charges for Services	62,986	75,027
Operating Grants & Contributions	10,700,759	10,788,563
Total Revenues	$ 35,606,411	$ 35,199,815
Expenses		
Instruction	$ 19,919,549	$ 18,442,669
Instruction-Related Services	4,364,111	4,039,029
Pupil Services	3,738,448	3,387,178
Ancillary Services	376,211	323,314
Community Services	261,336	330,872
General Administration	2,072,173	1,750,905
Plant Services	3,283,393	4,405,635
Other Outgo	1,074,234	1,217,422
Total Expenses	$ 35,089,455	$ 33,897,024
Increase in Net Assets	$ 516,956	$ 1,302,791
End of Year Net Assets	$ 28,370,565	$ 27,853,609

Governmental Activities

As reported in the Statement of Activities on page 12, the cost of all of our governmental activities this year was $35,089,455. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $19,048,740 because the cost was paid by those who benefited from the programs ($62,986) or by other governments and organizations who subsidized certain programs with grants and contributions ($10,700,759). We paid for the remaining "public benefit" portion of our governmental activities with taxes, State funds and other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's eight largest functions, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3
McFarland Unified School District
Net Cost of Governmental Activities
June 30, 2011

	Total Cost of Services	Net Cost of Services	Difference
Instruction	$ 19,919,549	$ (14,479,791)	$ 5,439,758
Instruction-Related Services	4,364,111	(3,151,271)	1,212,840
Pupil Services	3,738,448	(1,576,081)	2,162,367
Ancillary Services	376,211	(270,141)	106,070
Community Services	261,336	(184,312)	77,024
General Administration	2,072,173	(1,445,569)	626,604
Plant Services	3,283,393	(2,372,217)	911,176
Other Outgo	1,074,234	(846,328)	227,906
Total Expenses	**$ 35,089,455**	**$ (24,325,710)**	**$ 10,763,745**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $15,967,184. This is a decrease of $4,842,502 from last year's balance of $20,809,686.

The primary reasons for this decrease are:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased $185,864 to $9,082,542.
2. The Building Fund showed a decrease of $4,940,137 to a new total of $1,478,060.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had $23,639,075 in a broad range of capital assets, including land, buildings, and furniture and equipment.

Table 4 shows fiscal year 2010-2011 and 2009-2010 balances.

Table 4
McFarland Unified School District
Capital Assets

	2010-2011	2009-2010
Land	$ 1,611,361	$ 1,611,361
Land Improvements, Net	2,971,088	3,021,515
Buildings, Net	10,865,728	10,684,994
Equipment, Net	1,108,162	960,591
Work in Progress	7,082,736	2,565,268
Total Assets	**$ 23,639,075**	**$ 18,843,729**

Long-Term Debt

At the end of this year, the District had $11,235,694 in long-term debt outstanding versus $11,799,804 last year. Table 5 summarizes these debts and compares them to June 30, 2010.

Table 5
McFarland Unified School District
Outstanding Long-Term Debt

Description	2011	2010
Bonds	$ 10,184,907	$ 10,669,907
Leases	224,160	369,794
Net OPEB Obligation	707,533	505,869
Compensated Absences	119,094	254,234
Total	**$ 11,235,694**	**$ 11,799,804**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Ambelina Garcia, Business Manager, at McFarland Unified School District, 601 Second Street, McFarland, California, 93250, or e-mail at amgarcia@.mcfarland.k12.ca.us.

Basic Financial Statements

MCFARLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS:	
Cash in County Treasury	$ 14,150,708
Cash in Revolving Fund	17,500
Accounts Receivable	4,618,002
Stores Inventories	55,759
Other Current Assets	22,752
Capital Assets:	
Land	1,611,361
Land Improvements, Net	2,971,088
Buildings, Net	10,865,728
Equipment, Net	1,108,162
Work in Progress	7,082,736
Total Assets	42,503,796
LIABILITIES:	
Accounts Payable	2,057,199
Deferred Revenues	840,338
Noncurrent Liabilities:	
Due within one year	691,647
Due in more than one year	10,544,047
Total Liabilities	14,133,231
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	13,230,008
Restricted For:	
Debt Service	739,143
Capital Projects	2,571,001
Other Purposes	97,669
Unrestricted	11,732,744
Total Net Assets	$ 28,370,565

The accompanying notes are an integral part of this statement.

MCFARLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	$ 19,919,549	$ 4,618	$ 5,435,140	$ (14,479,791)
Instruction-Related Services	4,364,111	802	1,212,038	(3,151,271)
Pupil Services	3,738,448	54,597	2,107,770	(1,576,081)
Ancillary Services	376,211	42	106,028	(270,141)
Community Services	261,336	31	76,993	(184,312)
General Administration	2,072,173	2,330	624,274	(1,445,569)
Plant Services	3,283,393	474	910,702	(2,372,217)
Other Outgo	1,074,234	92	227,814	(846,328)
Total Governmental Activities	35,089,455	62,986	10,700,759	(24,325,710)
Total Primary Government	$ 35,089,455	$ 62,986	$ 10,700,759	(24,325,710)
General Revenues:				
Revenue Limit Sources				19,048,740
Federal Revenues				77,994
State Revenues				4,177,182
Local Revenues				1,538,750
Transfers				--
Total General Revenues				24,842,666
Change in Net Assets				516,956
Net Assets - Beginning				27,853,609
Net Assets - Ending				$ 28,370,565

The accompanying notes are an integral part of this statement.

MCFARLAND UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Cafeteria Fund
ASSETS:		
Cash In County Treasury	$ 6,747,186	$ 641,404
Cash in Revolving Fund	15,000	2,500
Accounts Receivable	4,322,398	242,602
Due from Other Funds	103,263	5,420
Stores Inventories	--	55,759
Prepaid Expenditures	22,752	--
Total Assets	$ 11,210,599	$ 947,685
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,282,299	$ 288,175
Due to Other Funds	5,420	73,429
Deferred Revenue	840,338	--
Total Liabilities	2,128,057	361,604
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	15,000	2,500
Stores Inventories	--	55,759
Prepaid Items	22,751	--
Restricted Fund Balances	--	--
Committed Fund Balances:		
Committed for Economic Uncertainties	1,093,410	--
Assigned Fund Balances	--	527,822
Unassigned:		
Other Unassigned	7,951,381	--
Total Fund Balance	9,082,542	586,081
Total Liabilities and Fund Balances	$ 11,210,599	$ 947,685

The accompanying notes are an integral part of this statement.

Special Reserve Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
$ 2,335,147	$ 1,884,612	$ 2,542,359	$ 14,150,708
--	--	--	17,500
3,895	5,119	43,988	4,618,002
--	--	--	108,683
--	--	--	55,759
--	--	--	22,752
$ 2,339,042	$ 1,889,731	$ 2,586,347	$ 18,973,404
$ --	$ 411,671	$ 75,054	$ 2,057,199
--	--	29,834	108,683
--	--	--	840,338
--	411,671	104,888	3,006,220
--	--	--	17,500
--	--	--	55,759
--	--	--	22,751
--	1,478,060	1,833,743	3,311,803
2,339,042	--	--	3,432,452
--	--	647,716	1,175,538
--	--	--	7,951,381
2,339,042	1,478,060	2,481,459	15,967,184
$ 2,339,042	$ 1,889,731	$ 2,586,347	$ 18,973,404

MCFARLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances - governmental funds balance sheet	$	15,967,184
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		23,639,075
Payables for bond principal which are not due in the current period are not reported in the funds.		(10,184,907)
Payables for capital leases which are not due in the current period are not reported in the funds.		(224,160)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(119,094)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(707,533)
Net assets of governmental activities - Statement of Net Assets	$	28,370,565

The accompanying notes are an integral part of this statement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

MCFARLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Cafeteria Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	$ 13,250,552	$ --
Local Sources	5,798,188	--
Federal Revenue	4,878,152	1,472,141
Other State Revenue	8,034,105	126,823
Other Local Revenue	420,652	62,607
Total Revenues	32,381,649	1,661,571
Expenditures:		
Instruction	18,851,394	--
Instruction - Related Services	4,248,470	--
Pupil Services	1,998,874	1,962,770
Ancillary Services	376,932	--
Community Services	273,710	--
General Administration	1,996,274	71,709
Plant Services	3,220,607	3,988
Other Outgo	645,905	--
Debt Service:		
Principal	149,345	--
Interest	14,630	--
Total Expenditures	31,776,141	2,038,467
Excess (Deficiency) of Revenues Over (Under) Expenditures	605,508	(376,896)
Other Financing Sources (Uses):		
Transfers In	469,357	--
Transfers Out	(1,260,727)	--
Total Other Financing Sources (Uses)	(791,370)	--
Net Change in Fund Balance	(185,862)	(376,896)
Fund Balance, July 1	9,268,404	962,977
Fund Balance, June 30	$ 9,082,542	$ 586,081

The accompanying notes are an integral part of this statement.

Special Reserve Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
$ --	$ --	$ --	$ 13,250,552
--	--	--	5,798,188
--	--	--	6,350,293
--	--	226,977	8,387,905
17,619	45,770	1,272,825	1,819,473
17,619	45,770	1,499,802	35,606,411
--	--	207,814	19,059,208
--	--	103,950	4,352,420
--	--	--	3,961,644
--	--	--	376,932
--	--	--	273,710
--	--	7,254	2,075,237
--	4,985,907	430,679	8,641,181
--	--	--	645,905
--	--	485,000	634,345
--	--	413,699	428,329
--	4,985,907	1,648,396	40,448,911
17,619	(4,940,137)	(148,594)	(4,842,500)
500,000	--	760,727	1,730,084
--	--	(469,357)	(1,730,084)
500,000	--	291,370	--
517,619	(4,940,137)	142,776	(4,842,500)
1,821,423	6,418,197	2,338,683	20,809,684
$ 2,339,042	$ 1,478,060	$ 2,481,459	$ 15,967,184

MCFARLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	$	(4,842,500)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		5,750,852
The depreciation of capital assets used in governmental activities is not reported in the funds.		(955,506)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		(201,664)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		485,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		145,634
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		135,140
Change in net assets of governmental activities - Statement of Activities	$	516,956

The accompanying notes are an integral part of this statement.

MCFARLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Funds
ASSETS:	
Cash in County Treasury	$ 398,476
Cash on Hand and in Banks	98,884
Total Assets	$ 497,360
LIABILITIES:	
Due to Student Groups	$ 98,884
Total Liabilities	98,884
NET ASSETS:	
Total Net Assets	$ 398,476

The accompanying notes are an integral part of this statement.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

Special Reserve Fund for Other Than Capital Outlay Projects. This fund is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay (Education Code section 42840). To be presented under generally accepted accounting principals as a Special Revenue Fund, there must be a specific revenue source for expenditure on a specific purpose. This fund does not meet this criteria. Proper presentation would be to combine the fund with the General Fund. Fund balance Reserve for Economic Uncertainties is valid for this fund, but is a departure from generally accepted accounting principals. Proper reporting would be assigned fund balance.

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

The District reports the following non-major governmental funds:

Adult Education Fund. This fund is used to account separately for federal, state, and local revenues for adult education programs.

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

Deferred Maintenance Fund. This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (Education Code sections 17582-17587).

Special Reserve Fund for Postemployment Benefits. This fund 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. To be presented under generally accepted accounting principals as a Special Revenue Fund, there must be a specific revenue source for expenditure on a specific purpose. This fund does not meet this criteria. Proper presentation would be to combine the fund with the General Fund.

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

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

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

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

In addition, the District reports the following fund types:

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Encumbrances

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

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements.

These budgets are revised by the District's Board of Trustees and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

5.. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

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

d. Receivable and Payable Balances

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

Accounts receivable as of June 30, 2011, consist of the following:

	General Fund	Cafeteria Fund	Special Reserve Noncapital Fund	Building Fund
Revenue Limit	$ 2,221,414	$ --	$ --	$ --
Federal Government	897,510	221,301	--	--
State Government	1,126,535	19,975	--	--
Interest	20,084	929	3,895	5,119
Other Local	56,854	397	--	--
Totals	$ 4,322,397	$ 242,602	$ 3,895	$ 5,119

	Other Governmental Funds	Totals
Revenue Limit	$ --	$ 2,221,414
Federal Government	--	1,118,811
State Government	40,399	1,186,910
Interest	3,589	33,616
Other Local	--	57,251
Totals	$ 43,988	$ 4,618,002

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

e. Compensated Absences

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

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

f. Deferred Revenue

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

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requries a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than two months of general fund operating expenditures, or 17 percent of General Fund expenditures and other financing uses.

j. Use of Estimates

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

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2011, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
Deferred Maintenance Fund:	
Classified salaries	$ 1,394
Employee benefits	127
Books and supplies	2,990
Capital outlay	47,862
Child Development fund:	
Services and other operating expenditures	920
Direct support/indirect costs	902
Cafeteria Fund:	
Books and supplies	6,546
Services and other operating expenditures	2,971
Direct support/indirect costs	6,135
Building Fund:	
Services and other operating expenditures	10,711
Capital outlay	168,320
Special Reserve for Capital Outlay:	
Capital outlay	8,902

Deferred Maintenance Fund:
At the directive of the Board, the superintendent authorized work to improve the school farm. The cost overrun includes overtime for our employees, supplies, and materials needed to clean the site and to move the pig pens to a new location. The District had not anticipated doing the work during the year, so these costs were not budgeted.

Child Development Fund:
The cost overruns were casued by unexpected copier maintenance and by a student trip that was not anticipated.

Cafeteria Fund:

The majority of the overrun was due to a miscalculation of indirect costs. The Cafeteria Fund overpaid $6,135 in indirect costs. The fund will be reimbursed in 2011-2012 from the General Fund. The remaining overrun was due to overage in necessary food purchases.

Building Fund:

Overruns due to inspection and compliance costs expected to be incurred in 2011-2012.

Special Reserve for Capital Outlay:

The overrun was due to a board directive to remove trees at the high school using fund 40. This expense was not expected to be incurred in 2010-2011.

D. CASH AND INVESTMENTS

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the common investment pool ($14,150,708 as of June 30, 2011). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $14,150,708. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks ($0 as of June 30, 2011) and in the revolving fund ($17,500) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

4. Investment Accounting Policy

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

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

E. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 1,611,361	$ --	$ --	$ 1,611,361
Work in progress	2,565,268	5,335,581	818,113	7,082,736
Total capital assets not being depreciated	4,176,629	5,335,581	818,113	8,694,097
Capital assets being depreciated:				
Buildings	17,302,002	541,435	--	17,843,437
Improvements	6,544,004	265,762	--	6,809,766
Equipment	3,783,134	426,187	--	4,209,321
Total capital assets being depreciated	27,629,140	1,233,384	--	28,862,524
Less accumulated depreciation for:				
Buildings	(6,617,008)	--	360,701	(6,977,709)
Improvements	(3,522,489)	--	316,189	(3,838,678)
Equipment	(2,822,543)	--	278,616	(3,101,159)
Total accumulated depreciation	(12,962,040)	--	955,506	(13,917,546)
Total capital assets being depreciated, net	14,667,100	1,233,384	955,506	14,944,978
Governmental activities capital assets, net	$ 18,843,729	$ 6,568,965	$ 1,773,619	$ 23,639,075

Depreciation was charged to functions as follows:

Instruction	$ 687,368
School Site Administration	17,309
Transportation	23,798
Food Services	7,192
General Administration	11,922
Plant Services	207,917
	$ 955,506

F. INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2011, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Cafeteria Fund	$ 73,429	Supplement other funds sources
General Fund	Other Governmental Funds	29,315	Supplement other funds sources
Cafeteria Fund	General Fund	5,420	Reimburse expenditures
Other Governmental Funds	Other Governmental Funds	519	Reimburse expenditures
	Total	$ 108,683	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2011, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Special Reserve Noncapital	$ 500,000	Supplement other funds sources
General Fund	Other Governmental Funds	760,727	Supplement other funds sources
Other Governmental Funds	General Fund	469,357	Flexibility transfer
	Total	$ 1,730,084	

G. LONG-TERM OBLIGATIONS

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 4,785,308	$ --	$ 160,000	$ 4,625,308	175,000
General obligation bonds	1,799,838	--	--	1,799,838	5,000
General obligation bonds	2,420,000	--	270,000	2,150,000	260,000
General obligation bonds	1,214,761	--	--	1,214,761	40,000
General obligation bonds	450,000	--	55,000	395,000	55,000
Capital leases	369,794	--	145,634	224,160	156,647
Net OPEB obligation	505,869	201,664	--	707,533	--
Compensated absences *	254,234	--	135,140	119,094	--
Total governmental activities	$ 11,799,804	$ 201,664	$ 765,774	$ 11,235,694	$ 691,647

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

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

2. Debt Service Requirements

Debt service requirements on $5,285,308 General Obligation Bonds, Election of 2004, Series 2004-A. Consisting of $5,050,000 current interest bonds, with interest from 2.5% to 4.85% and $235,308 capital appreciation bonds, with interest at 10%.

Year Ending June 30,	Principal	Interest	Total
2012	$ 175,000	$ 199,490	$ 374,490
2013	190,000	192,490	382,490
2014	210,000	184,890	394,890
2015	225,000	176,280	401,280
2016	245,000	166,830	411,830
2017	265,000	156,295	421,295
2018	290,000	144,768	434,768
2019	315,000	132,007	447,007
2020	340,000	117,833	457,833
2021	365,000	102,362	467,362
2022	395,000	85,025	480,025
2023	425,000	66,263	491,263
2024	460,000	46,075	506,075
2025	490,000	23,765	513,765
2026	65,577	464,423	530,000
2027	60,604	479,396	540,000
2028	56,499	498,501	555,000
2029	52,628	517,372	570,000
Total	$ 4,625,308	$ 3,754,065	$ 8,379,373

General obligation bonds of $1,799,838, consisting of $1,735,000 current interest bonds with interest from 4.0% to 4.57% and $64,838 capital appreciation appreciation bonds, with interest at 12%, were issued November 2006. The outstanding bonds at June 30, 2011 are:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	4.250%	$ 5,000	$ 71,206	$ 76,206
2013	4.250%	10,000	70,994	80,994
2014	4.250%	10,000	70,569	80,569
2015	4.250%	15,000	70,144	85,144
2016	4.250%	20,000	69,506	89,506
2017	4.250%	20,000	68,656	88,656
2018	4.250%	25,000	67,806	92,806
2019	4.250%	25,000	66,806	91,806
2020	4.250%	30,000	65,806	95,806
2021	4.250%	35,000	64,606	99,606
2022	4.250%	40,000	63,206	103,206
2023	4.250%	45,000	61,606	106,606
2024	4.250%	50,000	59,806	109,806
2025	4.250%	60,000	57,806	117,806
2026	4.250%	60,000	55,408	115,408
2027	4.250%	70,000	53,006	123,006
2028	4.250%	75,000	50,119	125,119
2029	4.250%	80,000	47,025	127,025
2030	4.570%	45,621	653,104	698,725
2031	Various	384,217	334,508	718,725
2032	Various	695,000	28,669	723,669
Total		$ 1,799,838	$ 2,150,362	$ 3,950,200

Debt service requirements on $2,970,000 Refunding General Obligation Bond 2008, with interest from 2.25% to 4.0%. The outstanding bonds at June 30, 2011 are:

Year Ending June 30,	Principal	Interest	Total
2012	$ 260,000	$ 71,925	$ 331,925
2013	260,000	64,125	324,125
2014	255,000	56,400	311,400
2015	245,000	48,288	293,288
2016	240,000	39,800	279,800
2017	230,000	31,000	261,000
2018	220,000	22,000	242,000
2019	220,000	13,200	233,200
2020	220,000	4,400	224,400
Total	$ 2,150,000	$ 351,138	$ 2,501,138

Debt service requirements on $1,214,761 General Obligation Bonds, with interest from 3% to 4%. Election of 2004, Series 2008C. The outstanding bonds at June 30, 2011 are:

Year Ending June 30,	Principal	Interest	Total
2012	$ 40,000	$ 37,413	$ 77,413
2013	40,000	36,212	76,212
2014	40,000	35,013	75,013
2015	45,000	33,812	78,812
2016	45,000	32,463	77,463
2017	50,000	31,000	81,000
2018	50,000	29,000	79,000
2019	55,000	27,000	82,000
2020	55,000	24,800	79,800
2021	60,000	22,600	82,600
2022	65,000	20,200	85,200
2023	65,000	17,600	82,600
2024	65,000	15,000	80,000
2025	70,000	12,400	82,400
2026	75,000	9,600	84,600
2027	80,000	6,600	86,600
2028	85,000	3,400	88,400
2029	20,170	69,547	89,717
2030	21,924	82,944	104,868
2031	20,170	83,581	103,751
2032	21,047	95,363	116,410
2033	146,450	688,549	834,999
Total	$ 1,214,761	$ 1,414,097	$ 2,628,858

Debt Service requirement on $560,000 General Obligation Bond, with interest at 2.5% issued September 1999 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 55,000	$ 19,730	$ 74,730
2013	50,000	17,090	67,090
2014	50,000	14,690	64,690
2015	50,000	12,190	62,190
2016	50,000	9,690	59,690
2017	50,000	7,140	57,140
2018	45,000	4,590	49,590
2019	45,000	2,295	47,295
Total	$ 395,000	$ 87,415	$ 482,415

3. Capital Leases

The District leases an energy managment system valued at $1,398,885 under an agreement for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ending June 30,	
2012	$ 163,975
2013	68,323
Total Minimum Lease Payments	232,298
Less Amount Representing Interest	(8,138)
Total Minimum Rentals	$ 224,160

H. JOINT VENTURES (JOINT POWERS AGREEMENTS)

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

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

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

The District participates in a joint venture under a joint powers agreement with North Kern Vocational Training Center to provide vocational training programs.

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

I. EMPLOYEE RETIREMENT SYSTEMS

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

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. 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 95814.

Funding Policy

Active plan members are required to contribute 7% 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 2010-11 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2011, 2010 and 2009 were $471,421, $398,233 and $414,380, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $79,497.

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2011, 2010 and 2009 were $1,150,353, $1,051,364 and $1,131,206, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $0.

J. SISC FLEX PLAN

The District offers the SISC Flex Plan (a Cafeteria Plan) consisting of a Premium Payment Plan, a Health Care Spending Account, and a Dependent Care Spending Account. Employees eligible to participate in the plan are certificated employees (including management), classified employees (including management) and part-time employees who works less than 20 hours per week.

K. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

This report analyzes the health and welfare benefit plans of the District including medical, prescription drug, behavioral health, dental, life insurance and vision benefits. The medical plan is a Blue Cross Prudent Buyer PPO, with prescription drug coverage carved out and provided through the Medco Prescription Drug Card plan (5-10/10-20), and behavioral health provided through BHP. Dental coverage is provided through Delta Dental, and vision coverage through the Vision Service Plan. These coverages are self-insured on a pooled basis by the Self-Insured Schools of California (SISC III). The life insurance is provided by Provident Life. Retiree life insurance coverage is provided only for Certified groups.

Upon attainment of age 55 and completion of at least 15 years of full-time service prior to retirement, an employee may retire and remain covered under the medical, behavioral heath, prescription drug, dental and vision plans (and life insurance plan for Certificated only) at the District's expense until age 65.

Retirees

On June 30, 2011, nine retirees met these eligibility requirements.

Funding Policy

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

McFarland Unified School District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 4 percent of annual covered payroll.

Annual OPEB Cost is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 671,028	$ 415,524	61.9%	$ 255,504
June 30, 2010	671,028	420,663	62.7%	250,365
June 30, 2011	671,028	469,364	70.0%	201,664
	$ 2,013,084	$ 1,305,551		$ 707,533

Funded Status and Funding Progress is as follows:

Actuarial accrue liability (AAL)	$	5,610,357
Actuarial value of plan assets		--
Unfunded actuarial accrued liability (UAAL)	$	5,610,357
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active plan members)	$	16,624,126
UAAL as a percentage of covered payroll		34%

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

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

The July 1, 2005 valuation used a 6.0% per annum discount rate and a 5.0% per annum return on assets. The valuation was performed in accordance with generally accepted actuarial principles and practices.

L. EARLY RETIREMENT INCENTIVE PROGRAM

The District has adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement Sstem and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

Retiree Information

A total of eight employees have retired in exchange for the additional two years of service credit. Information based on four years.

			Retired Employee		Replacement Employee (If Applicable)	
Position Vacated	Age	Years of Service	Salary	Benefits	Salary	Benefits
Teacher	59	36	$ 305,844	$ 30,432	$ 200,306	$ 83,667
Teacher	66	30	305,844	95,700	200,306	83,667
Teacher	66	23	305,844	95,700	200,306	83,667
Teacher	61	28	305,844	50,076	200,306	83,667
Teacher	72	8	245,923	88,868	200,306	83,667
Teacher	68	29	305,844	95,700	200,306	83,667
Teacher	62	12	268,751	91,469	200,306	83,667
Teacher	63	26	305,844	80,492	200,306	83,667
			$ 2,349,738	$ 628,437	$ 1,602,448	$ 669,336

Additional Costs

As a result of this early retirement incentive program, the District expects to incur additional costs. The breakdown in additional costs is presented below:

Retirement costs:		
Postretirement health benefit costs	$	91,248
Administrative costs		327,639
Total additional costs	$	418,887

M. COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

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

N. SUBSEQUENT EVENTS

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through December 5, 2011 that would require adjustment to or disclosure in these financial statements.

Required Supplementary Information

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

MCFARLAND UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Revenue Limit Sources:				
State Apportionments	$ 16,773,519	$ 13,570,774	$ 13,250,552	$ (320,222)
Local Sources	1,995,704	5,715,618	5,798,188	82,570
Federal Revenue	3,070,736	5,842,249	4,878,152	(964,097)
Other State Revenue	7,092,405	7,528,139	8,034,105	505,966
Other Local Revenue	311,000	425,870	420,652	(5,218)
Total Revenues	29,243,364	33,082,650	32,381,649	(701,001)
Expenditures:				
Current:				
Certificated Salaries	13,750,876	15,306,394	14,366,983	939,411
Classified Salaries	3,846,891	4,165,187	4,044,128	121,059
Employee Benefits	6,590,363	7,461,014	7,124,456	336,558
Books And Supplies	2,349,368	2,544,413	1,965,023	579,390
Services And Other Operating Expenditures	3,059,898	3,870,415	3,420,461	449,954
Other Outgo	417,000	711,372	645,905	65,467
Direct Support/Indirect Costs	(181,845)	(71,741)	(78,778)	7,037
Capital Outlay	58,345	169,826	123,988	45,838
Debt Service:				
Principal	142,365	142,365	149,345	(6,980)
Interest	21,611	21,611	14,630	6,981
Total Expenditures	30,054,872	34,320,856	31,776,141	2,544,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	(811,508)	(1,238,206)	605,508	1,843,714
Other Financing Sources (Uses):				
Transfers In	--	--	469,357	469,357
Transfers Out	--	(1,256,093)	(1,260,727)	(4,634)
Total Other Financing Sources (Uses)	--	(1,256,093)	(791,370)	464,723
Net Change in Fund Balance	(811,508)	(2,494,299)	(185,862)	2,308,437
Fund Balance, July 1	9,268,404	9,268,404	9,268,404	--
Fund Balance, June 30	$ 8,456,896	$ 6,774,105	$ 9,082,542	$ 2,308,437

MCFARLAND UNIFIED SCHOOL DISTRICT

CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Federal Revenue	$ 1,268,853	$ 1,529,421	$ 1,472,141	$ (57,280)
Other State Revenue	293,801	150,000	126,823	(23,177)
Other Local Revenue	83,000	58,000	62,607	4,607
Total Revenues	1,645,654	1,737,421	1,661,571	(75,850)
Expenditures:				
Current:				
Classified Salaries	559,305	573,118	571,935	1,183
Employee Benefits	267,789	286,602	280,779	5,823
Books And Supplies	700,400	673,706	680,252	(6,546)
Services And Other Operating Expenditures	9,940	56,347	59,318	(2,971)
Direct Support/Indirect Costs	145,931	65,574	71,709	(6,135)
Capital Outlay	58,817	622,441	374,474	247,967
Total Expenditures	1,742,182	2,277,788	2,038,467	239,321
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,528)	(540,367)	(376,896)	163,471
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	--	--	--	--
Net Change in Fund Balance	(96,528)	(540,367)	(376,896)	163,471
Fund Balance, July 1	962,977	962,977	962,977	--
Fund Balance, June 30	$ 866,449	$ 422,610	$ 586,081	$ 163,471

MCFARLAND UNIFIED SCHOOL DISTRICT

SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Other Local Revenue	$ 20,000	$ 20,000	$ 17,619	$ (2,381)
Total Revenues	20,000	20,000	17,619	(2,381)
Expenditures:				
Total Expenditures	--	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,000	20,000	17,619	(2,381)
Other Financing Sources (Uses):				
Transfers In	--	500,000	500,000	--
Total Other Financing Sources (Uses)	--	500,000	500,000	--
Net Change in Fund Balance	20,000	520,000	517,619	(2,381)
Fund Balance, July 1	1,821,423	1,821,423	1,821,423	--
Fund Balance, June 30	$ 1,841,423	$ 2,341,423	$ 2,339,042	$ (2,381)

Combining Statements and Budget Comparisons as Supplementary Information

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash in County Treasury	$ 355,400	$ 739,143	$ 1,447,816	$ 2,542,359
Accounts Receivable	41,161	--	2,827	43,988
Total Assets	$ 396,561	$ 739,143	$ 1,450,643	$ 2,586,347
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 74,294	$ --	$ 760	$ 75,054
Due to Other Funds	29,834	--	--	29,834
Total Liabilities	104,128	--	760	104,888
Fund Balance:				
Nonspendable Fund Balances:				
Restricted Fund Balances	1,659	739,143	1,092,941	1,833,743
Assigned Fund Balances	290,774	--	356,942	647,716
Total Fund Balance	292,433	739,143	1,449,883	2,481,459
Total Liabilities and Fund Balances	$ 396,561	$ 739,143	$ 1,450,643	$ 2,586,347

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Other State Revenue	$ 221,133	$ 5,844	$ --	$ 226,977
Other Local Revenue	9,363	933,466	329,996	1,272,825
Total Revenues	230,496	939,310	329,996	1,499,802
Expenditures:				
Instruction	207,814	--	--	207,814
Instruction - Related Services	103,950	--	--	103,950
General Administration	7,069	--	185	7,254
Plant Services	173,708	--	256,971	430,679
Debt Service:				
Principal	--	485,000	--	485,000
Interest	--	413,699	--	413,699
Total Expenditures	492,541	898,699	257,156	1,648,396
Excess (Deficiency) of Revenues Over (Under) Expenditures	(262,045)	40,611	72,840	(148,594)
Other Financing Sources (Uses):				
Transfers In	460,727	--	300,000	760,727
Transfers Out	(469,357)	--	--	(469,357)
Total Other Financing Sources (Uses)	(8,630)	--	300,000	291,370
Net Change in Fund Balance	(270,675)	40,611	372,840	142,776
Fund Balance, July 1	563,108	698,532	1,077,043	2,338,683
Fund Balance, June 30	$ 292,433	$ 739,143	$ 1,449,883	$ 2,481,459

MCFARLAND UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

	Adult Education Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 8,762	$ 3
Accounts Receivable	22,383	18,109
Total Assets	$ 31,145	$ 18,112
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,830	$ 15,804
Due to Other Funds	29,315	649
Total Liabilities	31,145	16,453
Fund Balance:		
Nonspendable Fund Balances:		
Restricted Fund Balances	--	1,659
Assigned Fund Balances	--	--
Total Fund Balance	--	1,659
Total Liabilities and Fund Balances	$ 31,145	$ 18,112

Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds
$ 230,569	$ 116,066	$ 355,400
447	222	41,161
$ 231,016	$ 116,288	$ 396,561
$ 56,660	$ --	$ 74,294
(130)	--	29,834
56,530	--	104,128
--	--	1,659
174,486	116,288	290,774
174,486	116,288	292,433
$ 231,016	$ 116,288	$ 396,561

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Adult Education Fund	Child Development Fund
Revenues:		
Other State Revenue	$ 65,531	$ 155,602
Other Local Revenue	3,765	2,883
Total Revenues	69,296	158,485
Expenditures:		
Instruction	58,626	149,188
Instruction - Related Services	84,823	19,127
General Administration	--	7,069
Plant Services	35,240	--
Total Expenditures	178,689	175,384
Excess (Deficiency) of Revenues Over (Under) Expenditures	(109,393)	(16,899)
Other Financing Sources (Uses):		
Transfers In	182,061	13,036
Transfers Out	(469,357)	--
Total Other Financing Sources (Uses)	(287,296)	13,036
Net Change in Fund Balance	(396,689)	(3,863)
Fund Balance, July 1	396,689	5,522
Fund Balance, June 30	$ --	$ 1,659

Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds
$ --	$ --	$ 221,133
1,625	1,090	9,363
1,625	1,090	230,496
--	--	207,814
--	--	103,950
--	--	7,069
138,468	--	173,708
138,468	--	492,541
(136,843)	1,090	(262,045)
265,630	--	460,727
--	--	(469,357)
265,630	--	(8,630)
128,787	1,090	(270,675)
45,699	115,198	563,108
$ 174,486	$ 116,288	$ 292,433

MCFARLAND UNIFIED SCHOOL DISTRICT

ADULT EDUCATION FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ 65,506	$ 65,531	$ 25
Other Local Revenue	5,000	3,765	(1,235)
Total Revenues	70,506	69,296	(1,210)
Expenditures:			
Current:			
Certificated Salaries	90,415	90,416	(1)
Classified Salaries	19,865	19,856	9
Employee Benefits	26,220	23,355	2,865
Books And Supplies	9,539	5,677	3,862
Services And Other Operating Expenditures	18,335	15,589	2,746
Capital Outlay	23,927	23,796	131
Total Expenditures	188,301	178,689	9,612
Excess (Deficiency) of Revenues Over (Under) Expenditures	(117,795)	(109,393)	8,402
Other Financing Sources (Uses):			
Transfers In	190,463	182,061	(8,402)
Transfers Out	--	(469,357)	(469,357)
Total Other Financing Sources (Uses)	190,463	(287,296)	(477,759)
Net Change in Fund Balance	72,668	(396,689)	(469,357)
Fund Balance, July 1	396,689	396,689	--
Fund Balance, June 30	$ 469,357	$ --	$ (469,357)

MCFARLAND UNIFIED SCHOOL DISTRICT

CHILD DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ 174,218	$ 155,602	$ (18,616)
Other Local Revenue	2,484	2,883	399
Total Revenues	176,702	158,485	(18,217)
Expenditures:			
Current:			
Certificated Salaries	18,000	18,000	--
Classified Salaries	85,799	85,681	118
Employee Benefits	31,716	31,397	319
Books And Supplies	28,439	27,187	1,252
Services And Other Operating Expenditures	5,130	6,050	(920)
Direct Support/Indirect Costs	6,167	7,069	(902)
Total Expenditures	175,251	175,384	(133)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,451	(16,899)	(18,350)
Other Financing Sources (Uses):			
Transfers In	--	13,036	13,036
Total Other Financing Sources (Uses)	--	13,036	13,036
Net Change in Fund Balance	1,451	(3,863)	(5,314)
Fund Balance, July 1	5,522	5,522	--
Fund Balance, June 30	$ 6,973	$ 1,659	$ (5,314)

MCFARLAND UNIFIED SCHOOL DISTRICT

DEFERRED MAINTENANCE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 1,200	$ 1,625	$ 425
Total Revenues	1,200	1,625	425
Expenditures:			
Current:			
Classified Salaries	1,835	3,229	(1,394)
Employee Benefits	177	304	(127)
Books And Supplies	690	3,680	(2,990)
Services And Other Operating Expenditures	32,772	18,712	14,060
Capital Outlay	64,681	112,543	(47,862)
Total Expenditures	100,155	138,468	(38,313)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(98,955)	(136,843)	(37,888)
Other Financing Sources (Uses):			
Transfers In	265,630	265,630	--
Total Other Financing Sources (Uses)	265,630	265,630	--
Net Change in Fund Balance	166,675	128,787	(37,888)
Fund Balance, July 1	45,699	45,699	--
Fund Balance, June 30	$ 212,374	$ 174,486	$ (37,888)

MCFARLAND UNIFIED SCHOOL DISTRICT

SPECIAL RESERVE FUND FOR POST-EMPLOYMENT BENEFITS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ --	$ 1,090	$ 1,090
Total Revenues	--	1,090	1,090
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	1,090	1,090
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	--	1,090	1,090
Fund Balance, July 1	115,198	115,198	--
Fund Balance, June 30	$ 115,198	$ 116,288	$ 1,090

MCFARLAND UNIFIED SCHOOL DISTRICT

BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ --	$ 5,844	$ 5,844
Other Local Revenue	--	933,466	933,466
Total Revenues	--	939,310	939,310
Expenditures:			
Debt Service:			
Principal	--	485,000	(485,000)
Interest	--	413,699	(413,699)
Total Expenditures	--	898,699	(898,699)
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	40,611	40,611
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	--	40,611	40,611
Fund Balance, July 1	--	698,532	698,532
Fund Balance, June 30	$ --	$ 739,143	$ 739,143

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	Capital Facilities Fund	County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds
ASSETS:				
Cash in County Treasury	$ 1,075,144	$ 15,658	$ 357,014	$ 1,447,816
Accounts Receivable	2,109	30	688	2,827
Total Assets	$ 1,077,253	$ 15,688	$ 357,702	$ 1,450,643
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ --	$ --	$ 760	$ 760
Total Liabilities	--	--	760	760
Fund Balance:				
Nonspendable Fund Balances:				
Restricted Fund Balances	1,077,253	15,688	--	1,092,941
Assigned Fund Balances	--	--	356,942	356,942
Total Fund Balance	1,077,253	15,688	356,942	1,449,883
Total Liabilities and Fund Balances	$ 1,077,253	$ 15,688	$ 357,702	$ 1,450,643

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Capital Facilities Fund	County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds
Revenues:				
Other Local Revenue	$ 326,981	$ 148	$ 2,867	$ 329,996
Total Revenues	326,981	148	2,867	329,996
Expenditures:				
General Administration	185	--	--	185
Plant Services	65,528	--	191,443	256,971
Total Expenditures	65,713	--	191,443	257,156
Excess (Deficiency) of Revenues Over (Under) Expenditures	261,268	148	(188,576)	72,840
Other Financing Sources (Uses):				
Transfers In	--	--	300,000	300,000
Total Other Financing Sources (Uses)	--	--	300,000	300,000
Net Change in Fund Balance	261,268	148	111,424	372,840
Fund Balance, July 1	815,985	15,540	245,518	1,077,043
Fund Balance, June 30	$ 1,077,253	$ 15,688	$ 356,942	$ 1,449,883

MCFARLAND UNIFIED SCHOOL DISTRICT
BUILDING FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 100,000	$ 45,770	$ (54,230)
Total Revenues	100,000	45,770	(54,230)
Expenditures:			
Current:			
Books And Supplies	215,765	213,468	2,297
Services And Other Operating Expenditures	5,500	16,211	(10,711)
Capital Outlay	4,587,908	4,756,228	(168,320)
Total Expenditures	4,809,173	4,985,907	(176,734)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,709,173)	(4,940,137)	(230,964)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change In Fund Balance	(4,709,173)	(4,940,137)	(230,964)
Fund Balance, July 1	6,418,197	6,418,197	--
Fund Balance, June 30	$ 1,709,024	$ 1,478,060	$ (230,964)

MCFARLAND UNIFIED SCHOOL DISTRICT
CAPITAL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 325,510	$ 326,981	$ 1,471
Total Revenues	325,510	326,981	1,471
Expenditures:			
Current:			
Services And Other Operating Expenditures	86,500	65,713	20,787
Total Expenditures	86,500	65,713	20,787
Excess (Deficiency) of Revenues Over (Under) Expenditures	239,010	261,268	22,258
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change In Fund Balance	239,010	261,268	22,258
Fund Balance, July 1	815,985	815,985	--
Fund Balance, June 30	$ 1,054,995	$ 1,077,253	$ 22,258

MCFARLAND UNIFIED SCHOOL DISTRICT
COUNTY SCHOOL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 120	$ 148	$ 28
Total Revenues	120	148	28
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	120	148	28
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	120	148	28
Fund Balance, July 1	15,540	15,540	--
Fund Balance, June 30	$ 15,660	$ 15,688	$ 28

MCFARLAND UNIFIED SCHOOL DISTRICT

SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 5,000	$ 2,867	$ (2,133)
Total Revenues	5,000	2,867	(2,133)
Expenditures:			
Current:			
Books And Supplies	2,668	--	2,668
Services And Other Operating Expenditures	400	--	400
Capital Outlay	182,541	191,443	(8,902)
Total Expenditures	185,609	191,443	(5,834)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(180,609)	(188,576)	(7,967)
Other Financing Sources (Uses):			
Transfers In	300,000	300,000	--
Total Other Financing Sources (Uses)	300,000	300,000	--
Net Change in Fund Balance	119,391	111,424	(7,967)
Fund Balance, July 1	245,518	245,518	--
Fund Balance, June 30	$ 364,909	$ 356,942	$ (7,967)

[THIS PAGE INTENTIONALLY LEFT BLANK]

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2011

	Impound Funds	Kern Avenue School ASB Funds	McFarland Middle School ASB Funds
ASSETS:			
Cash in County Treasury	$ 398,476	$ --	$ --
Cash on Hand and in Banks	--	15,328	24,680
Total Assets	$ 398,476	$ 15,328	$ 24,680
LIABILITIES:			
Due to Student Groups	$ --	$ 15,328	$ 24,680
Total Liabilities	--	15,328	24,680
NET ASSETS:			
Total Net Assets	$ 398,476	$ --	$ --

Browning Road Elementary ASB Funds	McFarland High School ASB Funds	Future Farmers of America	San Joaquin ASB Funds	Total Agency Funds
$ --	$ --	$ --	$ --	$ 398,476
13,660	35,371	6,876	2,969	98,884
$ 13,660	$ 35,371	$ 6,876	$ 2,969	$ 497,360
$ 13,660	$ 35,371	$ 6,876	$ 2,969	$ 98,884
13,660	35,371	6,876	2,969	98,884
$ --	$ --	$ --	$ --	$ 398,476

Other Supplementary Information

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

MCFARLAND UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2011

The McFarland Unified School District is a K-12 district located in McFarland, California, in the southern part of the San Joaquin Valley. It is located approximately 26 miles north of Bakersfield on Highway 99. The District is comprised of two K-5 elementary schools, one 6-8 middle school, one high school and a continuation/independent studies/adult education school. Enrollment is approximately 3,100 and is increasing 3-5% each year. McFarland Unified School District operates on a traditional school year schedule.

The Board of Trustees at June 30, 2011 was composed of the following members:

Governing Board

Name	Office	Term and Term Expiration
Marlin Isaacs	President	2012
Kaye Breyer	Vice-President	2012
David Arguello	Clerk	2014
Jim Beltran	Member	2014
Rey DeLeon	Member	2012

Administration

Gabriel McCurtis
District Superintendent

Ambelina Garcia
Business Manager

MCFARLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

YEAR ENDED JUNE 30, 2011

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	281	N/A	282	N/A
Grades 1 through 3	808	N/A	809	N/A
Grades 4 through 6	723	N/A	723	N/A
Grades 7 and 8	419	N/A	419	N/A
Home and hospital	1	N/A	1	N/A
Special education	25	N/A	24	N/A
Elementary totals	2257	N/A	2258	N/A
High School:				
Grades 9 through 12, regular classes	800	N/A	795	N/A
Home and hospital	3	N/A	3	N/A
Special education	8	N/A	9	N/A
Continuation education	59	N/A	58	N/A
Opportunity schools	--	N/A	--	N/A
High school totals	870	N/A	865	N/A
ADA totals	3127	N/A	3123	N/A

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

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2011

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2010-11 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,500	N/A	36,000	N/A	38,700	180	--	Complied
Grade 1	51,800	N/A	50,400	N/A	56,375	180	--	Complied
Grade 2	51,800	N/A	50,400	N/A	56,375	180	--	Complied
Grade 3	51,800	N/A	50,400	N/A	56,375	180	--	Complied
Grade 4	58,450	N/A	54,000	N/A	58,530	180	--	Complied
Grade 5	58,450	N/A	54,000	N/A	58,530	180	--	Complied
Grade 6	58,450	N/A	54,000	N/A	65,416	180	--	Complied
Grade 7	58,450	N/A	54,000	N/A	65,416	180	--	Complied
Grade 8	58,450	N/A	54,000	N/A	65,416	180	--	Complied
Grade 9	57,750	N/A	64,800	N/A	67,449	180	--	Complied
Grade 10	57,750	N/A	64,800	N/A	67,449	180	--	Complied
Grade 11	57,750	N/A	64,800	N/A	67,449	180	--	Complied
Grade 12	57,750	N/A	64,800	N/A	67,449	180	--	Complied

Districts, including basic aid 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. This schedule is required of all districts, including basic aid districts.

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

MCFARLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2011

General Fund	(Budget) 2012	2011	2010	2009
Revenues and other financial sources	$ 28,617,087	$ 32,851,006	$ 31,604,166	$ 34,571,617
Expenditures	29,460,794	31,776,141	29,143,350	31,983,809
Other uses and transfers out	69,068	1,260,727	--	240,063
Total outgo	29,529,862	33,036,868	29,143,350	32,223,872
Change in fund balance (deficit)	(912,775)	(185,862)	2,460,816	2,347,745
Ending fund balance	$ 8,169,770	$ 9,082,545	$ 9,268,407	$ 6,807,591
Available reserves	$ 3,584,335	$ 11,383,833	$ 6,454,372	$ 5,829,780
Designated for economic uncertainties	$ 1,232,293	$ 3,432,452	$ 2,280,229	$ 1,650,487
Undesignated fund balance	$ 2,352,042	$ 7,951,381	$ 2,548,308	$ 2,385,324
Available reserves as a percentage of total outgo	12.1%	34.5%	22.1%	18.1%
Total long-term debt	$ 10,544,047	$ 11,235,694	$ 11,799,804	$ 12,203,736
Average daily attendance at P-2	3,127	3,127	3,128	3,185

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

The General Fund balance has increased by $2,274,954 over the past two years. The fiscal year 2011-2012 budget projects a decrease of $912,775.

For a District this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo). Available reserves are the unrestricted reserves in the Designated for Economic Uncertainties and the Undesignated/Unappropriated accounts in the General Fund and Special Reserve Fund for Other than Capital Outlay Projects.

The average daily attendance has decreased by 58 over the past two years. No change in ADA is anticipated for the fiscal year 2011-2012.

MCFARLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

	Child Development Fund
June 30, 2011, annual financial and budget report fund balances	$ 5,164
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts receivable	(3,505)
Net adjustments and reclassifications	(3,505)
June 30, 2011, audited financial statement fund balances	$ 1,659

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

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2011

No charter schools are chartered by McFarland Unified School District.

Charter Schools	Included In Audit?
None	N/A

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Services:			
Medi Cal Billing *	93.778	10013	$ 112,874
Total U. S. Department of Health and Human Services			112,874
U. S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education:			
Title I Even Start	84.001	14326	20,697
Title I *	84.010	14768	1,113,663
Migrant	84.011	14326	265,698
Special Ed Basic *	84.027	10034	603,240
Local Assistance Preschool *	84.027A	14530	44,836
Carl Perkins Vocational Ed *	84.042	14894	29,766
Special Ed Pre-School Accountability *	84.173	14530	2,251
ARRA-Preschool IDEA *	84.173	15000	445
Title II Part D Enhancing Education *	84.318	14334	3,974
EETT Competitive Grants *	84.318	14334	86,486
Title I - Reading First	84.357	14328	4,695
Title III - LEP	84.365	10034	212,857
Title III Immigrant Education	84.365	14346	47,862
Title II Teacher Quality	84.367	14341	227,532
Title II Principal Training	84.367	14344	1,554
Title I ARRA SIG *	84.377	15004	880,260
ARRA Title II EETT *	84.386	15019	26,297
ARRA Title I *	84.389	15005	99,723
Title I ARRA Sig *	84.389	15004	921,048
AARA - Special IDEA *	84.391	10123	9,344
ARRA IDEA Preschool *	84.391	15000	354
Total Passed Through California Department of Education			4,602,582
Total U. S. Department of Education			4,602,582
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	13525	287,415
National School Lunch Program *	10.555	13524	1,152,037
Child Nutrition - Equipment	10.579	14906	29,421
Total Passed Through State Department of Education			1,468,873
Total U. S. Department of Agriculture			1,468,873
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 6,184,329

* Indicates clustered program under OMB Circular A-133 Compliance Supplement
The accompanying notes are an integral part of this schedule.

MCFARLAND UNIFIED SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Basis of Presentation

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

Other Independent Auditor's Reports

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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
McFarland Unified School District
McFarland, California

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McFarland Unified School District as of and for the year ended June 30, 2011, which collectively comprise the McFarland Unified School District's basic financial statements and have issued our report thereon dated December 5, 2011. 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, we considered McFarland Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McFarland Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the McFarland Unified School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

December 5, 2011

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

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Trustees
McFarland Unified School District
McFarland, California

Members of the Board of Trustees:

Compliance

We have audited McFarland Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of McFarland Unified School District's major federal programs for the year ended June 30, 2011. McFarland Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of McFarland Unified School District's management. Our responsibility is to express an opinion on McFarland Unified School District's compliance 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 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 McFarland Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of McFarland Unified School District's compliance with those requirements.

In our opinion, McFarland Unified School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of McFarland Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered McFarland Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 McFarland Unified School District's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

December 5, 2011

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

Independent Auditor's Report on State Compliance

Board of Trustees
McFarland Unified School District
McFarland, California

Members of the Board of Trustees:

We have audited the basic financial statements of the McFarland Unified School District ("District") as of and for the year ended June 30, 2011 and have issued our report thereon dated December 5, 2011. 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. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule below occured. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Yes
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Yes
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	N/A

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

We did not perform testing for Independent Study. The procedure was not required to be performed because th attendance generated is under the testing materality limit.

In our opinion, McFarland Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2011.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

December 5, 2011

Findings and Recommendations Section

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

A. Summary of Auditor's Results

1. Financial Statements
   Type of auditor's report issued: Unqualified

   Internal control over financial reporting:

   One or more material weaknesses identified? ____ Yes X No

   One or more significant deficiencies identified that are are not considered to be material weaknesses? ____ Yes X None Reported

   Noncompliance material to financial statements noted? ____ Yes X No

2. Federal Awards
   Internal control over major programs:

   One or more material weaknesses identified? ____ Yes X No

   One or more significant deficiencies identified that are not considered to be material weaknesses? ____ Yes X None Reported

   Type of auditor's report issued on compliance for major programs: Unqualified

   Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ____ Yes X No

   Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.389	ARRA Title I
84.377	ARRA Title I - SIG
84.027	Special Education Basic
84.173	Special Education Preschool
84.391	ARRA Special Education

   Dollar threshold used to distinguish between type A and type B programs: $300,000

   Auditee qualified as low-risk auditee? X Yes ____ No

3. State Awards
Internal control over state programs:

One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	____	Yes	X	None Reported

Type of auditor's report issued on compliance for state programs: Unqualified

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

MCFARLAND UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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

FINDING 2010 - 1 - ACCOUNTING FOR TRANSACTIONS - CODE - 30000

Criteria or Specific Requirement
Determine whether the District's accounting records are clerically accurate. The records reflect transactions that exist, are complete, and correctly valued.

Condition
Accounts receivable and payable from June 2009 were not cleared from the general ledger.

Questioned Costs
NONE

Effect
General Fund revenue and accounts receivable were overstated as follows:

Revenue Limit	$140,467
Federal Government	5,082
State Government	49,952
Local	17,145
	$212,646

General Fund expense and accounts payable were overstated by $4,374.

Child Development Fund revenue and accounts receivable were overstated by $416.

Cause
Internal control procedures to reconcile beginning and ending receivables and payables were not performed.

Recommendation
The District should follow their year-end closing procedures to ensure receivables and payables are accurate.

IMPLEMENTED

MCFARLAND UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
FINDING 2010 - 2 - INSTRUCTIONAL MATERIALS - CODE - 70000		
Criteria or Specific Requirement Determine whether the District's Board of Trustees, prior to making a determination through a resolution as to the sufficiency of textbooks or other instructional materials, held a public hearing on or before the end of the eighth week from the first day students attended school. Education Code Section 60119.		
Condition The public hearing and resolution was held in a Board meeting on the 42nd day of school, which is 8.4 weeks after the first day.		
Questioned Costs The instructional materials entitlement for 2009-2010 was $179,948.		
Effect The District is not eligible to receive funding from the Instructional Materials Funding Realignment Program.		
Cause The District has consistently held the public hearing for instructional materials in October. For 2009-2010 the Board meeting fell outside of the eighth week deadline.		
Recommendation Management should be aware of the requirements for instructional materials to ensure the District is in compliance.	IMPLEMENTED	

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the McFarland Unified School District (the "District") in connection with the issuance of $_____ aggregate principal amount of the McFarland Unified School District 2012 General Obligation Refunding Bonds (Bank Qualified) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on March 13, 2012 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Agreement. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bond holders and in order to assist the underwriter for the Bonds (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, 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 4 and 5 of this Disclosure Certificate.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Designated Material Event" means any of the events listed in Section 6(a) of this Disclosure Certificate.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be U.S. Bank National Association.

"Listed Event" shall mean any of the events listed in Section 6 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at *http://emma.msrb.org*, or any other entity designated or authorized by the Securities and Exchange Commission ("S.E.C.") to receive reports pursuant to the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated August __, 2012 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than nine months after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2012, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 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 5 of this Disclosure Certificate; provided that the audited financial statements of the

District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District or its Dissemination Agent is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, upon receipt from the District:

(i) provide an Annual Report received by it to the MSRB as provided herein; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding Fiscal Year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to each Repository as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding Fiscal Year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) the average daily attendance in the District schools on an aggregate basis;

(ii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding Fiscal Year;

(iii) description of amount of general fund revenues and expenditures which have been budgeted for the current Fiscal Year, together with audited actual budget figures for the preceding Fiscal Year;

(iv) the District's total revenue limit for the preceding Fiscal Year;

(v) prior Fiscal Year total secured property tax levy and collections, showing current collections as a percent of the total levy; and

(vi) current Fiscal Year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or to the Securities and Exchange Commission. If the document

incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Designated Events.

(a) The District agrees to provide or cause to be provided to the MSRB and the California Department of Education notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of or failure to perform by any credit provider.

(v) Issuance by the Internal Revenue Service of an adverse tax opinion, a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating Changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(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, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent or his or her designee may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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. The initial Dissemination Agent shall be the District. Any subsequent Dissemination Agent shall be paid compensation by the District for its services hereunder in accordance with the schedule of fees of the Dissemination Agent provided to the District. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section 8 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate under the following conditions:

(a) The amendment may be made only 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 the obligated person, or type of business conducted;

(b) This Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

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.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder 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 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Assignment. The District shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the District under this Disclosure Certificate that would have been obligations of the transferee under the Rule, as amended as of the date of this Disclosure Certificate.

SECTION 14. Governing Law. This Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

SECTION 15. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Underwriter and Holders, from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: August __, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: McFarland Unified School District

Name of Issue: $_____ General Obligation Refunding Bonds, 2012 Series A (Bank Qualified)

Date of Issuance: August __, 2012

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Certificate dated August __, 2012. The Issuer anticipates that the Annual Report will be filed by [DATE].

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this 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.

General

The Depository Trust Company ("DTC"), New York, New York, 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 will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Standard & Poor's has rated DTC "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*. The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 affect 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) 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).

Principal, Maturity Value, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Maturity Value, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered. 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.

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

ASSURED GUARANTY
MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

SPECIMEN

Form 500NY (5/90)

CERTIFICATE OF THE MCFARLAND UNIFIED SCHOOL DISTRICT AS TO FINALITY OF PRELIMINARY OFFICIAL STATEMENT

with reference to

MCFARLAND UNIFIED SCHOOL DISTRICT (COUNTY OF KERN, CALIFORNIA) 2012 GENERAL OBLIGATION REFUNDING BONDS (BANK QUALIFIED)

The undersigned, a duly authorized official of the McFarland Unified School District (the "District"), hereby certifies that there was delivered to Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as underwriter (the "Underwriter") of the above-captioned 2012 General Obligation Refunding Bonds (the "Bonds"), a Preliminary Official Statement relating to the Bonds, dated August 2, 2012, which the District, as issuer of the Bonds for these purposes, deemed to be final as of the date thereof for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12), except for information permitted to be omitted therefrom under Rule 15c2-12.

The District approves of the use and distribution by the Underwriter of the Preliminary Official Statement.

Dated: August 2, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____

Gabriel McCurtis
Superintendent

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: S&P (Insured): "AA-"
S&P (Underlying): "A"
(See "RATINGS" herein.)

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the District, under existing law interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on corporations and individuals. See "TAX MATTERS" herein.

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
$4,400,000
2012 General Obligation Refunding Bonds
(Bank Qualified)

Dated: Date of Delivery **Due: on the dates shown on inside cover**

The $4,400,000 McFarland Unified School District 2012 General Obligation Refunding Bonds (Bank Qualified) (the "Bonds"). The Bonds are being issued to refund certain outstanding general obligation bonds of the District and to pay costs of issuance for the Bonds. See "PLAN OF REFUNDING" herein. The Bonds are issued on a parity with all other general obligation bonds issued by or on behalf of the District.

The Bonds will mature on the dates and in the amounts and bear interest at the rates shown on the inside cover hereof. Interest on the Bonds is payable commencing November 1, 2012, and semiannually thereafter on each May 1 and November 1. The Bonds are being issued in fully registered form without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds described herein under the caption "THE BONDS – Book-Entry Only System" herein.

Principal and interest on the Bonds is payable directly to DTC by Wells Fargo Bank, National Association, as bond registrar and initial paying agent for the Bonds (the "Paying Agent"). Upon receipt of payments of principal and interest, DTC is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described herein.

The Bonds are not subject to redemption prior to maturity. See "THE BONDS – Redemption" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy (the "Insurance Policy") to be issued concurrently with the delivery of Bonds by Assured Guaranty Municipal Corp.

ASSURED GUARANTY®
MUNICIPAL

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT, SECURED BY AND PAYABLE FROM *AD VALOREM* PROPERTY TAXES ASSESSED ON TAXABLE PROPERTIES WITHIN THE DISTRICT, WITHOUT LIMITATION AS TO RATE OR AMOUNT. THE BONDS ARE NOT AN OBLIGATION OF THE GENERAL FUND OF THE DISTRICT OR OF THE COUNTY. See "SECURITY FOR THE BONDS" herein.

MATURITY SCHEDULE
on inside cover.

This cover page contains general information only. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel to the District. Fulbright & Jaworski L.L.P., Los Angeles, California, is serving as Disclosure Counsel to the District. Certain legal matters will be passed upon for the Underwriter by its counsel, Nossaman LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery in New York, New York, for deposit through the facilities of DTC on or about August 30, 2012.

STONE & YOUNGBERG
A DIVISION OF STIFEL NICOLAUS

Dated: August 9, 2012

MATURITY SCHEDULE

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)

2012 General Obligation Refunding Bonds
(Bank Qualified)

Maturity (November 1)	Principal Amount	Interest Rate	Yield	CUSIP No. (580415)*
2012	$ 60,000.00	2.000%	0.500%	GF8
2014	265,000.00	2.000	0.900	GH4
2015	335,000.00	3.000	1.200	GJ0
2016	350,000.00	3.000	1.450	GK7
2017	370,000.00	4.000	1.700	GL5
2018	390,000.00	4.000	1.980	GM3
2019	415,000.00	3.000	2.290	GN1
2020	390,000.00	3.000	2.580	GP6
2021	415,000.00	4.000	2.820	GQ4
2022	440,000.00	4.000	2.950	GR2
2023	475,000.00	3.000	3.200	GS0
2024	495,000.00	3.125	3.400	GT8

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the District or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein

No dealer, broker, salesperson or other person has been authorized by the McFarland Unified School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell, 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 described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of Kern (the "County"), the County has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE KERN COUNTY POOLED SURPLUS INVESTMENTS" herein.

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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "Appendix F - Specimen Municipal Bond Insurance Policy".

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the District in any way, regardless of the level of optimism communicated in the information. The District is not obligated to issue nor does it plan to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)

Board of Trustees

Kaye Breyer, President
Jim Beltran, Vice President
Marlin Isaacs, Clerk
David Arguello, Member
Rey DeLeon, Member

District Administrators

Gabriel McCurtis, Superintendent
Ambelina Garcia, Business Manager

SPECIAL SERVICES

Bond and Disclosure Counsel

Fulbright & Jaworski L.L.P.
Los Angeles, California

Financial Advisor

Caldwell Flores Winters, Inc.
Emeryville, California

Underwriter

Stone & Youngberg,
a Division of Stifel Nicolaus
Los Angeles, California

Paying Agent

Wells Fargo Bank, National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

TABLE OF CONTENTS

Page

INTRODUCTION 1
THE BONDS 1
- Authority for Issuance 1
- Description of the Bonds 2
- Payment of the Bonds 2
- Estimated Sources and Uses of Funds 3
- Redemption 3
- Transfer and Exchange 3
- Debt Service Schedule 4
- Defeasance 4
- Book-Entry Only System 5
- Continuing Disclosure Certificate 5

SECURITY FOR THE BONDS 5
BOND INSURANCE 6
PLAN OF REFUNDING 8
DISTRICT FINANCIAL INFORMATION 9
- Assessed Valuations 9
- Tax Rates 12
- Tax Levies and Delinquencies 13
- Teeter Plan 13
- District Reports and Certification 14

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA 14
- Major Revenues 14
- Ad Valorem Property Taxes 16
- Proposition 98 16
- State Assistance 18
- Jarvis v. Connell 22
- Recent Litigation Regarding State Funding of Education 22
- Financial Statements 23
- Budgets of District 24
- State Emergency Loan Program 24

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS 26
- Article XIIIA of the California Constitution 26
- Legislation Implementing Article XIIIA 26
- Article XIIIB of the California Constitution 26
- Unitary Property 27
- California Lottery 27
- Propositions 46 and 39 27
- Article XIIIC and XIIID of the California Constitution 28
- Proposition 1A 29
- Proposition 22 29
- Future Initiatives 30

THE KERN COUNTY TREASURY POOL 30

TABLE OF CONTENTS
(continued)

Page

LEGAL MATTERS 32
TAX MATTERS 32
Opinion of Bond Counsel 32
CONTINUING DISCLOSURE 35
LEGALITY FOR INVESTMENT 36
RATINGS 36
UNDERWRITING 36
FINANCIAL ADVISOR 36
VERIFICATION OF MATHEMATICAL COMPUTATIONS 36
NO LITIGATION 37
OTHER INFORMATION 37
APPENDIX A – FORM OF BOND COUNSEL OPINION A-1
APPENDIX B – MCFARLAND UNIFIED SCHOOL DISTRICT B-1
APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011 ..... C-1
APPENDIX D – PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE D-1
APPENDIX E – BOOK-ENTRY ONLY SYSTEM E-1
APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY F-1

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)

$4,400,000
2012 General Obligation Refunding Bonds
(Bank Qualified)

INTRODUCTION

The $4,400,000 McFarland Unified School District 2012 General Obligation Refunding Bonds (Bank Qualified) (the "Bonds") are being issued to refund certain outstanding general obligation bonds of the District. On June 2, 2004, the District issued $5,285,308.20 aggregate amount of its General Obligation Bonds, Election of 2004, Series 2004A (the "2004 Bonds"), of which $4,450,308 are currently outstanding. On September 15, 1998, the District issued its 1998 General Obligation Refunding Bonds (the "1998 Bonds" and, together with the 2004 Bonds, the "Prior Bonds"), of which $340,000 are currently outstanding. The Bonds are being issued to refund all of the outstanding 1998 Bonds and to refund a portion of the outstanding 2004 Bonds in the amount of $3,815,000. See "PLAN OF REFUNDING" herein. A portion of the proceeds of the Bonds will also be used to pay all legal, financial and contingent costs in connection therewith, as more fully described herein under "THE BONDS – Estimated Sources and Uses of Funds" below. The Bonds are issued on a parity with all other general obligation bonds issued by or on behalf of the District.

The McFarland Unified School District is a unified K-12 school district of the State of California (the "State"). The District is located in the northern part of the County of Kern (the "County"). The District serves approximately 3,300 students enrolled in grades K-12. The District currently operates two elementary schools, one intermediate school, two high schools and one continuing school and employs approximately 360 teachers, administrators and classified personnel. The current student-teacher ratio in the District is 20:1 in grades K-3, 25:1 in grades 4-6, 25:1 in grades 7-8 and 28:1 in grades 9-12. The District's average daily attendance for fiscal year 2010-11 was 3,127. The District's projected average daily attendance for fiscal year 2011-12 and fiscal year 2012-13 is 3,127. The District has a 2012-13 assessed valuation of $1,395,323,909. The District's fiscal year 2010-11 share of the property tax revenue in the County equaled $5,703,579.82 and is estimated to equal $4,472,463.00 in fiscal year 2011-12. Additional information on the District is included under the caption "DISTRICT FINANCIAL INFORMATION," in APPENDIX B – "MCFARLAND UNIFIED SCHOOL DISTRICT" and in "APPENDIX C – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District, payable solely from *ad valorem* tax revenues collected within the District. The Bonds are being issued pursuant to Article 9 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Government Code"), as amended, as authorized by a resolution adopted by the Board of Trustees of the District on March 13, 2012 (the "Resolution").

Description of the Bonds

The Bonds will be issued in denominations of $5,000 or any integral multiple thereof and will mature on the dates and in the amounts and bear interest at the rates per annum, all as set forth on the inside cover page of this Official Statement. The Bonds are not subject to acceleration.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. Payments of principal and premium, if any, for any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent. See "THE BONDS – Book Entry Only System" herein.

Payment of the Bonds

Interest on the Bonds that are Current Interest Bonds is payable commencing on November 1, 2012, and semiannually thereafter on each May 1 and November 1 (each, an "Interest Payment Date"). Interest on each Bond shall accrue from its dated date and shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth (15th) day of the month preceding each Bond Payment Date (May 1 and November 1 of each year commencing November 1, 2012) (the "Record Date"). Interest with respect to each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on October 15, 2012, in which event interest with respect thereto shall be payable from its Dated Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

[Remainder of page intentionally left blank.]

Estimated Sources and Uses of Funds

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

Sources of Funds

Principal Amount	$4,400,000
Net Original Issue Premium	223,032
Total Sources	$4,623,032

Uses of Funds

Deposit to Escrow Fund(s)	$4,454,840
Costs of Issuance[(1)]	169,192
Total Uses	$4,623,032

(1) Includes Financial Advisor fees, Bond Counsel and Disclosure Counsel fees, Underwriter's discount, rating fees, fees of the Paying Agent and Verification Agent, bond insurance premium, printing fees and other costs of issuance. The District will pay the costs of issuance with Bond proceeds.

Redemption

The Bonds are not subject to redemption prior to maturity.

Transfer and Exchange

The transfer of any Bond may be registered upon surrender of such Bond to the Paying Agent. Such Bond shall be endorsed or accompanied by delivery of the written instrument of transfer, duly executed by the Owner or his duly authorized attorney, and payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Bond or Bonds, of like tenor and maturity in the same Transfer Amount and in authorized denominations, will be executed and delivered to the transferee in exchange therefor.

The Paying Agent shall deem and treat the person in whose name any Outstanding Bond shall be registered upon the Bond Register as the absolute Owner of such Bond, whether the Principal, premium, if any, Accreted Value or interest with respect to such Bond shall be overdue or not, for the purpose of receiving payment of Principal, premium, if any, Accreted Value and interest with respect to such Bond and for all other purposes, and any such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and the District or the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged at the office of the Paying Agent for Bonds of like tenor, maturity and Transfer Amount. All Bonds surrendered in any such exchange shall thereupon be cancelled by the Paying Agent. The Paying Agent may charge the Owner a reasonable sum for each new Bond executed and delivered upon any exchange (except in the case of the first exchange of any Bond in the form in which it is originally delivered, for which no charge shall be imposed) and the Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Paying Agent shall not be required to register the transfer or exchange of any Bond (i) during the period beginning at the close of business on any Record Date through the close of business on the immediately following Interest Payment Date, or (ii) that has been called or is subject to being called for

redemption, during a period beginning at the opening of business 15 days before any selection of Bonds to be redeemed through the close of business on the applicable redemption date, except for the unredeemed portion of any Bond to be redeemed only in part.

Debt Service Schedule

The following table summarizes the combined debt service requirements of the District for its outstanding bonds (collectively, the "Existing Bonds") and the Bonds:

		Bonds		
Bond Year Ending (November 1)	Existing Bonds[1]	Annual Principal Payment	Annual Interest Payment	Total Annual Debt Service
2012	$ 683,336.26	$ 60,000.00	$ 24,657.34	$ 767,993.60
2013	689,416.26	-	144,318.76	833,735.02
2014	461,531.26	265,000.00	144,318.76	870,850.02
2015	450,968.76	335,000.00	139,018.76	924,987.52
2016	435,256.26	350,000.00	128,968.76	914,225.02
2017	418,206.26	370,000.00	118,468.76	906,675.02
2018	411,406.26	390,000.00	103,668.76	905,075.02
2019	404,406.26	415,000.00	88,068.76	907,475.02
2020	182,206.26	390,000.00	75,618.76	647,825.02
2021	188,406.26	415,000.00	63,918.76	667,325.02
2022	189,206.26	440,000.00	47,318.76	676,525.02
2023	189,806.26	475,000.00	29,718.76	694,525.02
2024	200,206.26	495,000.00	15,468.76	710,675.02
2025	730,006.26	-	-	730,006.26
2026	749,606.26	-	-	749,606.26
2027	768,518.76	-	-	768,518.76
2028	786,742.25	-	-	786,742.25
2029	803,592.50	-	-	803,592.50
2030	822,475.70	-	-	822,475.70
2031	840,078.36	-	-	840,078.36
2032	835,000.00	-	-	835,000.00
TOTAL	$11,240,378.97	$4,440,000.00	$1,123,532.46	$16,763,911.43

[1] Excludes debt service on the Refunded Bonds.

Defeasance

If all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the Principal of and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, cash which, together with the amounts then on deposit in the Debt Service Fund plus the interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds Outstanding on their redemption date or at

maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Internal Revenue Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under the Resolution with respect to all Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the Resolution.

Book-Entry Only System

The Bonds will be issued under a book entry system, evidencing ownership of the Bonds in principal amounts or Maturity Amounts of $5,000 or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book-entry system, see "APPENDIX F – BOOK-ENTRY ONLY SYSTEM."

Continuing Disclosure Certificate

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") on or prior to the sale of the Bonds in which the District will undertake, for the benefit of the beneficial owners of the Bonds, to provide certain information as set forth therein and notices of enumerated events. The covenants contained in the Continuing Disclosure Certificate have been made to assist the Underwriter in complying with the Rule. See "CONTINUING DISCLOSURE" herein.

SECURITY FOR THE BONDS

The Bonds are general obligations of the District, and the Board of Supervisors of Kern County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both Principal or Maturity Value of and interest on the Bonds. See "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – *Ad Valorem* Property Taxes" below.

BOND INSURANCE

Information in this section and the specimen of the Insurance Policy attached as Appendix F hereto have been furnished by the Insurer for use in this Official Statement. No representation is made by the District as to the accuracy, completeness or adequacy of such information, nor as to the absence of material adverse changes in such information subsequent to the date of this Official Statement. The District has not made any independent investigation of the Insurer or the Insurance Policy, and reference is made to the information set forth below under this heading and in Appendix F hereto for a description thereof.

The Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Insurance Policy"). The Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Insurance Policy included as an exhibit to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, and its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012.

Capitalization of AGM. At June 30, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,169,404,271 and its total net unearned premium reserve was approximately $2,204,572,593, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, for the quarterly period ended March 31, 2012, and for the quarterly period ended June 30, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at http://www.assuredguaranty.com, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012) ; and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 (filed by AGL with the SEC on August 9, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters. AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE."

PLAN OF REFUNDING

A portion of the proceeds of the Bonds will be used to refund all of the outstanding 1998 Bonds, currently outstanding in the aggregate principal amount of $340,000 (the "1998 Refunded Bonds"). A portion of the proceeds of the Bonds will also be used to refund $3,815,000 outstanding principal amount of the 2004 Bonds (the "2004 Refunded Bonds" and, together with the 1998 Refunded Bonds, the "Refunded Bonds"), currently outstanding in the aggregate principal amount of $4,155,000.

The 1998 Refunded Bonds will be redeemed on October 1, 2012 (the "1998 Redemption Date") at the principal amount thereof, plus interest accrued and unpaid to the date thereof. The 2004 Refunded Bonds will be redeemed on November 1, 2013 (the "2004 Redemption Date").

The redemption of the 1998 Refunded Bonds will be effected by depositing a portion of the proceeds of the Bonds in an escrow fund (the "1998 Escrow Fund") created and established under the Escrow Agreement, dated as of April 1, 2012, by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent. Such proceeds will be used to purchase Federal Securities, the principal and interest on which when due will be sufficient to pay the 1998 Refunded Bonds at 100% of the principal amount thereof on the 1998 Redemption Date, plus any interest due on or prior to the 1998 Redemption Date

The redemption of the 2004 Refunded Bonds will be effected by depositing a portion of the proceeds of the Bonds in an escrow fund (the "2004 Escrow Fund" and, together with the 1998 Escrow Fund, the "Escrow Funds") created and established under the Escrow Agreement, dated as of April 1, 2012, by and between the District and Wells Fargo Bank, National Association, as escrow agent. Such proceeds will be used to purchase Federal Securities, the principal and interest on which when due will be sufficient to pay the 2004 Refunded Bonds at 101% of the principal amount thereof on the 2004 Redemption Date, plus any interest due on or prior to the 2004 Redemption Date.

Causey Demgen & Moore P.C., certified public accountants and consultants (the "Verification Agent"), will deliver a report stating that the firm has verified the accuracy of mathematical computations concerning the adequacy of the cash and securities deposited in the respective Escrow Funds to pay the interest due with respect to each series of the Refunded Bonds to and including the respective Redemption Date, and to pay on the respective Redemption Date the redemption price thereof. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

DISTRICT FINANCIAL INFORMATION

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES" herein.

The California State-reimbursed exemption currently provides a credit of $7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

MCFARLAND UNIFIED SCHOOL DISTRICT
SUMMARY OF ASSESSED VALUATIONS
FISCAL YEARS 2007-08 THROUGH 2012-13

Fiscal Year	Local Secured	Utility	Unsecured	Total
2007-08	$ 783,389,905	$411,487	$37,020,403	$ 820,821,795
2008-09	1,023,544,641	411,487	38,915,648	1,062,871,776
2009-10	924,334,509	411,487	42,250,962	966,996,958
2010-11	1,045,070,009	411,487	44,138,666	1,089,620,162
2011-12	1,168,351,738	369,484	65,822,720	1,234,543,942
2012-13	1,304,989,586	369,484	82,705,987	1,395,323,909

Source: California Municipal Statistics, Inc.

Under California 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, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an 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." 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. No assurance can be given that property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

[Remainder of page intentionally left blank.]

The following table presents the assessed valuation by land use within the District for fiscal year 2011-12.

MCFARLAND UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use

	2011-12 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$367,948,866	31.50%	1,182	26.34%
Commercial	72,485,802	6.20	96	2.14
Vacant Commercial	820,560	0.07	22	0.49
Oil & Gas	411,008,171	35.18	178	3.97
Industrial	89,919,184	7.70	39	0.87
Vacant Industrial	1,427,422	0.12	23	0.51
Recreational	44,978	0.00	1	0.02
Government/Social/Institutional	792,582	0.07	211	4.70
Subtotal Non-Residential	$944,447,565	80.84%	1,752	39.04%
Residential:				
Single Family Residence	$189,187,215	16.19%	2,027	45.16%
Condominium/Townhouse	3,071,493	0.26	50	1.11
Mobile Home	753,116	0.06	22	0.49
2-4 Residential Units	15,637,886	1.34	201	4.48
5+ Residential Units/Apartments	3,700,858	0.32	23	0.51
Vacant Residential	11,442,888	0.98	413	9.20
Subtotal Residential	$223,793,456	19.16%	2,736	60.96%
Total	$1,168,241,021	100.00%	4,488	100.00%

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

[Remainder of page intentionally left blank.]

The following table presents the largest local taxpayers based on secured assessed valuation within the District for fiscal year 2011-12.

MCFARLAND UNIFIED SCHOOL DISTRICT
2011-12 Largest Local Secured Taxpayers

	Property Owner	Primary Land Use	Assessed Valuation	Total [1]
1.	Berry Petroleum Company	Oil & Gas Production	$284,387,052	24.34%
2.	Elysium West LLC	Oil & Gas Production	60,320,260	5.16
3.	CPT Operating Partnership LP	Correctional Facilities	56,520,978	4.84
4.	Vintage Petroleum LLC	Oil & Gas Production	38,277,834	3.28
5.	Sun World International LLC	Food Processing	30,947,579	2.65
6.	Farmland Reserve Inc.	Agricultural	21,322,662	1.83
7.	Paramount Land Co. LP	Agricultural	17,956,657	1.54
8.	E&B Natural Res. Mtmt. Corp.	Oil & Gas Production	17,054,941	1.46
9.	Jakov Dulcich & Sons LLC	Agricultural	16,914,597	1.45
10.	Paramount Orchards Partners II, III, VI	Agricultural	14,037,555	1.20
11.	Oxy USA Inc.	Oil & Gas Production	13,233,532	1.13
12.	Central Valley Almond Assn.	Food Processing	13,033,435	1.12
13.	Paramount Citrus Association	Agricultural	10,434,607	0.89
14.	McFarland Ventures LP	Agricultural	9,016,203	0.77
15.	MAMZIRP LLC	Agricultural	8,619,393	0.74
16.	Sam and Suzanne Etchegaray	Agricultural	8,230,585	0.70
17.	Golden State Vintners Inc.	Food Processing	8,198,103	0.70
18.	Rio Bravo Poso	Power Generation	7,932,983	0.68
19.	MZIRP Inc.	Warehouse	7,684,695	0.66
20.	Western Milling LLC	Warehouse	6,395,234	0.55
			$650,518,885	55.68%

[1] 2011-12 Local Secured Assessed Valuation: $1,168,241,021.
Source: California Municipal Statistics, Inc.

Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area (TRA 91-1) for fiscal years 2007-08 through 2011-12:

MCFARLAND UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates (TRA 91-1)

	2007-08	2008-09	2009-10	2010-11	2011-12
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
McFarland Unified School District	.088987	.065401	.073898	.072486	.062635
Kern Community College District SRID	.008036	.009053	.009401	.010117	.009057
Total Tax Rate	1.097023	1.074454	1.083299	1.082603	1.071692

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

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

MCFARLAND UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

Fiscal Year	Secured Tax Charge[1]	Percent Delinquent	Secured Tax Delinquencies[2]
2006-07	$749,209.12	1.55%	-0-
2007-08	759,212.96	2.28	-0-
2008-09	793,846.73	1.48	-0-
2009-10	796,931.03	1.48	-0-
2010-11	873,509.90	1.35	-0-

(1) 1% General Fund apportionment.
(2) Kern County utilizes the Teeter Plan for assessment levy and distribution. The Teeter Plan guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.
Source: California Municipal Statistics, Inc.

Teeter Plan

The County has adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing with Section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal yearend. Under the Teeter Plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, the District's general fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's general fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

Upon adopting the Teeter Plan, the County was required to distribute to participating local agencies, 95% of the then-accumulated, secured roll property tax delinquencies and to place the remaining 5% in a tax losses reserve fund. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. Since the District maintains funds in the County Treasury, the District is included in the Teeter Plan.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. In the event that the Teeter Plan were terminated, receipt of revenue of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

District Reports and Certification

The Education Code of the State of California (Section 42133 *et seq.*) requires each school district to certify at two points during the fiscal year whether or not it is able to meet its financial obligations for the remainder of such fiscal year, and, based on current forecasts, for the subsequent fiscal year. The first report covers the period ending October 31 and the second report covers the period ending January 31. Such certifications are based on the governing board's assessment based on standards and criteria for fiscal stability adopted by the State Board of Trustee and the State Superintendent of Public Instruction. Each certification is required to be classified as positive, qualified, or negative on the basis of a review of the respective report against such criteria, but may include additional financial information known by the governing board to exist at the time of each certification. Such certifications are to be filed with the County Superintendent of Schools within forty-five days after the close of the period being reported and, in the event of a negative or qualified certification, to the State Controller and the State Superintendent of Public Instruction. A negative certification is to be assigned to any school district that likely will be unable to meet its financial obligations for the remainder of the fiscal year or for which existing expenditure practices jeopardize the ability of the district to meet its multi-year financial commitments.

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

The District has filed its 2011-12 First Interim Report with the County Superintendent of Schools with a positive certification within the meaning of Section 42133 of the Education Code of the State.

Copies of the reports and certifications of the District may be obtained upon request from the District at the District's offices.

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA

Major Revenues

The Treasurer and Tax Collector of the County (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally.

School district principal revenues consist of guaranteed State moneys, *ad valorem* 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. Decreases in State revenues may affect appropriations made by the legislature to the school district.

Each school district receives a portion of the local property taxes that are collected within its district boundaries. This amount is compared to the total revenue limit; the balance is received in the

form of state aid. Therefore, the sum of the property taxes and state aid equal the district's revenue limit. Districts which receive the minimum amount of state aid are known as "Basic Aid" districts.

School districts in the State have historically received most of their income under a formula known as the State revenue limit. This apportionment, which is funded by State general fund moneys and local property taxes (and in the case of community college districts, certain other local revenues), is allocated to the school districts based on the ADA of the school districts for either the current or preceding school year. Generally, such apportionments will amount to the difference between the school district's revenue limit and the district's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type (*i.e.*, all unified school districts, all high school districts or all elementary school districts).

A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. The rest of a school district's budget comes from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The California lottery is another source of funding for school districts, providing approximately 3% of a school district's budget. Every school district receives the same amount of lottery funds per pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery mandates the funds be used for instructional purposes, and prohibits their use for capital purposes.

The State revenue limit was first instituted in 1973-74 to provide a mechanism to calculate the amount of general purpose revenue a school district is entitled to receive from state and local sources. Prior to 1973-74, taxpayers in districts with low property values per pupil paid higher tax rates than taxpayers in districts with high property values per pupil. However, despite higher tax rates, less was spent per pupil in districts with low property values per pupil than districts with high property values per pupil. Thus, the State revenue limit helps to alleviate the inequities between the two types of districts.

The State revenue limit is calculated three times a year for each school district. The first calculation is performed for the February 20th First Principal Apportionment, the second calculation for the June 25th Second Principal Apportionment, and the final calculation for the end of the year Annual Principal Apportionment. Calculations are reviewed by the county and submitted to the State Department of Education to review the calculations for accuracy, calculate the amount of state aid owed to such school district and notify the State Controller of the amount, who then distributes the state aid.

The calculation of the amount of state aid a school district is entitled to receive each year is basically a five-step process. First, the prior year State revenue limit per ADA is established, with recalculations as are necessary for adjustments for equalization or other factors. Second, the adjusted prior year state revenue limit per ADA is inflated according to formulas based on the implicit price deflator for government goods and services and the statewide average State revenue limit per ADA for school districts. Third, the current year's State revenue limit per ADA for each school district is multiplied by such school district's ADA for either the current or prior year. Fourth, revenue limit add-ons are calculated for each school district if such school district qualified for the add-ons. Add-ons include the necessary small school district adjustments, meals for needy pupils and small school district transportation, and are added to the State revenue limit for each qualifying school district. Finally, local property tax revenues are deducted from the State revenue limit to arrive at the amount of state aid based on the State revenue limit to which each school district is entitled for the current year.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1, effective with the lien date of January 1, 1997. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). 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 property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and March 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Proposition 98

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual grade kindergarten to 14 ("K-14") funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, revised certain funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third

calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Under implementing legislation (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State of California) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for ADA and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990, (SB 88, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

On March 18, 2003, State Assembly Bill X1 18 ("SBX1 18") was signed into law. SBX1 18 reduced certain Proposition 98 appropriations by shifting apportionments made by the State to schools, which were to be made each June, until July, so that the June 2003 apportionment would not count toward the fiscal year 2002-03 Proposition 98 allocations. The State did not anticipate a reduction in total funding under Proposition 98 by this measure, but merely a deferment of its obligations. School and college districts may have experienced accounting and cash flow complications as result of SBX1 18's deferred payment, but this measure did not significantly affect the financial operations of the District.

SBX1 18 has no effect on the District's ability to make debt service payments on the Bonds, which are supported by *ad valorem* property taxes.

State Assistance

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the Underwriter, Bond and Disclosure Counsel nor the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, Disclosure Counsel or the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.**

2012-13 State Budget. The State budget for fiscal year 2012-13 (the "2012-13 Budget") was signed by Governor Brown on June 27, 2012, and assumes voters will approve the Governor's tax initiative on the November 2012 ballot (the "November Tax Initiative"). The 2012-13 Budget includes a $92 billion State spending plan and includes significant welfare and social service cuts, restructuring the State's welfare program, streamlining health insurance for low-income children, and reducing childcare coverage and aid to California Community Colleges ("CCCs"). The 2012-13 Budget reforms CalWORKs by establishing a 2-year time limit for parents who are not meeting federal work requirements and merges the delivery of services for those who are eligible for both Medi-Cal and Medicare to reduce costs and improve the coordination of services. In addition, the 2012-13 Budget includes the following changes: (i) eliminates the Healthy Families Program and transitions children to Medi-Cal; (ii) restructures funding for trial courts; (iii) prohibits CCCs and universities that are unable to meet minimum performance standards from participating in the Cal Grant Program; (iv) reforms the State process for K-14 education mandates by providing a block grant as an alternative to the existing, inefficient claiming process; (v) reduces the cost of State employee compensation by 5 percent; (vi) implements various reductions to hospital and nursing home funding to lower Medi-Cal costs; (vii) reduces funding for child care programs and eliminates 14,000 child care slots; (viii) creates a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services; and uses a fiscal year 2011-12 overappropriation of the minimum guarantee to prepay Proposition 98 funding required by a court settlement. K-14 education funding would increase by approximately $17.2 billion, or 37 percent, and per pupil funding would increase by over $2,500 in the next four years.

If the Governor's November Tax Initiative is not approved by voters, trigger cuts totaling $6 billion would go into effect on January 1, 2013 including funding for schools and CCCs which would be reduced by $5.4 billion and the State would reduce funding for a variety of public safety programs.

The 2012-13 Budget includes total funding of $68.4 billion ($37.9 billion General Fund and $30.5 billion from other funds) for all K-12 education programs, including the following specific items:

- *Redevelopment Agency Asset Liquidation* -- An increase of $1.3 billion in local property taxes for fiscal year 2012-13 to reflect the distribution of cash assets previously held by redevelopment agencies. The increase in local revenue reduces Proposition 98 General Fund by an identical amount.

- *Proposition 98 Adjustments* -- A decrease of approximately $630 million due to (1) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax on gasoline in fiscal year 2010-11, and (2) using a consistent current value methodology to rebench the guarantee for the exclusion of child care programs, the inclusion of special education mental health services, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduces current year appropriations for a number of different programs by $220.1 million, backfilling those programs with one-time Proposition 98 General Fund.

- *Quality Education Investment Act* ("QEIA") -- decrease of $450 million General Fund for fiscal year 2012-13. The over-appropriation in fiscal year 2011-12 will be used to prepay the $450 million required to be provided on top of the minimum guarantee in fiscal year 2012-13 pursuant to the *California Teachers Association v. Schwarzenegger* settlement agreement. The program will be funded within the guarantee to achieve one-time savings of $450 million for fiscal year 2012-13. Additionally, savings of $181 million in fiscal year 2013-14 and $40.8 million in fiscal year 2014-15 are achieved by using the remainder of the current year over appropriation to prepay a portion of the fiscal years 2013-14 and 2014-15 QEIA obligations.

- *K-12 Deferrals* -- An increase of $2.1 billion Proposition 98 General Fund to reduce K-12 inter-year budgetary deferrals from $9.5 billion to $7.4 billion.

- *Charter Schools* -- An increase of $53.7 million Proposition 98 General Fund for charter school categorical programs to fund growth in charter school enrollment. In addition to funding growth, legislation expands the ability of school districts to convey surplus property to charter schools, while also increasing financial assistance to charters by allowing county treasurers to provide them with short-term cash loans, and by authorizing charter schools to participate in the temporary revenue anticipation note mechanism already available to schools and county offices of education.

- *Mandates Block Grant* -- An increase of $86.2 million over the fiscal year 2011-12 funding level to provide a total of $166.6 million for K-12 mandates through a new voluntary block grant. Participating school districts and county offices of education would receive $28 per student, while participating charter schools would receive $14 per student. Districts and county offices of education that choose not to participate in the block grant program would retain their right to submit claims for reimbursement, subject to audit by the State Controller.

- *Reduce Child Care Costs* -- The Budget reflects total child care savings of $294.3 million in non-Proposition 98 General Fund, resulting in the elimination of 14,000 child care slots.

- *Funding for the State Preschool Program* -- An increase of $163.9 million in Proposition 98 General Fund to cover the cost of part-day preschool services for 44,100 3- and 4-year olds.

- *Reduce Provider Contracts* -- A decrease of $30 million in Proposition 98 General Fund to reflect the 8.7-percent across the board reduction to general child care programs. Both preschool and general child care programs are administered by centers that contract directly with the Department of Education.

Suspend Statutory Cost-of-Living Adjustment -- A decrease of $11.9 million in Proposition 98 General Fund..

LAO Overview of the 2012-13 Budget. The California Legislative Analyst's Office is expected to releases an overview of the 2012-13 Budget. Once available, the complete copy of the LAO's 2012-13 Budget Overview will be posted by the Office of the Legislative Analyst at www.lao.ca.gov. This website is not incorporated herein by reference and neither the District nor the Underwriter makes any representation as to the accuracy of the information provided therein.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies. Redevelopment agencies, through the California Redevelopment Association ("CRA") are actively engaged in litigation to block the transfer of payments and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22, known as "ABX4 26." Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

The State budget for fiscal year 2011-12 (the "2011-12 Budget") rebenched the minimum funding guarantee to account for a $1.7 billion decrease in State general fund revenues as a result of ABx1 27, a companion bill to the 2011-12 Budget. ABx1 27 authorizes redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education, which totals $1.7 billion statewide. Pursuant to ABx1 26 (another companion bill to the 2011-12 Budget), redevelopment agencies whose establishing cities or counties elect not to make such payments will be required to shut down, and any net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. Following litigation challenging the

constitutionality of both ABx1 26 and ABx1 27, the Supreme Court of California invalidated the provisions of ABx1 27. See "—Recent Litigation Regarding State Budgetary Provisions."

Cash Management Legislation. Since 2003, the State has deferred certain apportionments to school districts in order to manage the State's cash flow. On March 1, 2010, the Governor signed into law ABX8 5, as urgency legislation, that allowed additional payment deferrals from the State to K-12 school districts for Fiscal Year 2010-11, followed by ABX8 14, signed into law on March 22, 2010 also effective immediately upon enactment, as part of legislation to provide additional cash management flexibility to the State (together, the "Cash Management Bill"). The Cash Management Bill authorized the State to defer certain payments to school districts during Fiscal Year 2010-11 (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). Deferrals of payments to K-12 schools could be made in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, the State Controller, Treasurer and Director of Finance are authorized to accelerate or delay the deferrals up to 30 days, or reduce the amounts deferred. The Cash Management Bill also permits the State to move a planned deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the deferral planned for March 2011 must be paid prior to April 30. The Cash Management Bill provides for exceptions to the deferrals for school districts that can demonstrate hardship.

Similar legislation, known as SB 82, was enacted for fiscal year 2011-12. The legislation sets forth a specific deferral plan for K-12 education payments (the "2011-12 Deferral Plan"). SB 82 defers both the July 2011 and August 2011 K-12 payments of $1.4 billion, and the October 2011 payment of $2.4 billion. In September 2011, $700 million of the July deferral is due for payment, in January 2012, $4.5 billion from the remaining July, August and October deferrals are due for payment, and in March 2012, $1.4 billion is scheduled for deferral and due for payment in April 2012. In the event any of the 2011-12 Deferral Plan is implemented, the State Controller, State Treasurer and State Director of Finance are required to review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as possible.

Unlike the 2010-11 Cash Management Bill, SB 82 does not authorize the 2011-12 Deferral Plan to be accelerated or delayed. However, SB 82 does provide similar exemption provisions for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this legislation, the District might find it necessary to increase the size or frequency of its cash flow borrowings in fiscal year 2011-12.

Future State Budgets. Under State law, the State Legislature is required to adopt its budget by June 15 of each year for the upcoming fiscal year, with approval by the Governor to occur on June 30. The State Legislature failed to pass a State budget for fiscal year 2010-11 until October 8, 2010. Accordingly, State payments were held until the 2010-11 State Budget was adopted, including those scheduled to be made to school districts under Proposition 98 and receipt of State categorical funds by the District were delayed until the State budget was adopted for the 2010-11 fiscal year. The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised.

The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will continue to encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

In addition, the District cannot predict the effect that the general economic conditions within the State and the State's budgetary problems may have in the future on the District budget or operations.

Jarvis v. 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.

Recent Litigation Regarding State Funding of Education

On May 20, 2010, more than 60 individual students and their respective families, nine California school districts, the California Congress of Parents Teachers & Students, the Association of California School Administrators, and the California School Boards Association filed a complaint for declaratory and injunctive relief, entitled *Maya Robles-Wong, et al. v. State of California, et al.*, (the "Robles Complaint") in the Alameda County Superior Court. The Robles Complaint alleges, among other things, that the State's current system of funding public education is not designed to support core education programs and that the State has failed to meet its constitutional duties to maintain and support a system of common schools. The Robles Complaint further alleges that the State's system for funding education is not rationally or demonstrably aligned with the goals and objectives of the State's prescribed educational program, and the costs of ensuring that children of all needs have the opportunity to become proficient in accordance with State academic standards. The Robles Complaint requests that the court enter a permanent injunction to, among other things, require the State to align its school finance system with its prescribed educational program, as well as to direct the defendants to cease operating the existing public school finance system or any other system of public finance that does not meet the requirements of the State Constitution. The District is not a party to the Robles Complaint. The District cannot predict

whether any of the plaintiffs listed in the Robles Complaint will be successful, what the potential remedies would be or the State's response to any such remedies. The District makes no representation with regards to how any final court decision with respect to the Robles Complaint would affect the financial status of the District or the State.

On July 18, 2011, the California Redevelopment Association, the League of California Cities, and the Cities of Union City and San Jose filed petition for a writ of mandate (the "CRA Petition") with the Supreme Court of California alleging that ABx1 26 and ABx1 27 violate the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 1A and Proposition 22." The petitioners alleged, among other things, that ABx1 26 and ABx1 27 seek to illegally divert tax increment revenue from redevelopment agencies by threatening such agencies with dissolution if payments are not made to support the State's obligation to fund education. The CRA Petition was accompanied by an application for a stay seeking to delay implementation of the provisions of ABx1 26 and ABx1 27 until the claims are adjudicated. On December 29, 2011, the Supreme Court upheld the legality of ABx1 26, reasoning that the Legislature has broad powers to establish or dissolve local agencies as it sees fit. The Court, however, invalidated ABx1 27 on the grounds that the payments required of redevelopment agencies in order to remain in existence could not be characterized as voluntary, and thus violated Proposition 22.

On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately $2.1 billion. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget Measures – 2011-12 Budget." The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

Financial Statements

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the National Council on Governmental Accounting.

Funds and Accounting Groups used by the District are categorized as follows:

<u>Governmental Funds</u>
General Fund
Special Revenue Funds
Capital Projects Funds

<u>Proprietary Fund</u>
Internal Service Funds

<u>Fiduciary Funds</u>
Expendable Trust Funds

<u>Account Group</u>
General Long-Term Debt Account Group

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General

Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Directors of Accounting for the District and audited by independent certified public accountants each year. The District's audited financial statements for the year ended June 30, 2011 are attached hereto as APPENDIX C. The District has not requested and the auditor has not performed any update or review of such statements in connection with the inclusion in this Official Statement. Copies of the entire audited report are available from the District upon request to the District at the District offices.

Budgets of District

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. The District adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

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

State Emergency Loan Program

The California Education Code provides that a school district which determines during a fiscal year that its revenues are less than the amount necessary to meet its current year expenditure obligations may request an emergency apportionment from the State through the State Superintendent of Public Instruction (the "State Superintendent"). As a condition to the making of any such emergency apportionment, the following requirements must be met:

(a) The district requesting the apportionment must submit to the county superintendent of schools having jurisdiction over the district a report issued by an independent auditor approved by the county superintendent of schools on the financial conditions and budgetary controls of the district, a written management review conducted by a qualified management consultant approved by the county superintendent of schools and a fiscal plan adopted by the governing board to resolve the financial problems of the district.

(b) The county superintendent of schools must review, and provide written comment on, the independent auditor's report, the management review and the district plan. If the county superintendent disapproves the plan, the governing board must revise the district plan to respond to the concerns expressed by the county superintendent.

(c) Upon his or her approval of the district plan, the county superintendent must submit copies of the report, review, plan and written comments to the State Superintendent, the Auditor General, the Joint Legislative Budget Committee, the Director of Finance and the Controller.

(d) The State Superintendent must review the reports and comments submitted to him or her by the county superintendent and must certify to the Director of Finance that the action

taken to correct the financial problems of the district is realistic and will result in placing the district on a sound financial basis.

(e) The district must develop a schedule to repay the emergency loan and submit it to the county superintendent of schools, who after reviewing and commenting on it submits it to the State Superintendent for approval or disapproval. Upon the approval of the repayment schedule and of the other reports, reviews, plans and the appointment of the trustee (as described below), the State Superintendent must request the State Controller to disburse the proceeds of the emergency loan to the district.

(f) The district requesting the apportionment must reimburse the county superintendent of schools for the costs incurred by the superintendent in performing such duties.

In addition, the acceptance by the district of the apportionments made pursuant to the Education Code constitutes the agreement by the district to the following conditions:

(i) The State Superintendent shall appoint a trustee who shall have recognized expertise in management and finance. The State Superintendent shall establish the terms and conditions of the employment, including the remuneration of the trustee and the trustee shall serve at the pleasure of, and report directly to, the State Superintendent until the loan is repaid and the district has adequate fiscal systems and controls in place. Before the district repays its loan, the recipient of the loan shall select an auditor from a list established by the State Superintendent and the Controller to conduct an audit of its fiscal systems. If the fiscal systems are deemed to be inadequate, the State Superintendent may retain the trustee until the deficiencies are corrected.

(ii) The trustee appointed by the State Superintendent shall monitor and review the operation of the district. During the period of his or her service, the trustee may stay or rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district. The trustee shall approve or reject all reports and other materials required from the district as a condition of receiving the apportionment.

On or before October 31 of the year following receipt of an emergency apportionment, and each year thereafter, until the emergency apportionment is repaid, the governing board of the district shall prepare under the review and with the approval of the trustee, a report on the financial condition of the district which shall be transmitted to the county superintendent of schools, the State Superintendent and the State Controller. The report shall include all of the following information: (i) specific actions taken to reduce expenditures or increase income, and the cost savings and increased income resulting from those actions; (ii) a copy of the adopted budget for the current fiscal year; (iii) reserves for economic uncertainties; (iv) status of employee contracts; and (v) obstacles to the implementation of the adopted recovery plan.

The emergency apportionment is required to be repaid to the State over a five-year period, or less, together with interest at a rate determined in accordance with the Education Code.

The State Legislature expressly provides that these provisions of the Education Code are not intended to authorize emergency loans to school districts for the purpose of meeting cash-flow requirements pending the receipt of local taxes and other funds. Furthermore, no such emergency apportionment be made unless funds have been specifically appropriated therefor by the Legislature.

The District is not currently participating in the emergency loan program.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property, to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

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 one percent 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 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment 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 is shown at full market value on the tax rolls, with tax rates expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the California Constitution

Under Article XIIIB of the California State Constitution state and local government entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In fiscal year 2010-11, the District received $427,572 in State Lottery aid. The District has budgeted $419,667 for such aid in fiscal year 2011-12. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Propositions 46 and 39

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters depending upon the Article of the Constitution under which it passed. Under previous law, the District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the District to create such special assessment districts. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and. ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond issue or a Mello-Roos Community Facilities District bond issue in the future, both of which are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly.

The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Proposition 1A

Proposition 1A (SCA 4), proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in August 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of August 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Pursuant to Proposition 1A, if the State reduces the Vehicle License Fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Proposition 22

Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow state gasoline sales tax revenues. (See "—Proposition 1A" above). These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on state transportation bonds; (2) to borrow or change the distribution of state fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; (5) and to use vehicle license fee revenues to reimburse local governments for state mandated costs. As a result, 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 the LAO's analysis of Proposition 22 submitted by the LAO on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will 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.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 98 and 187 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 the District's revenues or their ability to expend revenues.

THE KERN COUNTY TREASURY POOL

This section provides a general description of the County's investment policy and current portfolio holdings. The information set forth under this section relating to the County Pool has been obtained from the website of the Treasurer, and is believed to be reliable but is not guaranteed as to accuracy or completeness. The Board makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the Kern County Treasurer – Tax Collector, 1115 Truxtun Avenue, Bakersfield, California 93301, Telephone (661) 868-3490.

Funds held by the County in the County Pool are invested in accordance with the Treasurer's statement of investment policy, as authorized by Section 53630 of the State Government Code. This pooled investment fund consists primarily of operating funds of the County and local agencies, including other school districts, cities and special districts. State law requires that all moneys of the county, school districts, and certain special districts be held by the respective county's treasurer.

The County Board of Supervisors annually approves the Treasurer's statement of investment policy, with the current investment policy approved on November 29, 2011. Based on this policy, the County Pool's investment objectives are capital preservation and liquidity, while seeking high current income consistent with capital preservation and liquidity. To achieve its objectives, the County Pool invests all of its assets in various types of money market instruments. The County Pool limits its investments to those instruments that are specifically enumerated within California Government Code Section 53635, as may be amended from time to time, and as further restricted by the County Pool's investment policy.

[Remainder of page intentionally left blank.]

The following table identifies the types of securities held by the Pool as of April 30, 2012.

KERN COUNTY
Treasury Pool Portfolio Composition
(as of April 30, 2012 – dollars rounded to nearest thousand)

Asset Class	Par	Market	Cost	Yield to Maturity	Percent of Total Assets	Policy Limit	Average Maturity	Effective Duration
Pooled Funds	$ 36,251	$ 36,251	$ 36,251	0.38	1.49%	$50,000	1	0
Negotiable CD's	240,000	240,197	240,000	0.812	9.88	30%	76	0.138
Commercial Paper - Discount	705,194	705,107	704,869	0.434	29.03	40%	18	0.048
Federal Agency Issues - Coupon	794,455	798,921	797,492	0.82	32.85	75%	1,181	0.993
Medium Term Notes	572,591	588,687	599,908	1.033	24.71	30%	493	1.102
Repurchase Agreement	32,666	32,666	32,666	0.02	1.35	10%	1	0
Total Securities	2,381,158	2,401,829	2,411,187				533	0.637
Cash in Banks	16,746	16,746	16,746		0.69%			
Total Assets	2,397,903	2,418,575	2,427,932					
Accrued Interest at Purchase	449	449	449					
Total Pooled Cash Portfolio	$2,398,353	$2,419,024	$2,428,382					

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

Neither the District nor the Underwriter has made an independent investigation of the investments in the Pool and has made no assessment of the current County Investment Policy. The value of the various investments in the 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 Treasury Oversight Committee and 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 Pool will not vary significantly from the values described herein.

LEGAL MATTERS

The legal opinion of Fulbright & Jaworski L.L.P., Bond Counsel to the District attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds. Fulbright & Jaworski L.L.P. is also serving as Disclosure Counsel to the District.

TAX MATTERS

Opinion of Bond Counsel

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted in the Resolution not to take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants referred to herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that the interest on the Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, the receipt or accrual of interest on the Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax is imposed by section 55 of the Code.

Pursuant to the Resolution and in the *Certificate Pertaining to Arbitrage and Certain Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* (the "Tax Certificate") to be delivered by the District in connection with the issuance of the Bonds, the District has made representations relevant to the determination of, and has made certain additional covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinion described in the preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the District with its covenants. Except as described in the preceding paragraph, Bond Counsel expresses no opinion as to any federal, state or local tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel expresses no opinion as to any federal, state or local tax law

consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the District as the "taxpayer," and the beneficial owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from those of the beneficial owners of the Bonds. Further, public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of the ultimate outcome.

A copy of the proposed form of opinion of Bond Counsel relating to the Bonds is included in Appendix A.

Tax Accounting for Bond Premium and Original Issue Discount

To the extent that a purchaser of a Bond acquires that Bond at a price that exceeds the aggregate amount of payments (other than payments of qualified stated interest within the meaning of section 1.1273-1 of the Treasury Regulations) to be made on the Bonds, such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized on a constant yield, economic accrual, basis. The amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when a Bond owned by such owner is sold or disposed of for an amount equal to or in some circumstances even less than such owner's original cost of the Bond to the owner. Any person considering purchasing a Bond at a price that includes bond premium should consult his or her own tax advisor with respect to the amortization and treatment of such bond premium, including, but not limited to, the calculation of gain or loss upon the sale or other disposition of the Bond.

To the extent that a purchaser of a Bond acquires that Bond at a price in excess of its "stated redemption price at maturity" within the meaning of section 1273(a)(2) of the Code, such excess constitutes "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Bond is sold or

disposed of for an amount equal to or in some circumstances even less than the original cost of the Bond to the owner.

Any person considering purchasing a Bond at a price that includes bond premium or that carries original issue discount should consult his or her own tax advisor with respect to the amortization and treatment of such bond premium or original issue discount, including, but not limited to, the calculation of gain or loss upon the sale, redemption or other disposition of the Bond.

Other Tax Considerations

Although Bond Counsel is of the opinion that interest on the Bonds is exempt from California personal income tax and that interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the taxability of such benefits, and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. As indicated above, Bond Counsel expresses no opinion regarding any such other tax consequence. Any person considering purchasing a Bond should consult his or her own tax advisor with respect to such consequences.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds. No assurance can be given that pending or future legislation, or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of interest on the Series Bonds from the gross income of the owners thereof for federal income tax purposes.

Existing law may change so as to reduce or eliminate the benefit to holders of the Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Any person considering purchasing a Bond should consult his or her own tax advisor with respect to any proposed changes in tax law.

Qualified Tax Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense that is incurred by a "financial institution" of the type described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) that are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has certified its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE

In accordance with the requirements of the Rule promulgated by the Securities and Exchange Commission, the District will enter into the Continuing Disclosure Certificate on or prior to the sale of the Bonds in which the District will undertake for the benefit of the beneficial Owners of the Bonds, to provide audited financial statements of the District and certain other information to the Municipal Securities Rulemaking Board at the times and in the manner set forth in the Continuing Disclosure Certificate.

The District was late in filing its audited financial statements for the fiscal years ending June 30, 2007 through June 30, 2011, with respect to the following obligations: McFarland Unified School District (Kern County, California) 1998 General Obligation Refunding Bonds; McFarland Unified School District (Kern County, California) General Obligation Bonds, Election of 2004, Series 2004A; McFarland Unified School District (Kern County, California) General Obligation Bonds, Election of 2004, Series 2006B; McFarland Unified School District (Kern County, California) General Obligation Bonds, Election of 2004, Series 2008C; and McFarland Unified School District (Kern County, California) 2008 General Obligation Refunding Bonds (collectively , the "Obligated Bonds"). The audited financial statements for fiscal year ending June 30, 2011 were filed on June 18, 2012. The audited financial statements for fiscal years ending June 30, 2007 through June 30, 2010 were filed on August 6, 2012. The District was late in filing its annual reports for the fiscal years ending June 30, 2007 through June 30, 2011, with respect to the Obligated Bonds. The annual report for fiscal year ending on June 30, 2011 was filed on June 13, 2012. The annual reports for fiscal years ending June 30, 2007 through June 30, 2010 were filed on August 8, 2012. The District will implement procedures to ensure timely filing of all future reports.

The form of Continuing Disclosure Certificate is attached to this Official Statement as APPENDIX D.

LEGALITY FOR INVESTMENT

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

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA-" (stable outlook) to the Bonds based upon the issuance of the Insurance Policy, and an underlying municipal bond rating of "A" to the Bonds. Such ratings reflect only the views of the rating agency, and any explanation of the significance of such ratings may be obtained at Standard & Poor's, a Division of McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, New York 10041. See "BOND INSURANCE" herein for a discussion of recent rating actions taken with respect to the Insurer. There can be no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Inc. d.b.a. Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a purchase price of $4,596,632.00 (reflecting an aggregate principal amount of $4,400,000.00, plus a net original issue premium of $223,032.00, less an Underwriter's discount of $26,400.00). The purchase contract 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 the purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices or yields lower than the offering prices or yields stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

Caldwell Flores Winters, Inc. (the "Financial Advisor") has been employed by the District to perform financial services in relation to the sale and delivery of the Bonds. Caldwell Flores Winters, Inc. will not participate in the underwriting of the Bonds. The 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 this Official Statement. Fees charged by Caldwell Flores Winters, Inc. are contingent upon the sale of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will deliver a report stating that the firm has verified the accuracy of mathematical computations concerning the adequacy of the uninvested cash initially deposited in the Escrow Fund to pay the interest due with respect to the Refunded Bonds to and including the 2004 Redemption Date, and to pay on the 2004 Redemption Date the 2004 Redemption Price thereof.

The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it and that the Verification Agent has no obligation to update its report because of events occurring, or data or information coming to its attention, after the date of its report.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds, and the District's certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. No litigation is pending and 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* taxes or to collect other revenues or contesting the District's ability to issue the Bonds or to pay the principal or Accreted Value of and interest thereon.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. A copy of the Resolution are available upon request from the Superintendent, McFarland Unified School District, 601 Second Street, McFarland, California 93250.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not be construed as a contract or agreement between the District and the purchasers or owners of any of the Bonds.

[Remainder of page intentionally left blank.]

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

MCFARLAND UNIFIED SCHOOL DISTRICT

By: /s/ Gabriel McCurtis
Superintendent

APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing Date]

Board of Trustees
McFarland Unified School District
601 Second Street
Rosamond, California 93250

Re: $4,400,000 McFarland Unified School District 2012 General Obligation Refunding Bonds (Bank Qualified)

Ladies and Gentlemen:

We have acted as bond counsel for the McFarland Unified School District, County of Kern, State of California (the "District"), in connection with the issuance by the District of $4,400,000 aggregate principal amount of the above-captioned bonds (the "Bonds"). The Bonds are issued pursuant to pertinent provisions of the Government Code of the State of California, as amended, and a resolution adopted by the Board of Trustees of the District on March 13, 2012 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Certificate Pertaining to Arbitrage and Certain Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), delivered by the District in connection with the issuance of the Bonds. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second

paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the opinions that:

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

2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District.

3. Under existing law interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants referred to herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes and is not included in the computation of the alternative minimum taxable income of the owners thereof for federal income tax purposes. In our further opinion, under existing statutes, regulations, rulings and court decisions, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. In the Resolution and the Tax Certificate, the District has made representations relevant to the determination of, and has made certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the District with such covenants. We express no opinion with respect to the exclusion pursuant to section 103(a) of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes in the event that any of such representations is untrue or the District should fail to comply with any of its covenants, unless such failure to comply is based on our advice or opinion.

Except as set forth above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Our opinions are based on existing law, which is subject to change. The opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

THE MCFARLAND UNIFIED SCHOOL DISTRICT

GENERAL

The McFarland Unified School District is a unified school district of the State of California (the "State"). The District is located in the northern part of the County of Kern (the "County"). The District serves approximately 3,300 students enrolled in grades K-12. The District currently operates two elementary schools, one intermediate school, two high schools and one continuing school and employs approximately 360 teachers, administrators and classified personnel. The current student-teacher ratio in the District is 20:1 in grades K-3, 25:1 in grades 4-6, 25:1 in grades 7-8 and 28:1 in grades 9-12. The District's average daily attendance for fiscal year 2010-11 was 3,127. The District's projected average daily attendance for fiscal year 2011-12 and fiscal year 2012-13 is 3,127. The District has a 2011-12 assessed valuation of $1,234,543,942. The District's fiscal year 2010-11 share of the property tax revenue in the County equaled $5,703,579.82 and is estimated to equal $4,472,463.00 in fiscal year 2011-12.

DISTRICT ORGANIZATION

The District is governed by a Board of Trustees (the "Board"). The Board consists of 5 members who are elected at-large to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by an appointment by the majority vote of the remaining Board Members. The years in which the current terms for each member of the Board expire are set forth below:

BOARD OF TRUSTEES

Name	Office	Term Expires
Kaye Breyer	President	December 2012
Jim Beltran	Vice President	December 2014
Marlin Isaacs	Clerk	December 2012
David Arguello	Member	December 2014
Rey DeLeon	Member	December 2012

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District.

KEY PERSONNEL

The following is a listing of the key administrative personnel of the District:

Name	Title
Gabriel McCurtis	District Superintendent
Ambelina Garcia	Business Manager

The Superintendent of the District is appointed by and reports to the Board of Trustees. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other District administrators.

Dr. Gabriel McCurtis, Superintendent: Dr. McCurtis has been Superintendent of the District since 2007. Prior to becoming Superintendent, Dr. McCurtis held various administrative positions including serving as a high school and alternative education principal. He has worked in California public school education for over 30 years. Dr. McCurtis received his masters degree from UC Riverside and his Ed.D from Calvary Chapel University.

Ms. Ambelina Garcia, Business Manager: Ms. Garcia has been Business Manager of the District since 2010. Prior to becoming Business Manager, Ms. Garcia was the Controller for a National Homebuilder. She has 20 years of accounting and managerial experience. Ms. Garcia received a degree in Business Administration/Accounting from Bakersfield State University and expects to receive her Masters in Business Administration degree from Bakersfield State University in the fall of 2012.

DISTRICT EMPLOYEES

The District employs approximately 196 full-time equivalent certificated academic professionals as well as approximately 117 full-time equivalent classified employees. The certificated employees of the District have selected the California Teachers' Association — McFarland Teachers' Association as their exclusive bargaining agent. The classified employees have appointed the California School Employees Association, Chapter 186 as their excusive bargaining agent. The District's contracts with certified and classified employees expire on June 30, 2014.

DISTRICT INVESTMENTS

The Kern County Treasurer-Tax Collector (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool. All money held in any of the funds or accounts established pursuant to the Resolution shall be held in the Treasury Pool and disbursed in accordance with the Resolution.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

For a further discussion of the Pooled Investment Fund, see the caption "THE KERN COUNTY TREASURY POOL" in the body of this Official Statement.

FINANCIAL STATEMENTS OF THE DISTRICT

The following information, concerning the operations and finances of the District is not intended to and does not suggest that the Bonds are secured by the general revenues or General Fund of the District, nor is the County obligated in any way with respect to the Bonds. The Bonds are general obligation bonds of the District, secured and payable solely from **ad valorem** ***property taxes collected against taxable properties within the boundaries of the District. Prospective purchasers of the Bonds should be aware that the following discussion of the District's financial condition, its fund balances, budgets and other obligations, is intended as general information only, and no implication is made the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for*** **ad valorem** ***property taxes collected by the County to pay debt service on the Bonds. Pursuant to Section 15241 of the Education Code, all tax revenues collected for payment of debt service on general obligation bonds, including the Bonds,***

must be deposited into the interest and sinking fund of the District maintained within the County Treasury Pool. See the body of the Official Statement under the caption **"SECURITY FOR THE BONDS."**

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement. Certain information from the District's financial statements follows. Selected information from the District's audited financial statements for the 2010-11 fiscal year is attached hereto as APPENDIX C.

Prospective purchasers of the Bonds should be aware that none of the District's operating assets or funds are pledged to payment of principal of or interest on the Bonds, which are payable solely from the levy of an ad valorem *property tax on taxable property within the District. See "SECURITY AND SOURCES OF PAYMENT" within the body of this Official Statement. The following general financial information regarding the District is provided as background only.*

[Remainder of page intentionally left blank.]

GENERAL FUND

The following table sets forth the District's audited financial results for the fiscal years indicated.

MCFARLAND UNIFIED SCHOOL DISTRICT
Summary of General Fund
Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2007-08 through 2010-11[1]

	Audited 2007-08	Audited 2008-09	Audited 2009-10	Audited 2010-11
Revenues				
Revenue Limit Sources				
State Apportionments	$17,236,478	$16,426,612	$16,420,366	$13,250,552
Local Sources	3,243,416	3,840,840	2,006,105	5,798,188
Federal Revenues	3,029,021	4,225,123	5,382,645	4,878,152
Other State Revenues	8,517,589	8,764,741	7,267,937	8,034,105
Other Local Revenues	881,339	1,314,301	527,113	420,652
Total Revenues	32,907,843	34,571,617	31,604,166	32,381,649
Expenditures				
Instruction	18,982,512	18,704,737	17,421,263	18,851,394
Instruction-Related Services	3,781,531	3,930,520	3,871,917	4,248,470
Pupil Services	1,275,508	1,497,943	1,736,022	1,998,874
Ancillary Services	421,561	412,016	323,222	376,932
Community Service	336,540	316,359	329,003	273,710
General Administration	2,093,959	2,160,714	1,545,804	1,996,274
Plant Services	3,524,779	3,564,856	3,055,071	3,220,607
Other Outgo	1,097,981	1,219,024	710,738	645,905
Debt Service				
Principal	-	147,324	129,463	149,345
Interest	-	30,316	20,847	14,630
Total Expenditures	31,514,371	31,983,809	29,143,350	31,776,141
Excess of Revenues Over (Under) Expenditures	1,393,472	2,587,808	2,460,816	605,508
Other Financing Sources (Uses)				
Operating Transfers In	300,000	-	-	469,357
Operating Transfers Out	(174,797)	(240,063)	-	(1,260,727)
Total Other Financing Sources (Uses)	125,203	(240,063)	-	(791,370)
Net Change in Fund Balance	$1,518,675	$2,347,745	$2,460,816	$ (185,862)
Fund Balance, July 1 (as applied)	$2,941,171	$4,459,846	$6,807,590	$9,268,404
Fund Balance, June 30	$4,459,846	$6,807,591	$9,268,406	$9,082,542

[1] Totals may not foot due to rounding.
Source: McFarland Unified School District Audit Reports for fiscal years 2006-07 through 2010-11.

The following table sets forth the District's Board approved Budgets for Fiscal Year 2011-12 and Fiscal Year 2012-13. The Budget for Fiscal Year 2011-12 was adopted on June 18, 2010 and revised on August 11, 2011 and the Budget for Fiscal Year 2012-13 was adopted on June 21, 2012.

MCFARLAND UNIFIED SCHOOL DISTRICT
Approved Budgets
Fiscal Years 2011-12 and 2012-13

	2011-12 Approved Budget	2012-13 Approved Budget
REVENUES		
Revenue Limit Sources	$19,065,868.93	$17,888,530.11
Federal Revenues	4,615,355.00	4,305,502.00
Other State Revenues	6,101,726.00	7,196,536.50
Other Local Revenues	339,650.00	194,000.00
TOTAL REVENUES	$30,122,599.93	$29,584,568.61
EXPENDITURES		
Current Expenditures		
Certificated Salaries	12,694,657.00	14,479,808.00
Classified Salaries	4,097,891.00	4,193,355.58
Employee Benefits	7,514,178.00	7,505,805.91
Books and Supplies	1,478,117.00	1,629,919.00
Services and Other Operating Expenditures	2,896,596.00	3,848,299.51
Capital Outlay	-	30,000.00
Other Outgo (excluding Transfers of Indirect Costs)	856,476.00	787,538 00
Other Outgo - Transfers of Indirect Costs	(77,121.00)	(79,379.00)
Other Financing Uses	69,068.00	61,634.00
Transfers of Indirect/Direct Support Costs		
TOTAL EXPENDITURES	$29,529,862.00	$32,456,981.00
Net Change in Fund Balances	$ 592,737.93	$ (2,872,412.39)
Fund Balances at Beginning of Year	$ 7,474,697.91	$ 8,039,403.94
Fund Balances at End of Year	$ 8,067,435.84	$ 5,166,991.55

Source: The District.

RETIREMENT SYSTEM

The District participates in the State of California Teachers Retirement System ("STRS") which provides retirement benefits to certificated personnel. The District contributed $1,131,206 to STRS for fiscal year 2008-09, $1,051,364 for fiscal year 2009-10, and $1,150,353 for fiscal year 2010-11 and has budgeted $1,151,607 for fiscal year 2011-12. The District also participates in the State of California Public Employees' Retirement System ("PERS") which provides retirement benefits to classified personnel. The District contributed $414,380 to PERS for fiscal year 2008-09, $389,233 for fiscal year 2009-10, and $471,421 for fiscal year 2010-11, and has budgeted $470,676 for fiscal year 2011-12.

Both CalPERS and STRS are operated on a statewide basis and, based on available information, STRS and CalPERS both have unfunded liabilities. CalPERS may issue certain pension obligation bonds to reach funded status. (Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.) The amounts of the pension/award benefit obligation (CalPERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of unfunded liabilities will be in the future or the amount of the contributions which the District may be required to make.

As of June 30, 2011, accrued vacation benefits amounted to approximately $119,094.16.

POST-EMPLOYMENT BENEFITS

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The pronouncement will require public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement No. 34 and 35. GASB Statement No. 45 ("GASB 45") is effective for the District for the fiscal year ended June 30, 2009.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District. The District provides Health & Welfare Benefits to qualified eligible employees who retire from the District after attaining age 55 with at least fifteen years of service to the District. Such qualified employees will receive post-retirement health care benefits until age 65. Expenditures for post-employment benefits are currently recognized on a pay-as-you-go basis, as premiums are paid. During Fiscal Year 2010-11, expenditures of $469,364 were recognized for retirees' healthcare benefits.

Based on an actuarial study by Demsey, Fillinger & Associates ,dated May 2, 2006, the District's actuarial liability for District paid retiree benefits as of July 1, 2005 was $8,580,833. The District's annual actuarially required contribution for the fiscal year 2005-06 was $671,028. The District expects to complete a new actuarial liability study by September 2012.

CERTAIN EXISTING OBLIGATIONS

A schedule of the District's changes in long-term debt for the year ended June 30, 2011 is shown below:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
General Obligation Bonds Series 2004A	$4,785,308	--	$160,000	$ 4,625,308	$175,000
General Obligation Bonds Series 2006	1,799,838	--	--	1,799,838	5,000
General Obligation Bonds Series 2008A	2,420,000	--	270,000	2,150,000	260,000
General Obligation Bonds Series 2008C	1,214,761	--	--	1,214,761	40,000
General Obligation Bonds Series 1998	450,000	--	55,000	395,000	55,000
Capital Leases	369,794	--	145,634	224,160	156,647
Net OPEB obligation	505,869	$ 201,664	--	707,533	--
Compensated absences[1]	254,234	--	135,140	119,094	--
Total governmental activities	$11,799,804	$ 201,664	$ 765,774	$ 11,235,694	$ 691,647

[1] Other long-term liabilities.

Source: The District.

DIRECT AND OVERLAPPING DEBT

Numerous local agencies which provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the District's direct and estimated overlapping bonded debt as of February 1, 2012:

MCFARLAND UNIFIED SCHOOL DISTRICT
DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

2011-12 Assessed Valuation:	$1,234,543,942
Redevelopment Incremental Valuation:	7,440,997
Adjusted Assessed Valuation:	$1,227,102,945

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 2/1/12	
Kern Community College District Safety, Repair & Improvement District	1.768%	$ 1,841,237	
McFarland Unified School District	**100.**	**9,704,907**	(1)
Kern Community College District Assessment District	1.916	63,324	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$11,609,468	
OVERLAPPING GENERAL FUND DEBT:			
Kern County General Fund Obligations	1.542%	$1,972,064	
Kern County Pension Obligations	1.542	6,154,207	
Kern County Board of Education Certificates of Participation	1.542	807,623	
Kern Community College District Certificates of Participation	1.567	1,469,063	
Kern Community College District Pension Obligations	1.567	1,311,344	
City of Delano General Fund Obligations	0.030	7,758	
TOTAL OVERLAPPING GENERAL FUND DEBT		$11,722,059	
COMBINED TOTAL DEBT		$23,331,527	(2)

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2011-12 Assessed Valuation:

Direct Debt ($9,704,907)	**0.79%**
Total Direct and Overlapping Tax and Assessment Debt	0.94%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt	1.90%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

Source: California Municipal Statistics, Inc.

INSURANCE

The District maintains insurance with SISC II of the County, with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and workers' compensation as the District believes are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, the District believes that the recorded liabilities for insured claims are adequate.

Following are the multilevel coverage amounts:

Liability Coverage

Limit Per Occurrence	School District Deductible
$1,750,000	$1,000

Liability Excess Coverage

Limit Per Occurrence	SIR
$50,000,000	$1,750,000

Real & Personal Property Coverage

Limit Per Occurrence	Deductible
$250,000	$2,500

Property Excess Coverage

Limit Per Occurrence	SIR
$150,000,000	$250,000

Workers' compensation insurance is obtained through SISC I.

Source: The District.

DISTRICT AVERAGE DAILY ATTENDANCE, ENROLLMENT AND RECENT SALARY HISTORY

The following tables show the District's Average Daily Attendance, enrollment and salary history for the years indicated. There can be no assurance that the projected numbers will not change.

Average Daily Attendance:

Fiscal Year	Average Daily Attendance	Base Revenue Limit
2007-08	3,093	20,937,831.56
2008-09	3,185	20,231,881.69
2009-10	3,128	19,194,004.76
2010-11	3,127	19,112,651.44
2011-12[1]	3124	18,077,070.83
2012-13[1]	3124	18,026,474.27

Enrollment:

Fiscal Year	Enrollment	Increase (Decrease) from Prior Year
2008-09	3269	20
2009-10	3355	86
2010-11	3311	(44)
2011-12[1]	3344	33
2012-13[1]	3311	(33)
2013-14[1]	3311	0

Recent Salary History:

Fiscal Year	Certificated Personnel	Classified Personnel	% Increase
2008-09	$18,333,535	$7,331,836	3.32%
2009-10	17,233,253	6,889,898	-6.01
2010-11	19,274,895	7,383,011	9.50
2011-12[2]	19,401,299	7,152,647	1.23
2012-13[2]	19,609,862	7,773,770	3.80

Source: The District.
[1] Projected.
[2] Budgeted.

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

[THIS PAGE INTENTIONALLY LEFT BLANK]

MCFARLAND UNIFIED SCHOOL DISTRICT
COUNTY OF KERN
MCFARLAND, CALIFORNIA
AUDIT REPORT

JUNE 30, 2011

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

Introductory Section

McFarland Unified School District
Audit Report
For The Year Ended June 30, 2011

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor's Report on Financial Statements	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Fiduciary Net Assets - Fiduciary Funds	19
Notes to the Financial Statements	20
Required Supplementary Information:	
Budgetary Comparison Schedules:	
General Fund	38
Cafeteria Fund	39
Special Reserve Fund for Other Than Capital Outlay Projects	40
Combining Statements and Budgetary Comparison Schedules as Supplementary Information:	
Combining Balance Sheet - All Nonmajor Governmental Funds	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Nonmajor Governmental Funds	42
Special Revenue Funds:	
Combining Balance Sheet - Nonmajor Special Revenue Funds	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	45
Budgetary Comparison Schedules:	
Adult Education Fund	47
Child Development Fund	48
Deferred Maintenance Fund	49
Special Reserve Fund for Post-Employment Benefits	50
Debt Service Funds:	
Budgetary Comparison Schedule:	
Bond Interest and Redemption Fund	51

McFarland Unified School District
Audit Report
For The Year Ended June 30, 2011

TABLE OF CONTENTS

	Page
Capital Projects Funds:	
Combining Balance Sheet - Nonmajor Capital Projects Funds	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	53
Budgetary Comparison Schedules:	
Building Fund	54
Capital Facilities Fund	55
County School Facilities Fund	56
Special Reserve Fund for Capital Outlay Projects	57
Fiduciary Funds:	
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities	58
OTHER SUPPLEMENTARY INFORMATION SECTION	
Local Education Agency Organization Structure	60
Schedule of Average Daily Attendance	61
Schedule of Instructional Time	62
Schedule of Financial Trends and Analysis	63
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements	64
Schedule of Charter Schools	65
Schedule of Expenditures of Federal Awards	66
Notes to the Schedule of Expenditures of Federal Awards	67
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	68
Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance In Accordance With OMB Circular A-133	70
Auditor's Report on State Compliance	72
Schedule of Findings and Questioned Costs	74
Summary Schedule of Prior Audit Findings	76

Financial Section

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

Independent Auditor's Report on Financial Statements

Board of Trustees
McFarland Unified School District
McFarland, California

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McFarland Unified School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of McFarland Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McFarland Unified School District as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of McFarland Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the

limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McFarland Unified School District's financial statements as a whole. The combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizaitons, and is also not a required part of the financial statements. The accompanying other supplementary is presented for purposes of additional analysis as required by the State's audit guide, Standards and Procedures for Audits of California K-12 Local Educational Agencies 2010-2011, published by the Education Audit Appeals Panel, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information, except as noted below, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The local educational agency organization structure (page 60), the schedule of financial trends and analysis (page 63), and the budetary comparison schedules (pages 47-51 and 54-57) have not been subjected to the auditing procedures applied in the audit of the basic and combining financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

December 5, 2011

Management's Discussion and Analysis

This section of McFarland Unified School District's (MUSD) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Overall, the revenues were $35,606,411.
- Total expenses were $35,089,455.
- Debt service amounted to $1,062,674 or about 3% of total expenses

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – 1) management's discussion and analysis (this section), 2) the basic financial statements, and 3) required supplementary information. The basic financial statements include two types of statements, which present different views of the District:

- The first two statements are district-wide financial statements that provide a statement of the District's assets and a statement of the activities.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail that the District-wide status
- The governmental funds tell how basic services like regular and special education were financed in the short term as well as what remains for the future.
- Fiduciary Funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. For MUSD those are student body funds for each of the schools.

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

The *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the Board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the *overall health* of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets*, we separate the District activities as follows:

Governmental activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

Business-type activities - The District charges fees to help it cover the costs of certain services it provides. The District's adult education programs and food services are included here *(if applicable).*

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending.

These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits and pensions. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Assets*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $28,370,565 for the fiscal year ended June 30, 2011. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1
McFarland Unified School District
Net Assets - Governmental Activities

	6/30/2011	6/30/2010
Current and Other Assets	$ 18,864,721	$ 23,613,618
Capital Assets	23,639,075	18,843,729
Total Assets	**$ 42,503,796**	**$ 42,457,347**
Long-Term Liabilities	$ 11,235,694	$ 11,166,949
Other Liabilities	2,897,537	3,436,787
Total Liabilities	**$ 14,133,231**	**$ 14,603,736**
Net Assets		
Invested In Capital Assets	$ 13,230,008	$ 7,804,028
Restricted	3,407,813	13,087,467
Unrestricted	11,732,744	6,962,116
Total Net Assets	**$ 28,370,565**	**$ 27,853,611**

The $11,732,744 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay of all of our bills *today* including all of our non-capital liabilities (compensated absences as an example), we would have $11,732,744 left. We will need to closely monitor our expenditures in the future and adhere strictly to the budget to manage this $11,732,744.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 12. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2
McFarland Unified School District
Change in Net Assets

	6/30/2011	6/30/2010
Net Assets Beginning Balance	$ 27,853,609	$ 26,550,818
Revenue		
General Revenues	$ 24,842,666	$ 24,336,225
Charges for Services	62,986	75,027
Operating Grants & Contributions	10,700,759	10,788,563
Total Revenues	$ 35,606,411	$ 35,199,815
Expenses		
Instruction	$ 19,919,549	$ 18,442,669
Instruction-Related Services	4,364,111	4,039,029
Pupil Services	3,738,448	3,387,178
Ancillary Services	376,211	323,314
Community Services	261,336	330,872
General Administration	2,072,173	1,750,905
Plant Services	3,283,393	4,405,635
Other Outgo	1,074,234	1,217,422
Total Expenses	$ 35,089,455	$ 33,897,024
Increase in Net Assets	$ 516,956	$ 1,302,791
End of Year Net Assets	$ 28,370,565	$ 27,853,609

Governmental Activities

As reported in the Statement of Activities on page 12, the cost of all of our governmental activities this year was $35,089,455. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $19,048,740 because the cost was paid by those who benefited from the programs ($62,986) or by other governments and organizations who subsidized certain programs with grants and contributions ($10,700,759). We paid for the remaining "public benefit" portion of our governmental activities with taxes, State funds and other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's eight largest functions, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3
McFarland Unified School District
Net Cost of Governmental Activities
June 30, 2011

	Total Cost of Services	Net Cost of Services	Difference
Instruction	$ 19,919,549	$ (14,479,791)	$ 5,439,758
Instruction-Related Services	4,364,111	(3,151,271)	1,212,840
Pupil Services	3,738,448	(1,576,081)	2,162,367
Ancillary Services	376,211	(270,141)	106,070
Community Services	261,336	(184,312)	77,024
General Administration	2,072,173	(1,445,569)	626,604
Plant Services	3,283,393	(2,372,217)	911,176
Other Outgo	1,074,234	(846,328)	227,906
Total Expenses	**$ 35,089,455**	**$ (24,325,710)**	**$ 10,763,745**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $15,967,184. This is a decrease of $4,842,502 from last year's balance of $20,809,686.

The primary reasons for this decrease are:

1. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased $185,864 to $9,082,542.
2. The Building Fund showed a decrease of $4,940,137 to a new total of $1,478,060.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had $23,639,075 in a broad range of capital assets, including land, buildings, and furniture and equipment.

Table 4 shows fiscal year 2010-2011 and 2009-2010 balances.

Table 4
McFarland Unified School District
Capital Assets

	2010-2011	2009-2010
Land	$ 1,611,361	$ 1,611,361
Land Improvements, Net	2,971,088	3,021,515
Buildings, Net	10,865,728	10,684,994
Equipment, Net	1,108,162	960,591
Work in Progress	7,082,736	2,565,268
Total Assets	**$ 23,639,075**	**$ 18,843,729**

Long-Term Debt

At the end of this year, the District had $11,235,694 in long-term debt outstanding versus $11,799,804 last year. Table 5 summarizes these debts and compares them to June 30, 2010.

Table 5
McFarland Unified School District
Outstanding Long-Term Debt

Description	2011	2010
Bonds	$ 10,184,907	$ 10,669,907
Leases	224,160	369,794
Net OPEB Obligation	707,533	505,869
Compensated Absences	119,094	254,234
Total	**$ 11,235,694**	**$ 11,799,804**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Ambelina Garcia, Business Manager, at McFarland Unified School District, 601 Second Street, McFarland, California, 93250, or e-mail at amgarcia@.mcfarland.k12.ca.us.

Basic Financial Statements

MCFARLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS:	
Cash in County Treasury	$ 14,150,708
Cash in Revolving Fund	17,500
Accounts Receivable	4,618,002
Stores Inventories	55,759
Other Current Assets	22,752
Capital Assets:	
Land	1,611,361
Land Improvements, Net	2,971,088
Buildings, Net	10,865,728
Equipment, Net	1,108,162
Work in Progress	7,082,736
Total Assets	42,503,796
LIABILITIES:	
Accounts Payable	2,057,199
Deferred Revenues	840,338
Noncurrent Liabilities:	
Due within one year	691,647
Due in more than one year	10,544,047
Total Liabilities	14,133,231
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	13,230,008
Restricted For:	
Debt Service	739,143
Capital Projects	2,571,001
Other Purposes	97,669
Unrestricted	11,732,744
Total Net Assets	$ 28,370,565

The accompanying notes are an integral part of this statement.

MCFARLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	$ 19,919,549	$ 4,618	$ 5,435,140	$ (14,479,791)
Instruction-Related Services	4,364,111	802	1,212,038	(3,151,271)
Pupil Services	3,738,448	54,597	2,107,770	(1,576,081)
Ancillary Services	376,211	42	106,028	(270,141)
Community Services	261,336	31	76,993	(184,312)
General Administration	2,072,173	2,330	624,274	(1,445,569)
Plant Services	3,283,393	474	910,702	(2,372,217)
Other Outgo	1,074,234	92	227,814	(846,328)
Total Governmental Activities	35,089,455	62,986	10,700,759	(24,325,710)
Total Primary Government	$ 35,089,455	$ 62,986	$ 10,700,759	(24,325,710)
General Revenues:				
Revenue Limit Sources				19,048,740
Federal Revenues				77,994
State Revenues				4,177,182
Local Revenues				1,538,750
Transfers				--
Total General Revenues				24,842,666
Change in Net Assets				516,956
Net Assets - Beginning				27,853,609
Net Assets - Ending				$ 28,370,565

The accompanying notes are an integral part of this statement.

MCFARLAND UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Cafeteria Fund
ASSETS:		
Cash in County Treasury	$ 6,747,186	$ 641,404
Cash in Revolving Fund	15,000	2,500
Accounts Receivable	4,322,398	242,602
Due from Other Funds	103,263	5,420
Stores Inventories	--	55,759
Prepaid Expenditures	22,752	--
Total Assets	$ 11,210,599	$ 947,685
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,282,299	$ 288,175
Due to Other Funds	5,420	73,429
Deferred Revenue	840,338	--
Total Liabilities	2,128,057	361,604
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	15,000	2,500
Stores Inventories	--	55,759
Prepaid Items	22,751	--
Restricted Fund Balances	--	--
Committed Fund Balances:		
Committed for Economic Uncertainties	1,093,410	--
Assigned Fund Balances	--	527,822
Unassigned:		
Other Unassigned	7,951,381	--
Total Fund Balance	9,082,542	586,081
Total Liabilities and Fund Balances	$ 11,210,599	$ 947,685

The accompanying notes are an integral part of this statement.

Special Reserve Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
$ 2,335,147	$ 1,884,612	$ 2,542,359	$ 14,150,708
--	--	--	17,500
3,895	5,119	43,988	4,618,002
--	--	--	108,683
--	--	--	55,759
--	--	--	22,752
$ 2,339,042	$ 1,889,731	$ 2,586,347	$ 18,973,404
$ --	$ 411,671	$ 75,054	$ 2,057,199
--	--	29,834	108,683
--	--	--	840,338
--	411,671	104,888	3,006,220
--	--	--	17,500
--	--	--	55,759
--	--	--	22,751
--	1,478,060	1,833,743	3,311,803
2,339,042	--	--	3,432,452
--	--	647,716	1,175,538
--	--	--	7,951,381
2,339,042	1,478,060	2,481,459	15,967,184
$ 2,339,042	$ 1,889,731	$ 2,586,347	$ 18,973,404

MCFARLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances - governmental funds balance sheet	$	15,967,184
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		23,639,075
Payables for bond principal which are not due in the current period are not reported in the funds.		(10,184,907)
Payables for capital leases which are not due in the current period are not reported in the funds.		(224,160)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(119,094)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(707,533)
Net assets of governmental activities - Statement of Net Assets	$	28,370,565

The accompanying notes are an integral part of this statement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

MCFARLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Cafeteria Fund
Revenues:		
Revenue Limit Sources:		
State Apportionments	$ 13,250,552	$ --
Local Sources	5,798,188	--
Federal Revenue	4,878,152	1,472,141
Other State Revenue	8,034,105	126,823
Other Local Revenue	420,652	62,607
Total Revenues	32,381,649	1,661,571
Expenditures:		
Instruction	18,851,394	--
Instruction - Related Services	4,248,470	--
Pupil Services	1,998,874	1,962,770
Ancillary Services	376,932	--
Community Services	273,710	--
General Administration	1,996,274	71,709
Plant Services	3,220,607	3,988
Other Outgo	645,905	--
Debt Service:		
Principal	149,345	--
Interest	14,630	--
Total Expenditures	31,776,141	2,038,467
Excess (Deficiency) of Revenues Over (Under) Expenditures	605,508	(376,896)
Other Financing Sources (Uses):		
Transfers In	469,357	--
Transfers Out	(1,260,727)	--
Total Other Financing Sources (Uses)	(791,370)	--
Net Change in Fund Balance	(185,862)	(376,896)
Fund Balance, July 1	9,268,404	962,977
Fund Balance, June 30	$ 9,082,542	$ 586,081

The accompanying notes are an integral part of this statement.

Special Reserve Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
$ --	$ --	$ --	$ 13,250,552
--	--	--	5,798,188
--	--	--	6,350,293
--	--	226,977	8,387,905
17,619	45,770	1,272,825	1,819,473
17,619	45,770	1,499,802	35,606,411
--	--	207,814	19,059,208
--	--	103,950	4,352,420
--	--	--	3,961,644
--	--	--	376,932
--	--	--	273,710
--	--	7,254	2,075,237
--	4,985,907	430,679	8,641,181
--	--	--	645,905
--	--	485,000	634,345
--	--	413,699	428,329
--	4,985,907	1,648,396	40,448,911
17,619	(4,940,137)	(148,594)	(4,842,500)
500,000	--	760,727	1,730,084
--	--	(469,357)	(1,730,084)
500,000	--	291,370	--
517,619	(4,940,137)	142,776	(4,842,500)
1,821,423	6,418,197	2,338,683	20,809,684
$ 2,339,042	$ 1,478,060	$ 2,481,459	$ 15,967,184

MCFARLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	$	(4,842,500)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		5,750,852
The depreciation of capital assets used in governmental activities is not reported in the funds.		(955,506)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		(201,664)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		485,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		145,634
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		135,140
Change in net assets of governmental activities - Statement of Activities	$	516,956

The accompanying notes are an integral part of this statement.

MCFARLAND UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Funds
ASSETS:	
Cash in County Treasury	$ 398,476
Cash on Hand and in Banks	98,884
Total Assets	$ 497,360
LIABILITIES:	
Due to Student Groups	$ 98,884
Total Liabilities	98,884
NET ASSETS:	
Total Net Assets	$ 398,476

The accompanying notes are an integral part of this statement.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

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

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

Special Reserve Fund for Other Than Capital Outlay Projects. This fund is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay (Education Code section 42840). To be presented under generally accepted accounting principals as a Special Revenue Fund, there must be a specific revenue source for expenditure on a specific purpose. This fund does not meet this criteria. Proper presentation would be to combine the fund with the General Fund. Fund balance Reserve for Economic Uncertainties is valid for this fund, but is a departure from generally accepted accounting principals. Proper reporting would be assigned fund balance.

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

The District reports the following non-major governmental funds:

Adult Education Fund. This fund is used to account separately for federal, state, and local revenues for adult education programs.

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

Deferred Maintenance Fund. This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (Education Code sections 17582-17587).

Special Reserve Fund for Postemployment Benefits. This fund 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. To be presented under generally accepted accounting principals as a Special Revenue Fund, there must be a specific revenue source for expenditure on a specific purpose. This fund does not meet this criteria. Proper presentation would be to combine the fund with the General Fund.

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

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

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

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

In addition, the District reports the following fund types:

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Encumbrances

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

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's Board of Trustees must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Board of Trustees satisfied these requirements.

These budgets are revised by the District's Board of Trustees and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

5.. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

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

d. Receivable and Payable Balances

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

Accounts receivable as of June 30, 2011, consist of the following:

	General Fund	Cafeteria Fund	Special Reserve Noncapital Fund	Building Fund
Revenue Limit	$ 2,221,414	$ --	$ --	$ --
Federal Government	897,510	221,301	--	--
State Government	1,126,535	19,975	--	--
Interest	20,084	929	3,895	5,119
Other Local	56,854	397	--	--
Totals	$ 4,322,397	$ 242,602	$ 3,895	$ 5,119

	Other Governmental Funds	Totals
Revenue Limit	$ --	$ 2,221,414
Federal Government	--	1,118,811
State Government	40,399	1,186,910
Interest	3,589	33,616
Other Local	--	57,251
Totals	$ 43,988	$ 4,618,002

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

e. Compensated Absences

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

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

f. Deferred Revenue

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

g. Interfund Activity

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

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requries a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than two months of general fund operating expenditures, or 17 percent of General Fund expenditures and other financing uses.

j. Use of Estimates

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

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2011, expenditures exceeded appropriations in individual funds as follows:

Appropriations Category	Excess Expenditures
Deferred Maintenance Fund:	
Classified salaries	$ 1,394
Employee benefits	127
Books and supplies	2,990
Capital outlay	47,862
Child Development fund:	
Services and other operating expenditures	920
Direct support/indirect costs	902
Cafeteria Fund:	
Books and supplies	6,546
Services and other operating expenditures	2,971
Direct support/indirect costs	6,135
Building Fund:	
Services and other operating expenditures	10,711
Capital outlay	168,320
Special Reserve for Capital Outlay:	
Capital outlay	8,902

Deferred Maintenance Fund:

At the directive of the Board, the superintendent authorized work to improve the school farm. The cost overrun includes overtime for our employees, supplies, and materials needed to clean the site and to move the pig pens to a new location. The District had not anticipated doing the work during the year, so these costs were not budgeted.

Child Development Fund:

The cost overruns were casued by unexpected copier maintenance and by a student trip that was not anticipated.

Cafeteria Fund:

The majority of the overrun was due to a miscalculation of indirect costs. The Cafeteria Fund overpaid $6,135 in indirect costs. The fund will be reimbursed in 2011-2012 from the General Fund. The remaining overrun was due to overage in necessary food purchases.

Building Fund:

Overruns due to inspection and compliance costs expected to be incurred in 2011-2012.

Special Reserve for Capital Outlay:

The overrun was due to a board directive to remove trees at the high school using fund 40. This expense was not expected to be incurred in 2010-2011.

D. CASH AND INVESTMENTS

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kern County Treasury as part of the common investment pool ($14,150,708 as of June 30, 2011). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $14,150,708. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks ($0 as of June 30, 2011) and in the revolving fund ($17,500) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

4. Investment Accounting Policy

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

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

E. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

Governmental activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	$ 1,611,361	$ --	$ --	$ 1,611,361
Work in progress	2,565,268	5,335,581	818,113	7,082,736
Total capital assets not being depreciated	4,176,629	5,335,581	818,113	8,694,097
Capital assets being depreciated:				
Buildings	17,302,002	541,435	--	17,843,437
Improvements	6,544,004	265,762	--	6,809,766
Equipment	3,783,134	426,187	--	4,209,321
Total capital assets being depreciated	27,629,140	1,233,384	--	28,862,524
Less accumulated depreciation for:				
Buildings	(6,617,008)	--	360,701	(6,977,709)
Improvements	(3,522,489)	--	316,189	(3,838,678)
Equipment	(2,822,543)	--	278,616	(3,101,159)
Total accumulated depreciation	(12,962,040)	--	955,506	(13,917,546)
Total capital assets being depreciated, net	14,667,100	1,233,384	955,506	14,944,978
Governmental activities capital assets, net	$ 18,843,729	$ 6,568,965	$ 1,773,619	$ 23,639,075

Depreciation was charged to functions as follows:

Instruction	$ 687,368
School Site Administration	17,309
Transportation	23,798
Food Services	7,192
General Administration	11,922
Plant Services	207,917
	$ 955,506

F. INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2011, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Cafeteria Fund	$ 73,429	Supplement other funds sources
General Fund	Other Governmental Funds	29,315	Supplement other funds sources
Cafeteria Fund	General Fund	5,420	Reimburse expenditures
Other Governmental Funds	Other Governmental Funds	519	Reimburse expenditures
	Total	$ 108,683	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2011, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Special Reserve Noncapital	$ 500,000	Supplement other funds sources
General Fund	Other Governmental Funds	760,727	Supplement other funds sources
Other Governmental Funds	General Fund	469,357	Flexibility transfer
	Total	$ 1,730,084	

G. LONG-TERM OBLIGATIONS

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 4,785,308	$ --	$ 160,000	$ 4,625,308	175,000
General obligation bonds	1,799,838	--	--	1,799,838	5,000
General obligation bonds	2,420,000	--	270,000	2,150,000	260,000
General obligation bonds	1,214,761	--	--	1,214,761	40,000
General obligation bonds	450,000	--	55,000	395,000	55,000
Capital leases	369,794	--	145,634	224,160	156,647
Net OPEB obligation	505,869	201,664	--	707,533	--
Compensated absences *	254,234	--	135,140	119,094	--
Total governmental activities	$ 11,799,804	$ 201,664	$ 765,774	$ 11,235,694	$ 691,647

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

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

2. Debt Service Requirements

Debt service requirements on $5,285,308 General Obligation Bonds, Election of 2004, Series 2004-A. Consisting of $5,050,000 current interest bonds, with interest from 2.5% to 4.85% and $235,308 capital appreciation bonds, with interest at 10%.

Year Ending June 30,	Principal	Interest	Total
2012	$ 175,000	$ 199,490	$ 374,490
2013	190,000	192,490	382,490
2014	210,000	184,890	394,890
2015	225,000	176,280	401,280
2016	245,000	166,830	411,830
2017	265,000	156,295	421,295
2018	290,000	144,768	434,768
2019	315,000	132,007	447,007
2020	340,000	117,833	457,833
2021	365,000	102,362	467,362
2022	395,000	85,025	480,025
2023	425,000	66,263	491,263
2024	460,000	46,075	506,075
2025	490,000	23,765	513,765
2026	65,577	464,423	530,000
2027	60,604	479,396	540,000
2028	56,499	498,501	555,000
2029	52,628	517,372	570,000
Total	$ 4,625,308	$ 3,754,065	$ 8,379,373

General obligation bonds of $1,799,838, consisting of $1,735,000 current interest bonds with interest from 4.0% to 4.57% and $64,838 capital appreciation appreciation bonds, with interest at 12%, were issued November 2006. The outstanding bonds at June 30, 2011 are:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	4.250%	$ 5,000	$ 71,206	$ 76,206
2013	4.250%	10,000	70,994	80,994
2014	4.250%	10,000	70,569	80,569
2015	4.250%	15,000	70,144	85,144
2016	4.250%	20,000	69,506	89,506
2017	4.250%	20,000	68,656	88,656
2018	4.250%	25,000	67,806	92,806
2019	4.250%	25,000	66,806	91,806
2020	4.250%	30,000	65,806	95,806
2021	4.250%	35,000	64,606	99,606
2022	4.250%	40,000	63,206	103,206
2023	4.250%	45,000	61,606	106,606
2024	4.250%	50,000	59,806	109,806
2025	4.250%	60,000	57,806	117,806
2026	4.250%	60,000	55,408	115,408
2027	4.250%	70,000	53,006	123,006
2028	4.250%	75,000	50,119	125,119
2029	4.250%	80,000	47,025	127,025
2030	4.570%	45,621	653,104	698,725
2031	Various	384,217	334,508	718,725
2032	Various	695,000	28,669	723,669
Total		$ 1,799,838	$ 2,150,362	$ 3,950,200

Debt service requirements on $2,970,000 Refunding General Obligation Bond 2008, with interest from 2.25% to 4.0%. The outstanding bonds at June 30, 2011 are:

Year Ending June 30,	Principal	Interest	Total
2012	$ 260,000	$ 71,925	$ 331,925
2013	260,000	64,125	324,125
2014	255,000	56,400	311,400
2015	245,000	48,288	293,288
2016	240,000	39,800	279,800
2017	230,000	31,000	261,000
2018	220,000	22,000	242,000
2019	220,000	13,200	233,200
2020	220,000	4,400	224,400
Total	$ 2,150,000	$ 351,138	$ 2,501,138

Debt service requirements on $1,214,761 General Obligation Bonds, with interest from 3% to 4%. Election of 2004, Series 2008C. The outstanding bonds at June 30, 2011 are:

Year Ending June 30,	Principal	Interest	Total
2012	$ 40,000	$ 37,413	$ 77,413
2013	40,000	36,212	76,212
2014	40,000	35,013	75,013
2015	45,000	33,812	78,812
2016	45,000	32,463	77,463
2017	50,000	31,000	81,000
2018	50,000	29,000	79,000
2019	55,000	27,000	82,000
2020	55,000	24,800	79,800
2021	60,000	22,600	82,600
2022	65,000	20,200	85,200
2023	65,000	17,600	82,600
2024	65,000	15,000	80,000
2025	70,000	12,400	82,400
2026	75,000	9,600	84,600
2027	80,000	6,600	86,600
2028	85,000	3,400	88,400
2029	20,170	69,547	89,717
2030	21,924	82,944	104,868
2031	20,170	83,581	103,751
2032	21,047	95,363	116,410
2033	146,450	688,549	834,999
Total	$ 1,214,761	$ 1,414,097	$ 2,628,858

Debt Service requirement on $560,000 General Obligation Bond, with interest at 2.5% issued September 1999 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 55,000	$ 19,730	$ 74,730
2013	50,000	17,090	67,090
2014	50,000	14,690	64,690
2015	50,000	12,190	62,190
2016	50,000	9,690	59,690
2017	50,000	7,140	57,140
2018	45,000	4,590	49,590
2019	45,000	2,295	47,295
Total	$ 395,000	$ 87,415	$ 482,415

3. Capital Leases

The District leases an energy managment system valued at $1,398,885 under an agreement for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

Year Ending June 30,	
2012	$ 163,975
2013	68,323
Total Minimum Lease Payments	232,298
Less Amount Representing Interest	(8,138)
Total Minimum Rentals	$ 224,160

H. JOINT VENTURES (JOINT POWERS AGREEMENTS)

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

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

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

The District participates in a joint venture under a joint powers agreement with North Kern Vocational Training Center to provide vocational training programs.

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

I. EMPLOYEE RETIREMENT SYSTEMS

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

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. 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 95814.

Funding Policy

Active plan members are required to contribute 7% 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 2010-11 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2011, 2010 and 2009 were $471,421, $398,233 and $414,380, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $79,497.

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2011, 2010 and 2009 were $1,150,353, $1,051,364 and $1,131,206, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $0.

J. SISC FLEX PLAN

The District offers the SISC Flex Plan (a Cafeteria Plan) consisting of a Premium Payment Plan, a Health Care Spending Account, and a Dependent Care Spending Account. Employees eligible to participate in the plan are certificated employees (including management), classified employees (including management) and part-time employees who works less than 20 hours per week.

K. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

This report analyzes the health and welfare benefit plans of the District including medical, prescription drug, behavioral health, dental, life insurance and vision benefits. The medical plan is a Blue Cross Prudent Buyer PPO, with prescription drug coverage carved out and provided through the Medco Prescription Drug Card plan (5-10/10-20), and behavioral health provided through BHP. Dental coverage is provided through Delta Dental, and vision coverage through the Vision Service Plan. These coverages are self-insured on a pooled basis by the Self-Insured Schools of California (SISC III). The life insurance is provided by Provident Life. Retiree life insurance coverage is provided only for Certified groups.

Upon attainment of age 55 and completion of at least 15 years of full-time service prior to retirement, an employee may retire and remain covered under the medical, behavioral heath, prescription drug, dental and vision plans (and life insurance plan for Certificated only) at the District's expense until age 65.

Retirees

On June 30, 2011, nine retirees met these eligibility requirements.

Funding Policy

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

McFarland Unified School District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 4 percent of annual covered payroll.

Annual OPEB Cost is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 671,028	$ 415,524	61.9%	$ 255,504
June 30, 2010	671,028	420,663	62.7%	250,365
June 30, 2011	671,028	469,364	70.0%	201,664
	$ 2,013,084	$ 1,305,551		$ 707,533

Funded Status and Funding Progress is as follows:

Actuarial accrue liability (AAL)	$	5,610,357
Actuarial value of plan assets		--
Unfunded actuarial accrued liability (UAAL)	$	5,610,357
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (active plan members)	$	16,624,126
UAAL as a percentage of covered payroll		34%

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

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

The July 1, 2005 valuation used a 6.0% per annum discount rate and a 5.0% per annum return on assets. The valuation was performed in accordance with generally accepted actuarial principles and practices.

L. EARLY RETIREMENT INCENTIVE PROGRAM

The District has adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement Sstem and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

Retiree Information

A total of eight employees have retired in exchange for the additional two years of service credit. Information based on four years.

			Retired Employee		Replacement Employee (If Applicable)	
Position Vacated	Age	Years of Service	Salary	Benefits	Salary	Benefits
Teacher	59	36	$ 305,844	$ 30,432	$ 200,306	$ 83,667
Teacher	66	30	305,844	95,700	200,306	83,667
Teacher	66	23	305,844	95,700	200,306	83,667
Teacher	61	28	305,844	50,076	200,306	83,667
Teacher	72	8	245,923	88,868	200,306	83,667
Teacher	68	29	305,844	95,700	200,306	83,667
Teacher	62	12	268,751	91,469	200,306	83,667
Teacher	63	26	305,844	80,492	200,306	83,667
			$ 2,349,738	$ 628,437	$ 1,602,448	$ 669,336

Additional Costs

As a result of this early retirement incentive program, the District expects to incur additional costs. The breakdown in additional costs is presented below:

Retirement costs:	
Postretirement health benefit costs	$ 91,248
Administrative costs	327,639
Total additional costs	$ 418,887

M. COMMITMENTS AND CONTINGENCIES

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

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

N. SUBSEQUENT EVENTS

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through December 5, 2011 that would require adjustment to or disclosure in these financial statements.

Required Supplementary Information

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

MCFARLAND UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Revenue Limit Sources:				
State Apportionments	$ 16,773,519	$ 13,570,774	$ 13,250,552	$ (320,222)
Local Sources	1,995,704	5,715,618	5,798,188	82,570
Federal Revenue	3,070,736	5,842,249	4,878,152	(964,097)
Other State Revenue	7,092,405	7,528,139	8,034,105	505,966
Other Local Revenue	311,000	425,870	420,652	(5,218)
Total Revenues	29,243,364	33,082,650	32,381,649	(701,001)
Expenditures:				
Current:				
Certificated Salaries	13,750,876	15,306,394	14,366,983	939,411
Classified Salaries	3,846,891	4,165,187	4,044,128	121,059
Employee Benefits	6,590,363	7,461,014	7,124,456	336,558
Books And Supplies	2,349,368	2,544,413	1,965,023	579,390
Services And Other Operating Expenditures	3,059,898	3,870,415	3,420,461	449,954
Other Outgo	417,000	711,372	645,905	65,467
Direct Support/Indirect Costs	(181,845)	(71,741)	(78,778)	7,037
Capital Outlay	58,345	169,826	123,988	45,838
Debt Service:				
Principal	142,365	142,365	149,345	(6,980)
Interest	21,611	21,611	14,630	6,981
Total Expenditures	30,054,872	34,320,856	31,776,141	2,544,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	(811,508)	(1,238,206)	605,508	1,843,714
Other Financing Sources (Uses):				
Transfers In	--	--	469,357	469,357
Transfers Out	--	(1,256,093)	(1,260,727)	(4,634)
Total Other Financing Sources (Uses)	--	(1,256,093)	(791,370)	464,723
Net Change in Fund Balance	(811,508)	(2,494,299)	(185,862)	2,308,437
Fund Balance, July 1	9,268,404	9,268,404	9,268,404	--
Fund Balance, June 30	$ 8,456,896	$ 6,774,105	$ 9,082,542	$ 2,308,437

MCFARLAND UNIFIED SCHOOL DISTRICT
CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Federal Revenue	$ 1,268,853	$ 1,529,421	$ 1,472,141	$ (57,280)
Other State Revenue	293,801	150,000	126,823	(23,177)
Other Local Revenue	83,000	58,000	62,607	4,607
Total Revenues	1,645,654	1,737,421	1,661,571	(75,850)
Expenditures:				
Current:				
Classified Salaries	559,305	573,118	571,935	1,183
Employee Benefits	267,789	286,602	280,779	5,823
Books And Supplies	700,400	673,706	680,252	(6,546)
Services And Other Operating Expenditures	9,940	56,347	59,318	(2,971)
Direct Support/Indirect Costs	145,931	65,574	71,709	(6,135)
Capital Outlay	58,817	622,441	374,474	247,967
Total Expenditures	1,742,182	2,277,788	2,038,467	239,321
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,528)	(540,367)	(376,896)	163,471
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	--	--	--	--
Net Change in Fund Balance	(96,528)	(540,367)	(376,896)	163,471
Fund Balance, July 1	962,977	962,977	962,977	--
Fund Balance, June 30	$ 866,449	$ 422,610	$ 586,081	$ 163,471

MCFARLAND UNIFIED SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Other Local Revenue	$ 20,000	$ 20,000	$ 17,619	$ (2,381)
Total Revenues	20,000	20,000	17,619	(2,381)
Expenditures:				
Total Expenditures	--	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,000	20,000	17,619	(2,381)
Other Financing Sources (Uses):				
Transfers In	--	500,000	500,000	--
Total Other Financing Sources (Uses)	--	500,000	500,000	--
Net Change in Fund Balance	20,000	520,000	517,619	(2,381)
Fund Balance, July 1	1,821,423	1,821,423	1,821,423	--
Fund Balance, June 30	$ 1,841,423	$ 2,341,423	$ 2,339,042	$ (2,381)

Combining Statements and Budget Comparisons as Supplementary Information

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS:				
Cash in County Treasury	$ 355,400	$ 739,143	$ 1,447,816	$ 2,542,359
Accounts Receivable	41,161	--	2,827	43,988
Total Assets	$ 396,561	$ 739,143	$ 1,450,643	$ 2,586,347
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 74,294	$ --	$ 760	$ 75,054
Due to Other Funds	29,834	--	--	29,834
Total Liabilities	104,128	--	760	104,888
Fund Balance:				
Nonspendable Fund Balances:				
Restricted Fund Balances	1,659	739,143	1,092,941	1,833,743
Assigned Fund Balances	290,774	--	356,942	647,716
Total Fund Balance	292,433	739,143	1,449,883	2,481,459
Total Liabilities and Fund Balances	$ 396,561	$ 739,143	$ 1,450,643	$ 2,586,347

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Other State Revenue	$ 221,133	$ 5,844	$ --	$ 226,977
Other Local Revenue	9,363	933,466	329,996	1,272,825
Total Revenues	230,496	939,310	329,996	1,499,802
Expenditures:				
Instruction	207,814	--	--	207,814
Instruction - Related Services	103,950	--	--	103,950
General Administration	7,069	--	185	7,254
Plant Services	173,708	--	256,971	430,679
Debt Service:				
Principal	--	485,000	--	485,000
Interest	--	413,699	--	413,699
Total Expenditures	492,541	898,699	257,156	1,648,396
Excess (Deficiency) of Revenues Over (Under) Expenditures	(262,045)	40,611	72,840	(148,594)
Other Financing Sources (Uses):				
Transfers In	460,727	--	300,000	760,727
Transfers Out	(469,357)	--	--	(469,357)
Total Other Financing Sources (Uses)	(8,630)	--	300,000	291,370
Net Change in Fund Balance	(270,675)	40,611	372,840	142,776
Fund Balance, July 1	563,108	698,532	1,077,043	2,338,683
Fund Balance, June 30	$ 292,433	$ 739,143	$ 1,449,883	$ 2,481,459

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

	Adult Education Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 8,762	$ 3
Accounts Receivable	22,383	18,109
Total Assets	$ 31,145	$ 18,112
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,830	$ 15,804
Due to Other Funds	29,315	649
Total Liabilities	31,145	16,453
Fund Balance:		
Nonspendable Fund Balances:		
Restricted Fund Balances	--	1,659
Assigned Fund Balances	--	--
Total Fund Balance	--	1,659
Total Liabilities and Fund Balances	$ 31,145	$ 18,112

Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds
$ 230,569	$ 116,066	$ 355,400
447	222	41,161
$ 231,016	$ 116,288	$ 396,561
$ 56,660	$ --	$ 74,294
(130)	--	29,834
56,530	--	104,128
--	--	1,659
174,486	116,288	290,774
174,486	116,288	292,433
$ 231,016	$ 116,288	$ 396,561

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Adult Education Fund	Child Development Fund
Revenues:		
Other State Revenue	$ 65,531	$ 155,602
Other Local Revenue	3,765	2,883
Total Revenues	69,296	158,485
Expenditures:		
Instruction	58,626	149,188
Instruction - Related Services	84,823	19,127
General Administration	--	7,069
Plant Services	35,240	--
Total Expenditures	178,689	175,384
Excess (Deficiency) of Revenues Over (Under) Expenditures	(109,393)	(16,899)
Other Financing Sources (Uses):		
Transfers In	182,061	13,036
Transfers Out	(469,357)	--
Total Other Financing Sources (Uses)	(287,296)	13,036
Net Change in Fund Balance	(396,689)	(3,863)
Fund Balance, July 1	396,689	5,522
Fund Balance, June 30	$ --	$ 1,659

Deferred Maintenance Fund	Post Employment Benefits Fund	Total Nonmajor Special Revenue Funds
$ --	$ --	$ 221,133
1,625	1,090	9,363
1,625	1,090	230,496
--	--	207,814
--	--	103,950
--	--	7,069
138,468	--	173,708
138,468	--	492,541
(136,843)	1,090	(262,045)
265,630	--	460,727
--	--	(469,357)
265,630	--	(8,630)
128,787	1,090	(270,675)
45,699	115,198	563,108
$ 174,486	$ 116,288	$ 292,433

MCFARLAND UNIFIED SCHOOL DISTRICT

ADULT EDUCATION FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ 65,506	$ 65,531	$ 25
Other Local Revenue	5,000	3,765	(1,235)
Total Revenues	70,506	69,296	(1,210)
Expenditures:			
Current:			
Certificated Salaries	90,415	90,416	(1)
Classified Salaries	19,865	19,856	9
Employee Benefits	26,220	23,355	2,865
Books And Supplies	9,539	5,677	3,862
Services And Other Operating Expenditures	18,335	15,589	2,746
Capital Outlay	23,927	23,796	131
Total Expenditures	188,301	178,689	9,612
Excess (Deficiency) of Revenues Over (Under) Expenditures	(117,795)	(109,393)	8,402
Other Financing Sources (Uses):			
Transfers In	190,463	182,061	(8,402)
Transfers Out	--	(469,357)	(469,357)
Total Other Financing Sources (Uses)	190,463	(287,296)	(477,759)
Net Change in Fund Balance	72,668	(396,689)	(469,357)
Fund Balance, July 1	396,689	396,689	--
Fund Balance, June 30	$ 469,357	$ --	$ (469,357)

MCFARLAND UNIFIED SCHOOL DISTRICT

CHILD DEVELOPMENT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ 174,218	$ 155,602	$ (18,616)
Other Local Revenue	2,484	2,883	399
Total Revenues	176,702	158,485	(18,217)
Expenditures:			
Current:			
Certificated Salaries	18,000	18,000	--
Classified Salaries	85,799	85,681	118
Employee Benefits	31,716	31,397	319
Books And Supplies	28,439	27,187	1,252
Services And Other Operating Expenditures	5,130	6,050	(920)
Direct Support/Indirect Costs	6,167	7,069	(902)
Total Expenditures	175,251	175,384	(133)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,451	(16,899)	(18,350)
Other Financing Sources (Uses):			
Transfers In	--	13,036	13,036
Total Other Financing Sources (Uses)	--	13,036	13,036
Net Change in Fund Balance	1,451	(3,863)	(5,314)
Fund Balance, July 1	5,522	5,522	--
Fund Balance, June 30	$ 6,973	$ 1,659	$ (5,314)

MCFARLAND UNIFIED SCHOOL DISTRICT
DEFERRED MAINTENANCE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 1,200	$ 1,625	$ 425
Total Revenues	1,200	1,625	425
Expenditures:			
Current:			
Classified Salaries	1,835	3,229	(1,394)
Employee Benefits	177	304	(127)
Books And Supplies	690	3,680	(2,990)
Services And Other Operating Expenditures	32,772	18,712	14,060
Capital Outlay	64,681	112,543	(47,862)
Total Expenditures	100,155	138,468	(38,313)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(98,955)	(136,843)	(37,888)
Other Financing Sources (Uses):			
Transfers In	265,630	265,630	--
Total Other Financing Sources (Uses)	265,630	265,630	--
Net Change in Fund Balance	166,675	128,787	(37,888)
Fund Balance, July 1	45,699	45,699	--
Fund Balance, June 30	$ 212,374	$ 174,486	$ (37,888)

MCFARLAND UNIFIED SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR POST-EMPLOYMENT BENEFITS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ --	$ 1,090	$ 1,090
Total Revenues	--	1,090	1,090
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	1,090	1,090
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	--	1,090	1,090
Fund Balance, July 1	115,198	115,198	--
Fund Balance, June 30	$ 115,198	$ 116,288	$ 1,090

MCFARLAND UNIFIED SCHOOL DISTRICT
BOND INTEREST AND REDEMPTION FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	$ --	$ 5,844	$ 5,844
Other Local Revenue	--	933,466	933,466
Total Revenues	--	939,310	939,310
Expenditures:			
Debt Service:			
Principal	--	485,000	(485,000)
Interest	--	413,699	(413,699)
Total Expenditures	--	898,699	(898,699)
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	40,611	40,611
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	--	40,611	40,611
Fund Balance, July 1	--	698,532	698,532
Fund Balance, June 30	$ --	$ 739,143	$ 739,143

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	Capital Facilities Fund	County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds
ASSETS:				
Cash in County Treasury	$ 1,075,144	$ 15,658	$ 357,014	$ 1,447,816
Accounts Receivable	2,109	30	688	2,827
Total Assets	$ 1,077,253	$ 15,688	$ 357,702	$ 1,450,643
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ --	$ --	$ 760	$ 760
Total Liabilities	--	--	760	760
Fund Balance:				
Nonspendable Fund Balances:				
Restricted Fund Balances	1,077,253	15,688	--	1,092,941
Assigned Fund Balances	--	--	356,942	356,942
Total Fund Balance	1,077,253	15,688	356,942	1,449,883
Total Liabilities and Fund Balances	$ 1,077,253	$ 15,688	$ 357,702	$ 1,450,643

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Capital Facilities Fund	County School Facilities Fund	Capital Outlay Projects	Total Nonmajor Capital Projects Funds
Revenues:				
Other Local Revenue	$ 326,981	$ 148	$ 2,867	$ 329,996
Total Revenues	326,981	148	2,867	329,996
Expenditures:				
General Administration	185	--	--	185
Plant Services	65,528	--	191,443	256,971
Total Expenditures	65,713	--	191,443	257,156
Excess (Deficiency) of Revenues Over (Under) Expenditures	261,268	148	(188,576)	72,840
Other Financing Sources (Uses):				
Transfers In	--	--	300,000	300,000
Total Other Financing Sources (Uses)	--	--	300,000	300,000
Net Change in Fund Balance	261,268	148	111,424	372,840
Fund Balance, July 1	815,985	15,540	245,518	1,077,043
Fund Balance, June 30	$ 1,077,253	$ 15,688	$ 356,942	$ 1,449,883

MCFARLAND UNIFIED SCHOOL DISTRICT

BUILDING FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 100,000	$ 45,770	$ (54,230)
Total Revenues	100,000	45,770	(54,230)
Expenditures:			
Current:			
Books And Supplies	215,765	213,468	2,297
Services And Other Operating Expenditures	5,500	16,211	(10,711)
Capital Outlay	4,587,908	4,756,228	(168,320)
Total Expenditures	4,809,173	4,985,907	(176,734)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,709,173)	(4,940,137)	(230,964)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	(4,709,173)	(4,940,137)	(230,964)
Fund Balance, July 1	6,418,197	6,418,197	--
Fund Balance, June 30	$ 1,709,024	$ 1,478,060	$ (230,964)

MCFARLAND UNIFIED SCHOOL DISTRICT
CAPITAL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 325,510	$ 326,981	$ 1,471
Total Revenues	325,510	326,981	1,471
Expenditures:			
Current:			
Services And Other Operating Expenditures	86,500	65,713	20,787
Total Expenditures	86,500	65,713	20,787
Excess (Deficiency) of Revenues Over (Under) Expenditures	239,010	261,268	22,258
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	239,010	261,268	22,258
Fund Balance, July 1	815,985	815,985	--
Fund Balance, June 30	$ 1,054,995	$ 1,077,253	$ 22,258

MCFARLAND UNIFIED SCHOOL DISTRICT

COUNTY SCHOOL FACILITIES FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 120	$ 148	$ 28
Total Revenues	120	148	28
Expenditures:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues Over (Under) Expenditures	120	148	28
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balance	120	148	28
Fund Balance, July 1	15,540	15,540	--
Fund Balance, June 30	$ 15,660	$ 15,688	$ 28

MCFARLAND UNIFIED SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other Local Revenue	$ 5,000	$ 2,867	$ (2,133)
Total Revenues	5,000	2,867	(2,133)
Expenditures:			
Current:			
Books And Supplies	2,668	--	2,668
Services And Other Operating Expenditures	400	--	400
Capital Outlay	182,541	191,443	(8,902)
Total Expenditures	185,609	191,443	(5,834)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(180,609)	(188,576)	(7,967)
Other Financing Sources (Uses):			
Transfers In	300,000	300,000	--
Total Other Financing Sources (Uses)	300,000	300,000	--
Net Change in Fund Balance	119,391	111,424	(7,967)
Fund Balance, July 1	245,518	245,518	--
Fund Balance, June 30	$ 364,909	$ 356,942	$ (7,967)

[THIS PAGE INTENTIONALLY LEFT BLANK]

MCFARLAND UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2011

	Impound Funds	Kern Avenue School ASB Funds	McFarland Middle School ASB Funds
ASSETS:			
Cash in County Treasury	$ 398,476	$ --	$ --
Cash on Hand and in Banks	--	15,328	24,680
Total Assets	$ 398,476	$ 15,328	$ 24,680
LIABILITIES:			
Due to Student Groups	$ --	$ 15,328	$ 24,680
Total Liabilities	--	15,328	24,680
NET ASSETS:			
Total Net Assets	$ 398,476	$ --	$ --

Browning Road Elementary ASB Funds	McFarland High School ASB Funds	Future Farmers of America	San Joaquin ASB Funds	Total Agency Funds
$ --	$ --	$ --	$ --	$ 398,476
13,660	35,371	6,876	2,969	98,884
$ 13,660	$ 35,371	$ 6,876	$ 2,969	$ 497,360
$ 13,660	$ 35,371	$ 6,876	$ 2,969	$ 98,884
13,660	35,371	6,876	2,969	98,884
$ --	$ --	$ --	$ --	$ 398,476

Other Supplementary Information

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

MCFARLAND UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2011

The McFarland Unified School District is a K-12 district located in McFarland, California, in the southern part of the San Joaquin Valley. It is located approximately 26 miles north of Bakersfield on Highway 99. The District is comprised of two K-5 elementary schools, one 6-8 middle school, one high school and a continuation/independent studies/adult education school. Enrollment is approximately 3,100 and is increasing 3-5% each year. McFarland Unified School District operates on a traditional school year schedule.

The Board of Trustees at June 30, 2011 was composed of the following members:

Governing Board

Name	Office	Term and Term Expiration
Marlin Isaacs	President	2012
Kaye Breyer	Vice-President	2012
David Arguello	Clerk	2014
Jim Beltran	Member	2014
Rey DeLeon	Member	2012

Administration

Gabriel McCurtis
District Superintendent

Ambelina Garcia
Business Manager

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2011

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Kindergarten	281	N/A	282	N/A
Grades 1 through 3	808	N/A	809	N/A
Grades 4 through 6	723	N/A	723	N/A
Grades 7 and 8	419	N/A	419	N/A
Home and hospital	1	N/A	1	N/A
Special education	25	N/A	24	N/A
Elementary totals	2257	N/A	2258	N/A
High School:				
Grades 9 through 12, regular classes	800	N/A	795	N/A
Home and hospital	3	N/A	3	N/A
Special education	8	N/A	9	N/A
Continuation education	59	N/A	58	N/A
Opportunity schools	--	N/A	--	N/A
High school totals	870	N/A	865	N/A
ADA totals	3127	N/A	3123	N/A

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

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2011

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2010-11 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	31,500	N/A	36,000	N/A	38,700	180	--	Complied
Grade 1	51,800	N/A	50,400	N/A	56,375	180	--	Complied
Grade 2	51,800	N/A	50,400	N/A	56,375	180	--	Complied
Grade 3	51,800	N/A	50,400	N/A	56,375	180	--	Complied
Grade 4	58,450	N/A	54,000	N/A	58,530	180	--	Complied
Grade 5	58,450	N/A	54,000	N/A	58,530	180	--	Complied
Grade 6	58,450	N/A	54,000	N/A	65,416	180	--	Complied
Grade 7	58,450	N/A	54,000	N/A	65,416	180	--	Complied
Grade 8	58,450	N/A	54,000	N/A	65,416	180	--	Complied
Grade 9	57,750	N/A	64,800	N/A	67,449	180	--	Complied
Grade 10	57,750	N/A	64,800	N/A	67,449	180	--	Complied
Grade 11	57,750	N/A	64,800	N/A	67,449	180	--	Complied
Grade 12	57,750	N/A	64,800	N/A	67,449	180	--	Complied

Districts, including basic aid 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. This schedule is required of all districts, including basic aid districts.

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

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2011

General Fund	(Budget) 2012	2011	2010	2009
Revenues and other financial sources	$ 28,617,087	$ 32,851,006	$ 31,604,166	$ 34,571,617
Expenditures	29,460,794	31,776,141	29,143,350	31,983,809
Other uses and transfers out	69,068	1,260,727	--	240,063
Total outgo	29,529,862	33,036,868	29,143,350	32,223,872
Change in fund balance (deficit)	(912,775)	(185,862)	2,460,816	2,347,745
Ending fund balance	$ 8,169,770	$ 9,082,545	$ 9,268,407	$ 6,807,591
Available reserves	$ 3,584,335	$ 11,383,833	$ 6,454,372	$ 5,829,780
Designated for economic uncertainties	$ 1,232,293	$ 3,432,452	$ 2,280,229	$ 1,650,487
Undesignated fund balance	$ 2,352,042	$ 7,951,381	$ 2,548,308	$ 2,385,324
Available reserves as a percentage of total outgo	12.1%	34.5%	22.1%	18.1%
Total long-term debt	$ 10,544,047	$ 11,235,694	$ 11,799,804	$ 12,203,736
Average daily attendance at P-2	3,127	3,127	3,128	3,185

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

The General Fund balance has increased by $2,274,954 over the past two years. The fiscal year 2011-2012 budget projects a decrease of $912,775.

For a District this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo). Available reserves are the unrestricted reserves in the Designated for Economic Uncertainties and the Undesignated/Unappropriated accounts in the General Fund and Special Reserve Fund for Other than Capital Outlay Projects.

The average daily attendance has decreased by 58 over the past two years. No change in ADA is anticipated for the fiscal year 2011-2012.

MCFARLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

	Child Development Fund
June 30, 2011, annual financial and budget report fund balances	$ 5,164
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts receivable	(3,505)
Net adjustments and reclassifications	(3,505)
June 30, 2011, audited financial statement fund balances	$ 1,659

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

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2011

No charter schools are chartered by McFarland Unified School District.

Charter Schools	Included In Audit?
None	N/A

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through California Department of Health Services:			
Medi Cal Billing *	93.778	10013	$ 112,874
Total U. S. Department of Health and Human Services			112,874
U. S. DEPARTMENT OF EDUCATION			
Passed Through California Department of Education:			
Title I Even Start	84.001	14326	20,697
Title I *	84.010	14768	1,113,663
Migrant	84.011	14326	265,698
Special Ed Basic *	84.027	10034	603,240
Local Assistance Preschool *	84.027A	14530	44,836
Carl Perkins Vocational Ed *	84.042	14894	29,766
Special Ed Pre-School Accountability *	84.173	14530	2,251
ARRA-Preschool IDEA *	84.173	15000	445
Title II Part D Enhancing Education *	84.318	14334	3,974
EETT Competitive Grants *	84.318	14334	86,486
Title I - Reading First	84.357	14328	4,695
Title III - LEP	84.365	10034	212,857
Title III Immigrant Education	84.365	14346	47,862
Title II Teacher Quality	84.367	14341	227,532
Title II Principal Training	84.367	14344	1,554
Title I ARRA SIG *	84.377	15004	880,260
ARRA Title II EETT *	84.386	15019	26,297
ARRA Title I *	84.389	15005	99,723
Title I ARRA Sig *	84.389	15004	921,048
AARA - Special IDEA *	84.391	10123	9,344
ARRA IDEA Preschool *	84.391	15000	354
Total Passed Through California Department of Education			4,602,582
Total U. S. Department of Education			4,602,582
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	13525	287,415
National School Lunch Program *	10.555	13524	1,152,037
Child Nutrition - Equipment	10.579	14906	29,421
Total Passed Through State Department of Education			1,468,873
Total U. S. Department of Agriculture			1,468,873
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 6,184,329

* Indicates clustered program under OMB Circular A-133 Compliance Supplement
The accompanying notes are an integral part of this schedule.

MCFARLAND UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Basis of Presentation

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

Other Independent Auditor's Reports

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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
McFarland Unified School District
McFarland, California

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McFarland Unified School District as of and for the year ended June 30, 2011, which collectively comprise the McFarland Unified School District's basic financial statements and have issued our report thereon dated December 5, 2011. 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, we considered McFarland Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McFarland Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the McFarland Unified School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

December 5, 2011

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

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Trustees
McFarland Unified School District
McFarland, California

Members of the Board of Trustees:

Compliance

We have audited McFarland Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of McFarland Unified School District's major federal programs for the year ended June 30, 2011. McFarland Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of McFarland Unified School District's management. Our responsibility is to express an opinion on McFarland Unified School District's compliance 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 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 McFarland Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of McFarland Unified School District's compliance with those requirements.

In our opinion, McFarland Unified School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of McFarland Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered McFarland Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 McFarland Unified School District's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

December 5, 2011

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

Independent Auditor's Report on State Compliance

Board of Trustees
McFarland Unified School District
McFarland, California

Members of the Board of Trustees:

We have audited the basic financial statements of the McFarland Unified School District ("District") as of and for the year ended June 30, 2011 and have issued our report thereon dated December 5, 2011. 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. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule below occured. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Yes
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Yes
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	N/A

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

We did not perform testing for Independent Study. The procedure was not required to be performed because the attendance generated is under the testing materality limit.

In our opinion, McFarland Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2011.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Roberts and James

ROBERTS AND JAMES
CERTIFIED PUBLIC ACCOUNTANTS

December 5, 2011

Findings and Recommendations Section

MCFARLAND UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

A. Summary of Auditor's Results

1. Financial Statements
   Type of auditor's report issued: Unqualified

   Internal control over financial reporting:

   One or more material weaknesses identified? ____ Yes X No

   One or more significant deficiencies identified that are are not considered to be material weaknesses? ____ Yes X None Reported

   Noncompliance material to financial statements noted? ____ Yes X No

2. Federal Awards
   Internal control over major programs:

   One or more material weaknesses identified? ____ Yes X No

   One or more significant deficiencies identified that are not considered to be material weaknesses? ____ Yes X None Reported

   Type of auditor's report issued on compliance for major programs: Unqualified

   Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ____ Yes X No

   Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.389	ARRA Title I
84.377	ARRA Title I - SIG
84.027	Special Education Basic
84.173	Special Education Preschool
84.391	ARRA Special Education

   Dollar threshold used to distinguish between type A and type B programs: $300,000

   Auditee qualified as low-risk auditee? X Yes ____ No

3. State Awards
Internal control over state programs:

One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	____	Yes	X	None Reported

Type of auditor's report issued on compliance for state programs: Unqualified

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

MCFARLAND UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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

FINDING 2010 - 1 - ACCOUNTING FOR TRANSACTIONS - CODE - 30000

Criteria or Specific Requirement
Determine whether the District's accounting records are clerically accurate. The records reflect transactions that exist, are complete, and correctly valued.

Condition
Accounts receivable and payable from June 2009 were not cleared from the general ledger.

Questioned Costs
NONE

Effect
General Fund revenue and accounts receivable were overstated as follows:

Revenue Limit	$140,467
Federal Government	5,082
State Government	49,952
Local	17,145
	$212,646

General Fund expense and accounts payable were overstated by $4,374.

Child Development Fund revenue and accounts receivable were overstated by $416.

Cause
Internal control procedures to reconcile beginning and ending receivables and payables were not performed.

Recommendation
The District should follow their year-end closing procedures to ensure receivables and payables are accurate.

IMPLEMENTED

MCFARLAND UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
FINDING 2010 - 2 - INSTRUCTIONAL MATERIALS - CODE - 70000		
Criteria or Specific Requirement Determine whether the District's Board of Trustees, prior to making a determination through a resolution as to the sufficiency of textbooks or other instructional materials, held a public hearing on or before the end of the eighth week from the first day students attended school. Education Code Section 60119.		
Condition The public hearing and resolution was held in a Board meeting on the 42nd day of school, which is 8.4 weeks after the first day.		
Questioned Costs The instructional materials entitlement for 2009-2010 was $179,948.		
Effect The District is not eligible to receive funding from the Instructional Materials Funding Realignment Program.		
Cause The District has consistently held the public hearing for instructional materials in October. For 2009-2010 the Board meeting fell outside of the eighth week deadline.		
Recommendation Management should be aware of the requirements for instructional materials to ensure the District is in compliance.	IMPLEMENTED	

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the McFarland Unified School District (the "District") in connection with the issuance of $4,440,000 aggregate principal amount of the McFarland Unified School District 2012 General Obligation Refunding Bonds (Bank Qualified) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on March 13, 2012 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Agreement. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bond holders and in order to assist the underwriter for the Bonds (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, 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 4 and 5 of this Disclosure Certificate.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Designated Material Event" means any of the events listed in Section 6(a) of this Disclosure Certificate.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be U.S. Bank National Association.

"Listed Event" shall mean any of the events listed in Section 6 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at *http://emma.msrb.org*, or any other entity designated or authorized by the Securities and Exchange Commission ("S.E.C.") to receive reports pursuant to the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated August 9, 2012 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than nine months after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2012, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 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 5 of this Disclosure Certificate; provided that the audited financial statements of the

District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District or its Dissemination Agent is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, upon receipt from the District:

(i) provide an Annual Report received by it to the MSRB as provided herein; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding Fiscal Year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to each Repository as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding Fiscal Year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) the average daily attendance in the District schools on an aggregate basis;

(ii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding Fiscal Year;

(iii) description of amount of general fund revenues and expenditures which have been budgeted for the current Fiscal Year, together with audited actual budget figures for the preceding Fiscal Year;

(iv) the District's total revenue limit for the preceding Fiscal Year;

(v) prior Fiscal Year total secured property tax levy and collections, showing current collections as a percent of the total levy; and

(vi) current Fiscal Year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or to the Securities and Exchange Commission. If the document

incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Designated Events.

(a) The District agrees to provide or cause to be provided to the MSRB and the California Department of Education notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of or failure to perform by any credit provider.

(v) Issuance by the Internal Revenue Service of an adverse tax opinion, a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating Changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(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, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent or his or her designee may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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. The initial Dissemination Agent shall be the District. Any subsequent Dissemination Agent shall be paid compensation by the District for its services hereunder in accordance with the schedule of fees of the Dissemination Agent provided to the District. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section 8 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate under the following conditions:

(a) The amendment may be made only 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 the obligated person, or type of business conducted;

(b) This Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

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.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder 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 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Assignment. The District shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the District under this Disclosure Certificate that would have been obligations of the transferee under the Rule, as amended as of the date of this Disclosure Certificate.

SECTION 14. Governing Law. This Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

SECTION 15. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Underwriter and Holders, from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: August __, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	McFarland Unified School District
Name of Issue:	$4,440,000 General Obligation Refunding Bonds, 2012 Series A (Bank Qualified)
Date of Issuance:	August 30, 2012

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Certificate dated August __, 2012. The Issuer anticipates that the Annual Report will be filed by [DATE].

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By: _____

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this 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.

General

The Depository Trust Company ("DTC"), New York, New York, 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 will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Standard & Poor's has rated DTC "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*. The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 affect 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) 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).

Principal, Maturity Value, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Maturity Value, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered. 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.

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

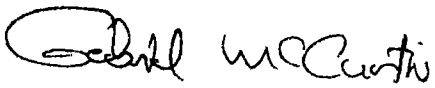
By _____
Authorized Officer

SPECIMEN

Form 500NY (5/90)

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

MCFARLAND UNIFIED SCHOOL DISTRICT



By: /s/ Gabriel McCurtis
Superintendent

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

CERTIFICATE OF DISTRICT
REGARDING NO LITIGATION AND AUTHORIZATION
TO USE OFFICIAL STATEMENT

I, Gabriel McCurtis, the Superintendent of the McFarland Unified School District (the "District"), have reviewed the Official Statement, dated August 9, 2012 (the "Official Statement"), describing $4,400,000 aggregate principal amount of the District's 2012 General Obligation Refunding Bonds (the "Bonds"). I hereby confirm to Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as underwriter (the "Underwriter"), that at the date of the sale of the Bonds, and at the time of delivery thereof, to the best of my knowledge and belief:

(i) The Underwriter is authorized to use and distribute the Official Statement in connection with the offer and sale of the Bonds; and

(ii) No litigation of any nature is now pending or threatened, restraining or enjoining the issuance or delivery of the Bonds, or any part thereof, or in any manner questioning the proceedings or authority by which the same are issued, or affecting the validity of said Bonds.

Dated: August 30, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____
Gabriel McCurtis
Superintendent

Las Vegas, New Mexico
August 24, 2012

To Whom It May Concern:

I, Kaye Breyer, President of the McFarland Unified School District school board, am sending my signature via fax since I am out of state until September 5, 2012. If needed, I will be available to sign again in person after the above date.

Sincerely,

Kaye Breyer

Kaye Breyer

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

INCUMBENCY AND SIGNATURE CERTIFICATE OF
MCFARLAND UNIFIED SCHOOL DISTRICT

The undersigned hereby certifies that he is the Clerk of the Board of Trustees for the captioned school district (the "District"), and further certifies as follows:

The persons whose names are set forth below are the duly appointed, qualified and acting officers or officials of the District, authorized to sign on behalf of the District, and the signatures set forth opposite their names are their genuine signatures:

NAME	OFFICE	SIGNATURE
Kaye Breyer	President of the Board of Trustees	
Gabriel McCurtis	Superintendent	

IN WITNESS HEREOF, I have hereunto set my hand as of this 30th day of August 2012.

Marlin Isaacs
Clerk of the Board of Trustees

The undersigned hereby certifies that he is the Superintendent of the District and further certifies that Marlin Isaacs is the duly appointed, qualified and acting Clerk of the Board of Trustees of the District and that the signature set forth above is his own true signature.

IN WITNESS HEREOF, I have hereunto set my hand as of this 30th day of August 2012.

Gabriel McCurtis
Superintendent

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

INCUMBENCY AND SIGNATURE CERTIFICATE OF
MCFARLAND UNIFIED SCHOOL DISTRICT

The undersigned hereby certifies that he is the Clerk of the Board of Trustees for the captioned school district (the "District"), and further certifies as follows:

The persons whose names are set forth below are the duly appointed, qualified and acting officers or officials of the District, authorized to sign on behalf of the District, and the signatures set forth opposite their names are their genuine signatures:

NAME	OFFICE	SIGNATURE
Kaye Breyer	President of the Board of Trustees	
Gabriel McCurtis	Superintendent	

IN WITNESS HEREOF, I have hereunto set my hand as of this 30th day of August 2012.

Marlin Isaacs
Clerk of the Board of Trustees

The undersigned hereby certifies that he is the Superintendent of the District and further certifies that Marlin Isaacs is the duly appointed, qualified and acting Clerk of the Board of Trustees of the District and that the signature set forth above is his own true signature.

IN WITNESS HEREOF, I have hereunto set my hand as of this 30th day of August 2012.

Gabriel McCurtis
Superintendent

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

DISCLOSURE CERTIFICATE OF DISTRICT

I, Gabriel McCurtis, the Superintendent of the McFarland Unified School District (the "District"), have reviewed the Official Statement, dated August 9, 2012 (the "Official Statement"), describing $4,400,000 aggregate principal amount of the District's 2012 General Obligation Refunding Bonds (the "Bonds"). I hereby confirm to Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as underwriter, that at the date of the sale of the Bonds, and at the time of delivery thereof: (i) the Official Statement did not and does not contain any untrue statement of a material fact or omit to state any material fact which would make the statements made therein misleading in light of the circumstances under which they were made, and that there has been no material adverse change in the financial condition or affairs of the District between the date of sale and the date of delivery of the Bonds; and (ii) the financial, statistical and similar information with respect to the District set forth in the Official Statement is accurate.

Dated: August 30, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: Gabriel McCurtis

Gabriel McCurtis
Superintendent

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

CERTIFICATE OF DISTRICT
PURSUANT TO THE BOND PURCHASE AGREEMENT

I, Gabriel McCurtis, the Superintendent of the McFarland Unified School District (the "District"), hereby state and certify the following:

(i) that I am the official of the District authorized to execute the Bond Purchase Agreement, dated August 9, 2012 (the "Bond Purchase Agreement"), by and between the District and Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, underwriter (the "Underwriter"), with respect to $4,400,000 aggregate principal amount of the District's 2012 General Obligation Refunding Bonds (the "Bonds");

(ii) the representations, agreements and warranties of the District contained in the Bond Purchase Agreement are true and correct in all material respects as of the date of Closing;

(iii) the District has complied with all the terms of the Resolution, the Escrow Agreements and the Bond Purchase Agreement to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect;

(iv) I have reviewed the Official Statement, and on such basis, certify that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(v) the Bonds being delivered on the date of the Closing to the Underwriter under the Bond Purchase Agreement substantially conform to the descriptions thereof contained in the Resolution;

(vi) no further consent is required to be obtained for the inclusion of the District's audited financial statements, including the accompanying accountant's letter, for Fiscal Year 2010-11 in the Official Statement; and

(vii) based on the District's review of prior disclosure obligations and filings, the District has as of August 9, 2012, the date of the Official Statement and the date hereof complied with all of its previous continuing disclosure obligations under S.E.C. Rule 15c2-12.

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Bond Purchase Agreement.

Dated: August 30, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: Gabriel McCurtis

Gabriel McCurtis
Superintendent

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

WRITTEN ORDER TO AUTHENTICATE

The McFarland Unified School District (the "District") requests Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"), pursuant to the resolution No. 1112-10 of the District's Board of Trustees, adopted on March 13, 2012, to authenticate and deliver to the registered owners thereof, $4,400,000 aggregate principal or issue amount of the District's 2012 General Obligation Refunding Bonds.

Dated: August 30, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____
Gabriel McCurtis
Superintendent

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 1

REGISTERED
$60,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
2.00%	November 1, 2012	August 30, 2012	580415GF8

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: SIXTY THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 2

REGISTERED
$265,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
2.00%	November 1, 2014	August 30, 2012	580415GH4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED SIXTY-FIVE THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 3

REGISTERED
$335,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
3.00%	November 1, 2015	August 30, 2012	580415GJ0

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED THIRTY-FIVE THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 4

REGISTERED
$350,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
3.00%	November 1, 2016	August 30, 2012	580415GK7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED FIFTY THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 5

REGISTERED
$370,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
4.00%	November 1, 2017	August 30, 2012	580415GL5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED SEVENTY THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 6

REGISTERED
$390,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
4.00%	November 1, 2018	August 30, 2012	580415GM3

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED NINETY THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 7

REGISTERED
$415,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
3.00%	November 1, 2019	August 30, 2012	580415GN1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED FIFTEEN THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 8

REGISTERED
$390,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
3.00%	November 1, 2020	August 30, 2012	580415GP6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED NINETY THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 9

REGISTERED
$415,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
4.00%	November 1, 2021	August 30, 2012	580415GQ4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED FIFTEEN THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 10

REGISTERED
$440,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
4.00%	November 1, 2022	August 30, 2012	580415GR2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED FORTY THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 11

REGISTERED
$475,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
3.00%	November 1, 2023	August 30, 2012	580415GS0

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

REGISTERED
NO. 12

REGISTERED
$495,000

MCFARLAND UNIFIED SCHOOL DISTRICT
(COUNTY OF KERN, CALIFORNIA)
GENERAL OBLIGATION REFUNDING BOND, 2012 SERIES A
(BANK QUALIFIED)

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
3.125%	November 1, 2024	August 30, 2012	580415GT8

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED NINETY-FIVE THOUSAND DOLLARS

The McFarland Unified School District (the "District") in County of Kern, California (the "County"), for value received, promises to pay to the Registered Owner named above or registered assigns, the Principal Amount on the Maturity Date, each as stated above, and interest thereon until the Principal Amount is paid or provided for at the Interest Rate stated above on May 1 and November 1 of each year (the "Bond Payment Dates"), commencing November 1, 2012. This bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof unless it is authenticated as of a day during the period from the 15th day of the month next preceding any Bond Payment Date to the Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before October 15, 2012, in which event it shall bear interest from the Date of Delivery. Principal and interest are payable in lawful money of the United States of America, without deduction for paying agent services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds) is registered (the "Registered Owner") on the Register maintained by the Paying Agent, being Wells Fargo Bank, National Association, as Paying Agent (the "Paying Agent"). Principal is payable upon presentation and surrender of this bond at the principal office of the Paying Agent in. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as shown and at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (the "Record Date"). Such interest shall be calculated on the basis of a 360-day year of twelve 30-day months. The Owner of Refunding Bonds in the aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes the full faith and credit of the District are hereby pledged.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution (described below) until the Certificate of Authentication below has been signed.

This bond is one of an authorization of bonds issued by the District pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act") for the purpose of refunding certain of the outstanding bonds of the McFarland Unified School District designated as its General Obligation Refunding Bonds, 2012 Series A and to pay all necessary legal, financial, and contingent costs in connection therewith. The bonds are being issued under authority of and pursuant to the Act, the laws of the State of California, and the resolution of the Board of Trustees of the District adopted on March 13, 2012 (the "Bond Resolution"). This bond and the issue of which this bond is one are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount. The bonds of this issue are general obligations of the District.

The bonds of this issue are comprised of $4,400,000 principal amount of the Refunding Bonds.

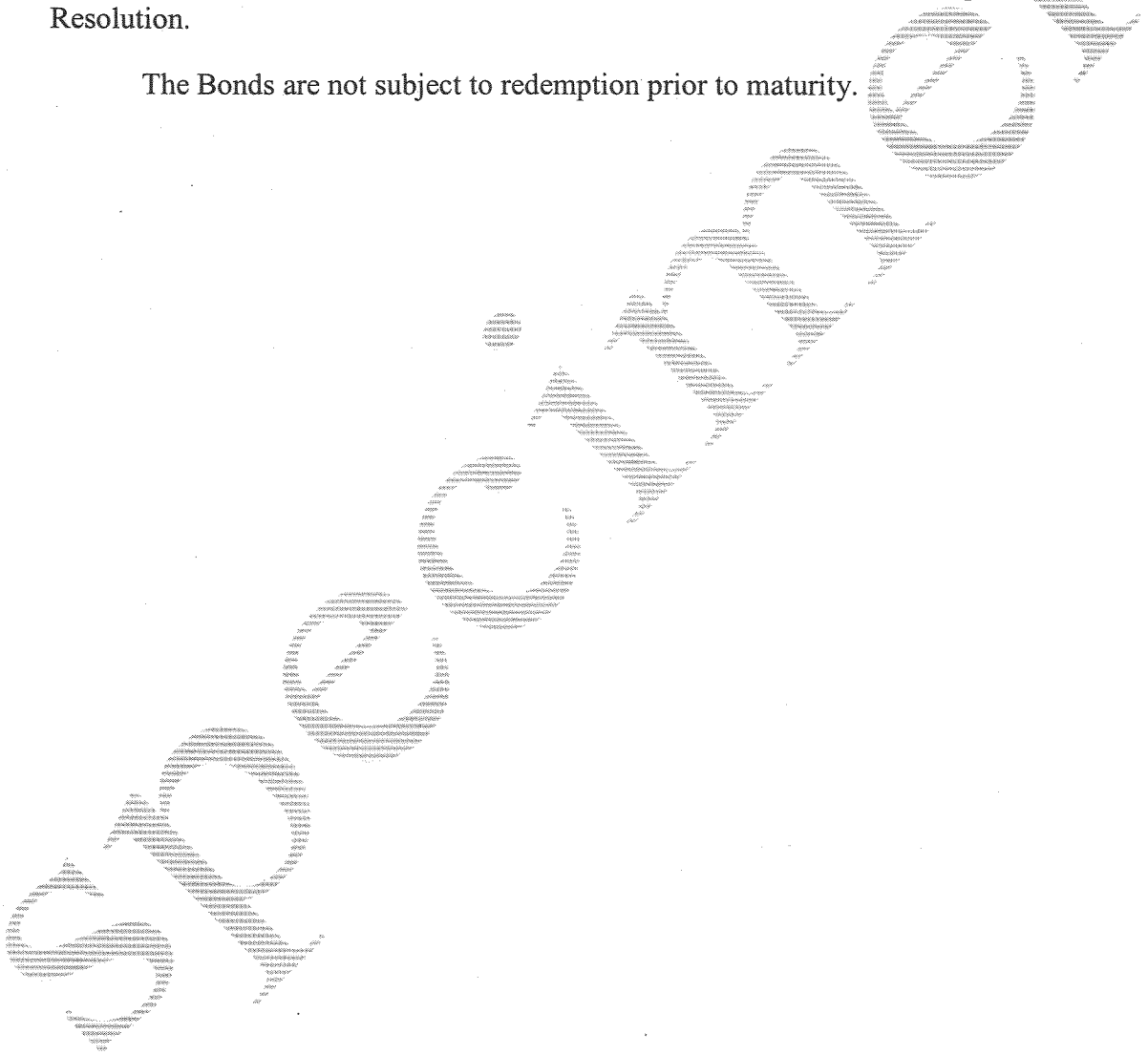
This bond is exchangeable and transferable for bonds of like tenor, maturity and Transfer Amount (as defined in the Bond Resolution) and in authorized denominations at the principal office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute Owner of this bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any bond during a period beginning with the opening of business on the 15th business 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 day on which the applicable

notice of redemption is given or (b) to transfer any bond which has been selected or called for redemption in whole or in part.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

The Bonds are not subject to redemption prior to maturity.



IN WITNESS WHEREOF, the McFarland Unified School District, County of Kern, California, has caused this bond to be executed on behalf of the District and in their official capacities by the manual signature of the President of the Board of Trustees and to be countersigned by the manual signature of the Clerk of the Board of Trustees, all as of the date stated above.

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____
President, Board of Trustees

COUNTERSIGNED:

By: _____
Clerk, Board of Trustees

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the Bond Resolution referred to herein which has been authenticated and registered on August 30, 2012.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Paying Agent

By: _____
Authorized Officer

STATEMENT OF INSURANCE

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") in respect of the scheduled payments due of principal of and interest on this Bond to Wells Fargo Bank, National Association, Los Angeles, California, or its successor, as paying agent for the Bonds (the "Paying Agent"). Such policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.



ASSIGNMENT

For value received, the undersigned sells, assigns and transfers to (print or typewrite name, address and zip code of Transferee): _____ this bond and irrevocably constitutes and appoints attorney to transfer this bond on the books for registration thereof, with full power of substitution in the premises.

Dated:_____ _____

Signature Guaranteed:

_____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the within bond in every particular, without alteration or any change whatever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

RECEIPT OF MCFARLAND UNIFIED SCHOOL DISTRICT

The undersigned, Superintendent of the McFarland Unified School District, hereby certifies that, on the date of this Receipt, he received from Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as underwriter (the "Underwriter"), the net proceeds of the above captioned Bonds, to wit:

Title of Bonds:	MCFARLAND UNIFIED SCHOOL DISTRICT 2012 GENERAL OBLIGATION REFUNDING BONDS
Principal/Issue Amount:	$4,400,000
Date of Bonds:	August 30, 2012
Denomination:	$5,000 or any integral multiple thereof

Said purchase price being computed as follows:

Principal/Issue Amount of Bonds:	$4,400,000.00
Plus Original Issue Premium:	223,032.00
(Less Underwriter's Discount):	(26,400.00)
(Less Costs of Issuance):	(119,698.07)
(Less Underwriter's wire transfer of Bond Insurance Premium):	(22,094.13)
NET AMOUNT DUE AT CLOSING:	$4,454,839.80

Dated: August 30, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____
Gabriel McCurtis
Superintendent

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of KERN, California)
2012 GENERAL OBLIGATION REFUNDING BONDS
(Bank Qualified)

TAX CERTIFICATE AS TO ARBITRAGE AND THE PROVISIONS OF SECTIONS 103 AND 141-150 OF THE INTERNAL REVENUE CODE OF 1986

In connection with the issuance on the date hereof (the **"Delivery Date"**) by the McFarland Unified School District (County of Kern, California) (the "**Issuer**") of its $4,400,000 aggregate principal amount of 2012 General Obligation Refunding Bonds (Bank Qualified) (the "**Bonds**"), and in furtherance of the covenants in the resolution of the Board of Trustees of the Issuer (the **"Board"**) authorizing the issuance of the Bonds adopted on March 13, 2012 (the **"Resolution"**), pursuant to which the Bonds are being issued, the Issuer makes and enters into the following Tax Certificate (the "**Tax Certificate**"). This Tax Certificate is made pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986 (the **"Code"**), and Treasury Regulations promulgated thereunder (the **"Treasury Regulations"**). The Issuer also is delivering this Tax Certificate to Fulbright & Jaworski L.L.P. (**"Bond Counsel"**) with the understanding and acknowledgement that Bond Counsel will rely on this Tax Certificate, and the representations, covenants and certifications contained herein, in rendering its opinion to the Issuer with respect to the status of interest on the Bonds as excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes.

1. DEFINITIONS.

Capitalized terms, if not otherwise defined herein, shall have the meanings set forth in Appendix I or, where not so defined, in the Resolution, as applicable; *provided, however, that* terms enclosed in quotation marks and not otherwise defined shall have the same meanings as when used in sections 103 and 141-150 of the Code or the Treasury Regulations promulgated thereunder.

2. REPRESENTATIONS.

(a) **Purposes of the Bonds.** On the Delivery Date the Bonds are being issued pursuant to the Resolution and delivered to the first purchasers thereof in exchange for the proceeds of the sale thereof. The Bonds are being issued for the purpose of: (i) refunding on a current basis all of the $9,150,000 McFarland Unified School District (County of Kern, California) 1998 General Obligation Refunding Bonds (the **"1998 Bonds"**), currently outstanding in the principal amount of $340,000 (the **"1998 Refunded Bonds"**); (ii) refunding on an advance basis a portion of the $5,285,308.20 McFarland Unified School District (County of Kern, California) General Obligation Bonds, Election of 2004, 2004 Series A (the **"2004 Bonds"**), currently outstanding in the principal amount of $3,815,000 (the **"2004 Refunded Bonds"** and, together with the 1998 Refunded Bonds, the **"Refunded Bonds"**); (iii) paying a premium (the "**Bond Insurance Premium**") for a policy of bond insurance (the "**Bond Insurance Policy**") being issued by Assured Guaranty Municipal Corp. (the "**Bond Insurer**") being delivered to secure the scheduled

payment of principal of and interest on the Bonds; and (iv) paying of a portion of the costs of issuance of the Bonds (collectively, the "**2012 Project**").

On September 15, 1998, the Issuer issued the 1998 Bonds pursuant to a Resolution of the Board adopted on August 11, 1998 (the **"1998 Resolution"**). The 1998 Bonds were issued to: (i) refund on an advance basis the entire outstanding $8,285,000 stated principal amount of the Issuer's General Obligation Bonds, Election of 1992 (the **"1994 Bonds"**); and (ii) pay various costs of issuance of the 1998 Bonds. The 1994 Obligations were issued to finance the improvement of real property and to provide additional school facilities. On the date of issuance of the 1998 Bonds, there remained no unexpended proceeds of the 1994 Bonds, and as of the Delivery Date there remain no unexpended proceeds of the 1998 Bonds.

On June 2, 2004, the Issuer issued the 2004 Bonds pursuant to a Resolution of the Board of Supervisors of Kern County, California (the **"County"**) on behalf of the Issuer, adopted on April 27, 2004 (the **"2004 Resolution"**). The 2004 Bonds were issued to (i) finance school construction and improvements to school facilities; and (ii) pay various costs of issuance of the 2004 Bonds. On the Delivery Date there remain no unexpended proceeds of the 2004 Bonds.

Each of the 1994 Obligations and the 2004 Bonds was a new money issue (each, an "**Original Issue**") issued to finance the construction and improvements of school facilities (the **"1994 New Money Improvements"** and the **"2004 New Money Improvements"** respectively, and, collectively, the "**New Money Improvements**")

(b) **Source of Payment of the Bonds.** The Bonds are general obligations of the Issuer, payable solely from *ad valorem* tax revenues collected within the boundaries of Issuer. Concurrently with the issuance of the Bonds, the Bond Insurer is issuing the Bond Insurance Policy. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Bond Insurance Policy. The Issuer reasonably expects that the *ad valorem* taxes collected with each Bond Year will be sufficient to pay debt service becoming due and payable on the Bonds during that Bond Year.

(c) **Single Issue.** The Issuer does not expect to issue other obligations that will be or have been: (i) sold at substantially the same time as the Bonds (*i.e.*, less than 15 days apart); (ii) sold pursuant to the same plan of financing with the Bonds; and (iii) reasonably expected to be paid from substantially the same source of funds as will be used to pay the Bonds.

(d) **No Replacement; Average Maturity; Not Private Activity Bonds.** No portion of the amounts received from the sale of the Bonds will be used as a substitute for other funds that otherwise were to be used as a source of financing for the 2012 Project and that have been or will be used to acquire, directly or indirectly, Investment Property producing a yield in excess of the yield on the Bonds. The weighted average maturity of the Bonds (7.5 years) is not longer than 120% of the reasonably expected average remaining economic life of the units of property financed out of proceeds of the New Money Improvements, in each case determined in the same manner as under section 147(b) of the Code. In each case, the economic life of each refinanced unit of property was determined as of the later of the date on which such unit of property was placed in service or the date of issuance of the Original Issue by which it was originally financed and: (i) in the case of a building, by applying the useful lives set forth in Revenue Procedure 62-21, 1962-2 C.B. 486; (ii) the case of property other than a building or land, by applying the mid-

point class life for such unit of property established under the Class Life Asset Depreciation Range System under Revenue Procedure 83-35, 1983-1 C.B. 745; and (iii) in the case of an interest in land, by assuming an economic life of 30 years, provided, however, that if not more than 25% of the proceeds of such issue were allocated to the acquisition of interests in land, then such uses of proceeds have been disregarded. The Issuer understands that the allocation of proceeds of the 1998 Project may be changed during the period described in section 1.148-6 of the Treasury Regulations and covenants that it will not make any such change if an effect thereof might be to adversely affect the exclusion pursuant to section 103(a) of the interest on the Bonds.

(e) **Statement as to Facts, Estimates and Circumstances.** The facts and estimates set forth in this Tax Certificate on which the Issuer's expectations as to the amount and use of the Gross Proceeds of the Bonds are based are made to the best of the knowledge and belief of the undersigned officer of the Issuer and the Issuer's expectations are reasonable. The undersigned is an officer of the Issuer, responsible (with others) for the issuance of the Bonds, who has made due inquiry with respect to and is fully informed as to the matters set forth herein.

(f) **Bonds Not Hedge Bonds.** In connection with each of the Original Issues, (i) on the date of issuance of such issue, the Issuer reasonably expected that no less than 85% of the proceeds of that Original Issue would be expended with three years of such date, and (ii) at no time was as much as 50% of the proceeds of that issue held invested in investments providing a substantially guaranteed yield for four years or more. Accordingly, the Bonds are not "hedge bonds" within the meaning of section 149(g) of the Code.

3. REASONABLE EXPECTATIONS OF THE ISSUER AS TO FACTS, ESTIMATES AND CIRCUMSTANCES.

The Issuer makes the following representations and statements of fact and expectation on the basis of which it is not expected that the proceeds of or other amounts (including replaced proceeds) in respect of the Bonds will be used in a manner that will cause such Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(a) **Application of Bond Sale Proceeds.**

(1) Sale Proceeds; No Overissuance. Based upon the *Initial Issue Price Certificate* of the Underwriter, attached as Exhibit A hereto, the Issuer understands that the Bonds have been sold pursuant to a bona fide public offering by the Underwriter for an aggregate price (the **"Sale Proceeds"**) of $4,623,032 (being the aggregate principal amount of the Bonds, plus a net original issue premium of $223,032.00). The Sale Proceeds and any anticipated investment earnings thereon, do not exceed the amount necessary for the Project.

(2) Underwriter's Discount. On the Delivery Date, an amount of the Sale Proceeds equal to $26,400 will be retained by the Underwriter as a discount.

(3) Costs of Issuance. On the Delivery Date, an amount of the Sale Proceeds equal to $119,698.07 will be deposited into the Cost of Issuance Fund established under the Resolution.

(4) **Redemption of the 1998 Bonds.** On the Delivery Date, an amount of the Sale Proceeds equal to $345,669.40 will be deposited into the Escrow Fund under the Escrow Agreement, dated as of August 1, 2012, by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as escrow agent under the 1998 Escrow Agreement, relating to the defeasance of the 1998 Refunded Bonds. Amounts in the Escrow Fund will be applied to the redemption of the 1998 Refunded Bonds on October 1, 2012.

(5) **Redemption of the 2004 Bonds.** On the Delivery Date, an amount of the Sale Proceeds equal to $4,109,170.40 will be deposited into the Escrow Fund under the Escrow Agreement, dated as of August 1, 2012, by and between the Issuer and Wells Fargo Bank, National Association, as escrow agent under the 2004 Escrow Agreement, relating to the defeasance of the 2004 Refunded Bonds. Amounts in the Escrow Fund will be applied to the redemption of the 2004 Refunded Bonds on November 1, 2013.

(6) **Bond Insurance Policy.** On the Delivery Date, the balance of the Sale Proceeds, in the amount of $22,094.13, will be paid to the Bond Insurer as the Bond Insurance Premium.

(b) **Unexpended Proceeds of the 1998 Bonds; Transferred Proceeds.** As indicated above, there remain no unexpended proceeds of either of the 1998 Bonds or the 2004 Bonds. Accordingly, there will be no "transferred proceeds" of the Bonds (within the meaning of section 1.148-9 of the Treasury Regulations).

(c) **Reserved.**

(d) **Debt Service Account.** As indicated above, the payment of debt service on the Bonds is payable solely from *ad valorem* tax revenues collected within the boundaries of Issuer.

Under the Resolution, the McFarland Unified School District 2012 General Obligation Refunding Bonds Debt Service Account (the **"Debt Service Account"**) is established with the County Treasurer. The Board of Supervisors of the County is empowered and obligated to levy a tax on all taxable property within the Issuer to pay principal of and interest on the Bonds as the same becomes due, and has pledged collections of such tax to the payment of debt service on the Bonds. Amounts collected from such tax for the payment of the principal of and interest on the Bonds are to be deposited as and when received by the County to the credit of the Debt Service Account. The Debt Service Account may be separated conceptually into two accounts for purposes of compliance with the requirements of section 148 of the Code: the **"Annual Portion"**, comprising collections within each Bond Year intended to be used to pay debt service becoming due and payable on the Bonds during that Bond Year; and the **"Accumulation Portion"**. For this purpose, the Issuer may adopt any reasonable, consistently applied method of accounting for the Annual Portion and the Accumulation Portion.

The Annual Portion is maintained to achieve a proper matching of revenues and debt service within each bond year. The Issuer expects that the following will occur with respect to the Annual Portion: (1) the Annual Portion will be depleted at least once a year except possibly for a carry-over amount not greater than the larger of the immediately preceding bond year's income from the investment of such portion or one-twelfth (1/12) of the immediately preceding bond

year's debt service requirements on the Bonds; (2) all deposits comprised by the Annual Portion will be spent within 13 months of deposit; and (3) all amounts received from investment of money in the Annual Portion will be deposited therein and will be expended within 12 months of receipt. For that reason, the Annual Portion will constitute a "bona fide debt service fund", within the meaning of the Treasury Regulations, and may be invested without arbitrage yield restriction; further, earnings on the investment of the Annual Portion will not be included in determining the rebatable arbitrage under section 148(f) of the Code (discussed in further detail, below).

The Accumulation Portion of the Debt Service Account will exist due to the fact that the Issuer cannot predict precisely the payment of delinquent taxes when establishing its tax rate. The Accumulation Portion of the Debt Service Account includes any tax receipts during a Bond Year and deposited into the Debt Service Account that, on the date of such deposit, are not reasonably expected to be used within the same Bond Year to pay debt service on the Bonds. The Issuer expects that the amount on deposit in the Accumulation Portion of the Debt Service Account will not exceed the least of (i) 10% of the face amount of Bonds (less original issue discount if in excess of two percent of the stated redemption amount at maturity), (ii) 100% of the maximum annual debt service on the Bonds, or (iii) 125% of the average annual debt service on the Bonds (the **"Tax Reserve Limit"**). To the extent that amounts on deposit in the Accumulation Portion of the Debt Service Account exceed the Tax Reserve Limit, the Issuer will hold an amount equal to such excess either not invested in Investment Property, or invested in Investment Property to produce a yield not in excess of the yield on the Bonds.

In addition to the Annual Portion and the Accumulation Portion, the Issuer may from time to time cause additional amount to be deposited into the Debt Service Fund in order to provide for a defeasance or redemption of Bonds. If held for a period of in excess of 30 days from the date of receipt by the Issuer, any such amount will be held either not invested in Investment Property, or invested in Investment Property to produce a yield not in excess of the yield on the Bonds.

(e) **No Other Replacement Funds.**

Other than the Debt Service Account, neither of the Issuer nor the County, has established or will establish any fund or account monies in which are reasonably expected to be used to pay, directly or indirectly, debt service on the Bonds or within which there can be any reasonable assurance that monies would be available for the payment of such debt service were the Issuer to encounter financial difficulties.

(f) **Yield.**

(1) **Qualified Guarantee.** Based upon representations made by the Bond Insurer in the certificate attached as Exhibit B hereto and upon representations made by the Underwriter in the Initial Issue Price Certificate, the accuracy of each of which the undersigned has no reason to doubt, the Issuer reasonably believes and expects that: (i) the present value of the premium to be paid by the Issuer to the Bond Insurer for the Bond Insurance Policy is less than the present value of the interest savings on the Bonds anticipated to result from the use of such policy; (ii) the Bond Insurance Policy creates only a secondary liability in the issuer thereof, the Issuer fully anticipating that all debt service on the Bonds will be paid exclusively from ad valorem tax revenues; (iii) the premiums to be paid for the Bond Insurance Policy are not in excess of a reasonable arm's-

length charge for the transfer of credit risk under such arrangement; and (iv) any fee of the Bond Insurer, other than for such transfer of credit risk, has been separately stated by the Bond Insurer. For that reason, the Issuer will treat the Bond Insurance Policy as a "qualified guarantee" (and the premium for same as a "qualified guaranty fee") for purposes of the determination of the yield on the Bonds.

(2) Yield on the Bonds. The "yield" on the Bonds is that discount rate which, when used in computing the present value on the Delivery Date of all the expected issue payments of principal and interest on the Bonds, and fees for qualified guarantees that are paid and to be paid on the Bonds, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the issue on the Delivery Date thereof. The present value on the Delivery Date of the aggregate issue prices of the Bonds, based upon certain information provided by the Underwriter and set forth in the *Initial Issue Price Certificate* attached hereto, is $4,623,032 (the par amount of the Bonds of $4,400,000 plus an original issue premium in the amount of $223,032). As noted above, the premium for the Bond Insurance Policy will be treated as a qualified guaranty. Based upon computations made by the Underwriter, and verified by Causey Demgen & Moore P.C., (the **"Verification Agent"**), the Issuer reasonably believe that the yield on the Bonds is 2.7005%.

(3) Expectations Regarding Arbitrage Investment Yield Limitations.

(i) Summary Chart.

Account	Temporary Period of Unrestricted Investment	Restriction After Temporary Period	Excepted From Rebate (Y)/(N)
Escrow Funds	Waived	Yield on Bonds	N
Debt Service Account (Annual Portion)	13 months	Yield on Bonds	Y
Debt Service Account (Accumulation Portion)	N/A	N/A	N
Cost of Issuance Fund	13 months	Yield on Bonds	N
Other "Replacement Proceeds" of Bonds [(1)]	30 days	Yield on Bonds	N

[(1)] Generally, "replacement proceeds" of the Bonds refers to the Debt Service Account (other than to the extent specifically identified in the Summary Chart), and to any other amounts that either (i) have such a nexus to the Project as to justify the conclusion that such amounts would have been used for such project had not the Bonds been issued, (ii) are reasonably expected to be used to pay debt service on or to prepay the Bonds, or (iii) are held under circumstances where the holders of the Bonds reasonably may expect that such amounts would be available for the payment of debt service on the Bonds should the Issuer encounter financial difficulties. Without limitation of clause (iii) of the preceding sentence, amounts held under a "negative pledge" of the type described in section 1.148-1(c)(iii) of the Treasury Regulations will be "replacement proceeds" in respect of the Bonds to the extent allocated to such issues in accordance with the Treasury Regulations.

(ii) Other "Gross Proceeds." The Issuer does not expect that any Gross Proceeds of the Bonds, beyond those described above, will arise during the term of the Bonds. However, to the extent that any such Gross Proceeds do arise (e.g., by reason of the pledge of invested amounts as additional security for the Bonds, or by reason of the creation of a fund of monies reasonably expected to be used to pay debt service on the Bonds), and any such amounts are to be held for a period that is in excess of thirty days from the date of receipt by the Issuer, such amounts will be held either not invested in Investment Property, or invested in Investment Property to produce a "yield" that is not in excess of the "yield" on the Bonds.

4. REBATE REQUIREMENT, CALCULATIONS AND PAYMENT. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder, the Issuer covenants that it will account for all Gross Proceeds of the Bonds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and will or cause to retain all records of accounting for at least six years after the day on which the last Bond is discharged. However, to the extent permitted by law, the Issuer may commingle Gross Proceeds of the Bonds with its other money, provided that separate accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith are maintained.

(a) The Issuer covenants to timely calculate or cause timely to be calculated the Rebate Amount for each Computation Period in respect of the Bonds in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Issuer will maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Bonds until six years after the Computation Date.

(b) The Issuer covenants in respect of each Computation Date that it will pay to the United States the Rebate Amount in respect of the Bonds, or the portion thereof then due, at the time and in the amount as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall cause such payment to be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Issuer.

(c) The Issuer covenants that it will exercise reasonable diligence to assure that no error is made in the calculation and payment required by paragraphs (b) and (c) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(d) The Issuer covenants that, except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder with respect to obligations the interest on which is excluded pursuant to section 103(a) of the Code, it will not at any time prior to the final maturity of the Bonds enter into any transaction that reduces the amount required to be paid to the United States pursuant to this Section 4 because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the yield on the Bonds not been relevant to either party.

The Issuer covenants to comply with the rebate requirements of section 148(f) of the Code with respect to the Bonds. To provide additional guidance, certain of the regulations promulgated under section 148(f) are summarized in Appendix III. In order to assure compliance with this covenant, the Issuer will seek such additional guidance as it believes necessary..

5. ALLOCATION AND ACCOUNTING RULES. The Issuer has covenanted to comply with the requirements of section 148 of the Code. The regulations promulgated thereunder pertaining to the allocation and accounting for proceeds, investments and expenditures are summarized in Appendix IV.

Without limitation of the foregoing covenant, the Issuer more specifically represents, with respect to each of the Original Issues, that:

1. None of the proceeds of that Original Issue was used to reimburse an expenditure that, as to that issue, was an Original Expenditure that was not a Preliminary Expenditure unless (i) such Original Expenditure was described in a Reimbursement Intent Resolution adopted by the Issuer, and (ii) such Original Expenditure was first paid by, or pursuant to an agreement with or otherwise on behalf of, the Issuer not earlier than sixty days prior to the Intent Resolution Date in respect of such

Reimbursement Intent Resolution; provided that in no event were proceeds allocated to an Original Expenditure if they were paid more than 18 months before the date of execution and delivery of that Original Issue, unless those expenditures were for property that was placed in service not more than 18 months before such date, in which case proceeds may have been allocated to those Original Expenditures provided that those expenditures were paid no more than 3 years prior to such date of issuance;

2. No more than twenty percent of the Proceeds of that Original Issue were allocated to Preliminary Expenditures; and

3. None of the proceeds of that Original Issue was allocated to the reimbursement of a Working Capital Expenditure unless either (i) both on the date on which such Working Capital Expenditure was paid and on the date on which such purported allocation was made the Issuer had no "available amounts" (within the meaning of section 1.148-6(d)(3)(iii) of the Treasury Regulations) from which to make such payment or reimbursement, (ii) the Working Capital Expenditure was a *de minimis* expenditure in respect to that Original Issue, was an extraordinary expenditure or was otherwise described in section 1.148-6(d)(3)(ii) of the Treasury Regulations, or (iii) the Working Capital Expenditure was otherwise not subject to the "proceeds spent last" rules of section 1.148-6(d) of the Treasury Regulations.

To the extent that the Issuer allocated proceeds of an Original Issue to any Capital Expenditure in reliance upon a Reimbursement Intent Resolution as described in clause (1), above, a copy of that Reimbursement Intent Resolution has been attached hereto (or was placed and has been maintained with an executed copy of the transcript documents relating to the execution and delivery of that Original Issue).

Without limitation of any provision of this Tax Certificate or of the Appendices hereto, the Issuer has established and will maintain until a date not earlier than six years following the final retirement of the Bonds (and of any notes or certificates issued to refund or re-refund all or any portion of the Bonds) detailed records sufficient to establish compliance with this Section 5 (and the expenditure and use of proceeds requirements, restrictions and limitations set forth in this Tax Certificate and under sections 103 and 141-150 of the Code of: (i) the amount of each allocation of Gross Proceeds of each of the Original Issues to any capital or working capital expenditure (and, in the case of an allocation to working capital expenditures, evidence sufficient to establish that on the date of such working capital expenditure there existed no "available amounts" in respect of that expenditure); (ii) the fact (e.g., cancelled check, evidence of wire transfer) of an actual payment corresponding to such allocation; (iii) the identification of the payee and documentary support (e.g., invoices, contracts, legislative or other authorization) for such payment; (iv) the purpose of such evidence; and (v) any other information that the Issuer believes may be necessary to such documentation.

6. PROHIBITED INVESTMENTS AND DISPOSITIONS. Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not to be allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the fair market value of the Nonpurpose Investment as of the purchase or sale date. The fair market value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified

Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment. The Issuer covenants that it will comply with the procedures with respect to compliance with these requirements contained in Appendix V, and with the provisions set forth in section 1.148-5 of the Treasury Regulations and other applicable guidance provided by the Internal Revenue Service.

Without limitation of any provision of this Tax Certificate or of the Appendices hereto, the Issuer will establish and maintain (or cause to be established and maintained) until a date not earlier than six years following the final retirement of the Bonds (and of any notes or bonds issued to refund or re-refund all or any portion of the Bonds) detailed records sufficient to establish compliance with this Section 6 (and with the arbitrage, arbitrage rebate, hedge bond or other investment-affected requirements, restrictions and limitations set forth in this Tax Certificate and under sections 103 and 141-150 of the Code) of the acquisition, disposition or other allocation of any Nonpurpose Investment to or away from Gross Proceeds of the Bonds, including particularly: (i) the date of such allocation; (ii) the identity and terms of such investment (including, where appropriate, a copy of the instrument, contract, lease or other documentary manifestation of such Investment Property); (iii) the value (as determined in accordance with the provisions of section 1.148-5(d) of the Regulations) of such investment on the date of allocation (and on each other date on which valuation is necessary to assure compliance with the aforementioned provisions); (iv) the date and amount of each payment made for or pursuant to such investment and the source (by fund or account) of that payment; (v) the date and amount of each payment received directly or indirectly in respect of such investment; and (vi) any other information that the Issuer believes will be necessary to such demonstration.

7. NO FEDERAL GUARANTEE. The Issuer represents that no portion of the payment of the principal of or the interest on the Bonds is or will be guaranteed, directly or indirectly, by the United States or any agency or instrumentality thereof. For purposes of the preceding sentence, any entity having the statutory power to borrow against the United States Treasury has been treated as an "instrumentality" of the United States. Without limitation of the foregoing, the Issuer covenants never to invest as much as five percent or more of the Proceeds of the Bonds in federally insured deposits or accounts or otherwise invest such proceeds in any obligation the payment of principal or interest on which is (in whole or in part) a direct obligation of or guaranteed by the United States (or any agency or instrumentality thereof). Notwithstanding the foregoing, the Issuer may invest the proceeds of the Bonds in any investment guaranteed by the following agencies of the United States: (a) the Federal Housing Administration; (b) the Veterans Administration; (c) the Federal National Mortgage Association; (d) the Federal Home Loan Mortgage Corporation; and (e) the Government National Mortgage Association. Moreover, the Issuer may invest the Proceeds of the Bonds: (a) during an initial temporary period until such proceeds are needed for the purpose for which the Bonds were issued; (b) in the Debt Service Account (as defined above); (c) in obligations issued by the United States Treasury; (d) in obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, or any successor provision; or (e) in a refunding escrow.

8. RESTRICTIONS ON NONGOVERNMENTAL USE. For purposes of the following covenants, the Issuer will treat the Proceeds of the Bonds as being used ratably for the

same purposes as were the proceeds of each of the Original Issues, to the extent such debt is being refinanced by the Bonds.

The covenants of the Issuer to maintain the exclusion pursuant to section 103(a) of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes may be satisfied only if the Issuer complies with the limitations under section 141 of the Code in order to assure that the Bonds are not and do not become "private activity bonds." For purposes of section 141 of the Code, use of property or improvements financed or refinanced with proceeds of the Bonds will be treated as use of such proceeds.

Except to the extent that such use will not cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code, no portion of the proceeds of the Bonds will be used in such a manner that any of the following limitations (each referred to below as a "Private Activity Bond Test") is exceeded:

1) an amount exceeding $5 million of the proceeds of the Bonds was or is used to make or finance loans (other than loans that enable the borrower to finance any governmental tax or assessment of general application for an essential governmental function or that are used to acquire or carry Nonpurpose Investments) to any person other than a governmental unit;

2) both (b) (i) more than 10% of the proceeds of Bonds were or are used by, and (ii) more than 10% of the debt service on Bonds was or is to be paid out of monies received in respect of the use of property used by (or was or is secured by property used by) any person or persons either in trades or businesses carried on by natural persons or in activities (whether or not trades or businesses) carried on by persons other than natural persons, unless such person or persons are state or local governmental units or instrumentalities; or

3) both (i) more than 5% of the proceeds of the Bonds are used by, and (ii) more than 5% of the debt service on the Bonds is to be paid out of monies received in respect of the use of property used by (or is secured by property used by), any person or persons either in trades or businesses carried on by natural persons or in activities (whether or not trades or businesses) carried on by persons other than natural persons, unless such person or persons are state or local governmental units or instrumentalities, where for purposes of this clause (3) only, every use (whether by a nongovernmental person) that is related and not disproportionate to the governmental uses to which proceeds of the Bonds are put is treated as use by a state or local governmental unit.

"Use" of property or improvements will be deemed to be established if the putative user has an ownership or proprietary interest in, or possession under a leasehold of, the property, or if the putative user is contractually obligated to provide to the Issuer services with respect to any function of the property (e.g., a management contract), or if the putative user has rights and burdens substantially similar to those of an owner or lessee. In the case of property or improvements intended to be used by natural persons, an arrangement for that type of use will not result in private business use unless that arrangement conveys to a nongovernmental person special legal entitlements with respect to the property or improvements. In the case of a use of

financed or refinanced property or improvements not so intended, private business use may be established by reason of special economic benefits inuring to a nongovernmental person (e.g., by reason of the proximity of the property to other property used by the nongovernmental person). Notwithstanding the foregoing, use of financed property as a member of the general public will not create private business use; however, use of financed property by nongovernmental persons in their trades or businesses may be treated as general public use only if the property is intended to be available and in fact is reasonably available for use on the same basis by natural persons not engaged in a trade or business.

The Issuer also understands that for purposes of section 141 of the Code, any formal or informal contractual arrangement for the provision of operating or other services with respect to any function of property refinanced with proceeds of the Bonds (a "*management contract*") generally will result in "private business use" of the proceeds of the Bonds by the service provider. However, "management contracts" do not generally include contracts for services that are solely incidental to the primary governmental function or functions of any facility comprised by the Project, or contracts to provide services, if the only compensation is the reimbursement of the service provider for actual and direct expenses paid by the service provider to unrelated parties. In addition, the Internal Revenue Service may from time to time provide guidance as to particular types of management contracts that are not treated as resulting in "private business use"; for example, the Service has promulgated Revenue Procedure 97-13, as modified by Revenue Procedure 2001-39, providing that certain "qualified management contracts" will be treated as not necessarily creating private business use. The Issuer covenants that it will not enter into any "management contract" pursuant to which a nongovernmental person is to provide operating services with respect to any facility comprised by the Project, or any other service with respect to any function of any such facility, unless either (i) that contract satisfies one or another of the safe harbor provisions established under Revenue Procedure 97-13 (as modified by Revenue Procedure 2001-39), pertaining to qualified management contracts, or (ii) the Issuer has obtained the advice of Bond Counsel or of other legal counsel nationally recognized as expert in the federal income taxation of municipal obligations to the effect that entry into such contract will not cause interest on any Bond to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes.

The Issuer further represents that, had the Issuer reasonably expected on its respective issue date that either of the 1998 Bonds or the 2004 Bonds would be redeemed on the date hereof (in other than a refunding transaction), that issue would not have satisfied any of the three Private Activity Bond Tests.

9. INFORMATION REPORTING. The Issuer has reviewed the Internal Revenue Service Form 8038-G to be filed in connection with the execution and delivery of the Bonds, a copy of which is attached hereto as *Exhibit C*, and all of the information contained therein is, to the best of their knowledge, true and complete.

10. WRITTEN COMPLIANCE POLICY. The Issuer has adopted or will adopt a written policy regarding its continuing compliance with the requirements of sections 103 and 141-150 of the Code necessary to the exclusion pursuant to section 103(a) of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. It identifies one or more officers of the Issuer charged with the responsibility for monitoring such compliance, and prescribes steps to be taken in the event potential or actual noncompliance is

detected. Such policy addresses the creation, collection and maintenance of books and records sufficient to satisfy the requirements of Sections 5 and 6 of this Tax Certificate and, more generally, to substantiate compliance with the Issuer's representations and certifications contained in this Tax Certificate. Such books and records will include all documentation material to the determination that interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Without limitation of the foregoing, the Issuer will maintain detailed books and records regarding: (i) the investment and allocation to expenditures of sale, investment and replacement proceeds of the Bonds (including without limitation copies of all Paying Agent account statements, investment contracts, arbitrage rebate computations, etc.); (ii) the use of each unit of property or facility to which any of the foregoing amounts are or are to be allocated (including without limitation copies of all design, construction, management, service, supply, output or other contracts, invoices and other documents related to the construction, operation, maintenance, sale, lease or other disposition, decommissioning or abandonment of such property); and (iii) any other matters necessary to demonstrate that the Bonds are described in section 103(a) of the Code. The Issuer will maintain until at least six years after the final retirement of the Bonds (and any bonds that refund any portion of the Bonds) all such books and records. See Sections 5 and 6 for additional undertakings regarding the creation and maintenance of such books and records.

11. QUALIFIED TAX-EXEMPT OBLIGATIONS. The Issuer hereby designates the Bonds as "Qualified Tax Exempt Obligations" in accordance with the provisions of section 265(b)(3) of the Code. The Issuer (including any entity that is subordinate to or acts on behalf of the Issuer) has not incurred or issued, and does not reasonably expect to incur or issue, tax-exempt obligations (bonds, notes, lease agreements, etc.) pursuant to section 103(a) of the Code during calendar year 2012 in an aggregate amount in excess of $10,000,000; and the aggregate amount of obligations designated during such calendar year under section 26(b)(3) of the Code by the Issuer or any such entity, in the aggregate, will not exceed $10,000,000. For purposes of the foregoing representation and covenant, "tax-exempt obligation" does not include any private activity bond other than a qualified 501(c)(3) bond (as defined in section 145 of the Code), or certain other bonds issued during the calendar year and described in section 265(b)(3)(C)(ii) of the Code.

12. AMENDMENTS. This Tax Certificate sets forth the information, representations, and procedures necessary in order for Bond Counsel to render its opinion regarding such exclusion of interest and may be amended or supplemented from time to time only to maintain such exclusion and only with the approval of Bond Counsel.

Notwithstanding any other provision herein, the covenants and obligations contained herein may be and shall be deemed modified to the extent the Issuer secures an opinion of Bond Counsel that any action required hereunder is no longer required or that some further action is required in order to maintain the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

13. SUPPLEMENTATION OF THIS CERTIFICATE. The Issuer understands the need to supplement this Tax Certificate periodically to reflect further developments in the federal income tax laws governing the exclusion pursuant to section 103(a) of the Code of interest on governmental obligations, and will, at least once every Bond Year, seek the advice of its counsel as to the propriety of seeking the review of and supplements to this Tax Certificate from Bond Counsel.

Dated: August 30, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX I

DEFINITIONS

A. BOND YEAR shall mean each one year period that ends on the day selected by the Issuer. If no day is selected by the Issuer before the date that is five years from the Delivery Date, each Bond Year ends on the anniversary of the Delivery Date and on the final maturity date.

B. BOND COUNSEL shall mean Fulbright & Jaworski L.L.P. or any other law firm or law firms appointed by the Issuer, having a national reputation in the field of municipal finance whose opinions are generally accepted by purchasers of municipal bonds.

C. BOND YIELD shall have the meaning set forth in Section 3 of the Tax Certificate.

D. CAPITAL EXPENDITURE shall mean a cost of a type properly chargeable (or chargeable upon proper election) to a capital account under general Federal income tax principles.

E. CODE shall mean the Internal Revenue Code of 1986.

F. COMMINGLED FUND shall mean any fund or account containing both Gross Proceeds of an issue and amounts in excess of $25,000 that are not Gross Proceeds of that issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

G. COMPUTATION DATE shall mean each date on which the rebate for an issue is computed.

H. COMPUTATION DATE CREDIT shall mean with respect to an issue a credit of $1,000 against the rebatable arbitrage on (i) the last day of each Bond Year during which there are amounts allocated to Gross Proceeds of an issue subject to the Rebate Requirement and (ii) the final maturity date for an issue.

I. COMPUTATION PERIOD shall mean the period between Computation Dates. The first Computation Period begins on the date hereof and ends on the first Computation Date. Each succeeding Computation Period begins on the date immediately following the Computation Date and ends on the next Computation Date.

J. GROSS PROCEEDS shall mean any Proceeds or Replacement Proceeds of an issue.

K. INTENT RESOLUTION DATE shall mean that date on which the Issuer adopted a resolution described in section 1.150-2 of the Regulations, expressing its intent that certain Original Expenditure be reimbursed out of Proceeds (in respect of such Original Expenditure, the "REIMBURSEMENT INTENT RESOLUTION"). The Reimbursement Intent Resolution shall have described the project for which the Original Expenditure was paid and stated the maximum principal amount of obligations expected to be issued for that project.

L. INVESTMENT PROCEEDS shall mean any amounts actually or constructively received from investing Proceeds of an issue.

M. INVESTMENT PROPERTY shall mean any security or obligation within the meaning of section 148(b)(2) of the Code, any annuity contract, any interest in any residential rental property for family units which is not located within the jurisdiction of the Issuer, any "specified private activity bond" within the meaning of section 57(a)(5)(C), and any other Investment-Type Property.

N. INVESTMENT-TYPE PROPERTY includes any property that is held principally as a passive vehicle for the production of income. A prepayment for property or services by the Issuer is Investment-Type Property if a principal purpose for prepaying is to receive an investment return from the time the prepayment is made until the time payment otherwise would be made. A prepayment is not Investment-Type Property if (i) the prepayment is made for a substantial business purpose other than investment return and there is no commercially reasonable alternative to the prepayment and (ii) prepayments on substantially the same terms are made by a substantial percentage of persons who are similarly situated to the Issuer but who are not beneficiaries of tax-exempt financing.

O. MULTIPURPOSE ISSUE shall mean an issue that is used for two or more separate governmental purposes.

P. NET SALE PROCEEDS shall mean Sale Proceeds, less the portion of those Sale Proceeds invested in a reasonably required reserve or replacement fund.

Q. NONPURPOSE INVESTMENT shall mean any Investment Property that is not a Purpose Investment.

R. NONPURPOSE PAYMENT shall mean:

1. amounts actually or constructively paid to acquire a Nonpurpose Investment (or treated as paid to a Commingled Fund);

2. in the case of a Nonpurpose Investment that is first allocated to an issue on a date after it is actually acquired (*e.g.*, an investment that becomes allocable to Transferred Proceeds or to Replacement Proceeds) or that becomes subject to the Rebate Requirement on a date after it is actually acquired (*e.g.*, an investment allocated to a reasonably required reserve or replacement fund for a construction issue at the end of the two year spending period), the Value of that investment on that date;

3. in the case of a Nonpurpose Investment that was allocated to an issue at the end of the preceding Computation Period, the Value of that Nonpurpose Investment at the beginning of the Computation Period; and

4. the Computation Date Credit.

S. NONPURPOSE RECEIPT shall mean:

1. amounts actually or constructively received from a Nonpurpose Investment (including amounts treated as received from a Commingled Fund);

2. in the case of a Nonpurpose Investment that ceases to be allocated to an issue before its disposition or redemption date (*e.g.*, an investment that becomes allocable to Transferred Proceeds of another issue or that ceases to be allocable to the issue pursuant to the Universal Cap) or that ceases to be subject to the Rebate Requirement on a date earlier than its disposition or redemption date (*e.g.*, an investment allocated to a fund initially subject to the Rebate Requirement but that subsequently qualifies as a *bona fide* debt service fund), the Value of that Nonpurpose Investment on that date; and

3. in the case of a Nonpurpose Investment that is held at the end of a Computation Period, the Value of that Nonpurpose Investment at the end of that Computation Period.

T. ORIGINAL EXPENDITURE shall mean that certain capital expenditures paid by or on behalf of the Issuer prior to the Delivery Date.

U. PLAIN PAR BOND (OR PLAIN PAR INVESTMENT) shall mean a bond (or an investment): (i) issued (or in the case of an investment acquired on a date other than the issue date, acquired) with not more than a de minimis amount (i.e., two percent of stated principal amount) of original issue discount or original issue premium; (ii) issued for a price that does not include accrued interest, other than Pre-Issuance Accrued Interest; (iii) that bears interest from the issue date at a single, stated, fixed rate or that is a variable rate debt instrument under section 1275 of the Code, in each case with interest payable at least annually; and (iv) that has a lowest stated redemption price that is not less than its outstanding principal amount.

V. PRE-ISSUANCE ACCRUED INTEREST shall mean amounts representing interest that has accrued on an obligation for a period of not greater than one year before its issue date but only if those amounts are paid within one year after the Delivery Date.

W. PRELIMINARY EXPENDITURE shall mean an Original Expenditure paid for architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that were incurred prior to commencement of acquisition, construction, or rehabilitation of the project, other than land acquisition, site preparation, and similar costs incident to commencement of construction.

X. PROCEEDS shall mean any Sale Proceeds, Investment Proceeds and Transferred Proceeds of an issue.

Y. PURPOSE INVESTMENT shall mean an investment that is acquired to carry out the governmental purpose of an issue.

Z. QUALIFIED ADMINISTRATIVE COSTS shall mean reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage and selling commissions that are comparable to those charged nongovernmental entities in transactions not involving tax-exempt bond proceeds, but not legal and accounting fees, recordkeeping, custody or similar costs. For a guaranteed investment contract, a broker's commission paid on behalf of either an issuer or the provider is not a Qualified Administrative Cost to the extent that

the present value of the commission exceeds the aggregate principal value of annual amounts each of which is equal to .05 percent of the amount reasonably expected to be invested in the respective annual period. For investments purchased for a yield restricted defeasance escrow, a fee paid to a bidding agent is a Qualified Administrative Cost only if the fee is comparable to a fee that would be charged for a reasonably comparable investment if acquired with a source of funds other than gross proceeds of tax-exempt bonds, it is reasonable and it does not exceed the lesser of $10,000 or .1% of the initial principal amount of investments deposited in the yield restricted defeasance escrow.

AA. REBATE BOND YIELD shall mean the Bond Yield unless:

1. the Issuer enters into a hedge transaction (*e.g.*, interest rate swap, interest rate cap or collar) that has not been taken into account in computing the Bond Yield, in which case the Issuer shall consult with Bond Counsel for guidance in determining the Rebate Bond Yield; or

2. the Issuer, in a transaction that is separate and apart from the original sale of an issue, transfers, waives or modifies any right that is part of the terms of an issue (*e.g.*, a sale of the call rights on an issue). The Issuer shall consult with Bond Counsel prior to entering into any such transaction and for guidance in determining the Rebate Bond Yield.

BB. REBATE REQUIREMENT shall have the same meaning as when used in Section 4 of the Tax Certificate.

CC. REPLACEMENT PROCEEDS shall mean amounts that have a sufficiently direct nexus to an issue to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the issue were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the expected use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus to cause those amounts to be Replacement Proceeds. Replacement Proceeds include, but are not limited to, amounts held in a sinking fund or a pledged fund. For these purposes, an amount is pledged to pay principal of or interest on an issue if there is reasonable assurance that the amount will be available for such purposes in the event that the Issuer in respect of such issue encounters financial difficulties. Replacement Proceeds also include, but are not limited to, amounts held in any fund or account with respect to which the Issuer or any other person substantially interested in the Issue has covenanted to maintain at least a minimum balance other than (i) a fund the balance in which need be evaluated no more frequently than twice each year or (ii) a fund in respect of the moneys in which the owner may grant a security interest senior to the direct and indirect interests of the Bondholders.

DD. SALE PROCEEDS shall mean any amounts actually or constructively received by the Issuer from the sale of an issue, including amounts used to pay underwriters' discount or compensation and interest other than Pre-Issuance Accrued Interest.

EE. TREASURY REGULATIONS shall mean the Treasury Regulations contained in sections 1.141-0 through 1.141-15, 1.148-0 through 1.148-11, inclusive, 1.149(b)-1, 1.149(d)-1 and 1.149(g)-1, and 1.150-1 and 1.150-2 and to the extent applicable, any subsequent amendments to such regulations or any successor regulations.

FF. UNIVERSAL CAP in respect of an issue hall mean the value of all then outstanding bonds of the issue.

GG. VALUE (OF A BOND) shall mean with respect to a bond issued with not more than two percent original issue discount or original issue premium, the outstanding principal amount, plus accrued unpaid interest; for any other bond, its present value.

HH. VALUE (OF AN INVESTMENT) shall have the following meaning in the following circumstances:

1. GENERAL RULES. Subject to the special rules in the following paragraph, an issuer may determine the value of an investment on a date using one of the following valuation methods consistently applied for all purposes relating to arbitrage and rebate with respect to that investment on that date:

   (1) an investment with not more than two percent original issue discount or original issue premium may be valued at its outstanding stated principal amount, plus accrued unpaid interest;

   (2) a fixed rate investment may be valued at its present value; and

   (3) an investment may be valued at its fair market value on a date (see Appendix V).

2. SPECIAL RULES. Yield restricted investments are to be valued at present value provided that (except for purposes of allocating transferred proceeds to an issue, for purposes of the universal cap and for investments in a commingled fund other than a *bona fide* debt service fund unless it is a certain commingled fund):

   (1) an investment must be valued at its fair market value when it is first allocated to an issue, when it is disposed of and when it is deemed acquired or deemed disposed of, and provided further that;

(2) in the case of transferred proceeds, the value of a nonpurpose investment that is allocated to transferred proceeds of a refunding issue on a transfer date may not exceed the value of that investment on the transfer date used for purposes of applying the arbitrage restrictions to the refunded issue.

APPENDIX II

[RESERVED]

APPENDIX III

REBATE REQUIREMENT

A. GENERALLY. Section 148(f) of the Code requires that certain earnings on Nonpurpose Investments allocable to the Gross Proceeds of an issue be paid to the United States to prevent the bonds of the issue from being arbitrage bonds. The arbitrage that must be rebated is based on the difference between the amount actually earned on Nonpurpose Investments and the amount that would have been earned if those investments had a yield equal to the yield on the issue. As of any date, the rebate amount for an issue is the excess of the future value, as of that date, of all receipts on Nonpurpose Investments over the future value, as of that date, of all payments on Nonpurpose Investments. The future value of a payment or receipt at the end of any period is determined using the economic accrual method and equals the value of that payment or receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the yield on the issue, using the same compounding interval and financial conventions used to compute that yield.

B. COMPUTATION DATES (OTHER THAN THE FINAL COMPUTATION DATE). For a fixed yield issue, the Issuer may treat any date as a Computation Date provided such date is within five years of the Delivery Date. For a variable yield issue, the Issuer may treat the last day of any Bond Year that is not later than five years from the Delivery Date as a Computation Date and may not change that treatment after the first rebate payment, if any, is due. After the first rebate payment, if any, is due, the Issuer must consistently treat either the end of each Bond Year or the end of each fifth Bond Year as Computation Dates and may not change these Computation Dates after the first rebate payment, if any, is due.

C. FINAL COMPUTATION DATE. The date that the final bond of an issue is actually retired (as distinguished from defeased) is the Final Computation Date. For an issue finally retired within three years of its Delivery Date, however, the Final Computation Date need not occur before the end of 8 months after the Delivery Date or during the period in which the Issuer reasonably expects that any of the spending exceptions to the rebate requirement will apply to the issue.

D. AMOUNT OF REQUIRED REBATE. For Computation Dates other than the Final Computation Date, the Issuer must rebate an amount that when added to the future value, as of that Computation Date, of previous rebate payments made for the issue, equals at least 90 percent of the rebate amount as of that date. For the Final Computation Date, a final rebate payment must be paid in an amount that, when added to the future value of previous rebate payments made for the issue, equals 100 percent of the rebate amount as of that date.

E. TIME AND MANNER OF PAYMENT. Each rebate payment must be paid no later than 60 days after the Computation Date to which the payment relates. Any rebate payment paid within this 60-day period may be treated as paid on the Computation Date to which it relates. Unless otherwise provided in subsequent guidance of the Internal revenue Service, each payment made pursuant to this Appendix III shall be filed with the Internal Revenue Service Center, Ogden, UT 84201, and shall be accompanied by a properly completed and executed Form 8038-T.

F. PENALTY IN LIEU OF LOSS OF TAX EXEMPTION. The failure to pay the correct rebate amount when required will cause the bonds of the issue to be arbitrage bonds, unless the Commissioner determines that the failure was not caused by willful neglect and the Issuer promptly pays a penalty to the United States. If no bond of the issue is a private activity bond (other than a qualified 501(c)(3) bond), the penalty equals 50 percent of the rebate amount not paid when required to be paid, plus interest on that amount. Otherwise, the penalty equals 100 percent of the rebate amount not paid when required to be paid, plus interest on that amount. Interest accrues at the underpayment rate under section 6621 of the Code, beginning on the date the correct rebate amount is due and ending on the date 10 days before it is paid. The penalty is automatically waived if the rebate amount that the Issuer failed to pay plus interest is paid within 180 days after discovery of the failure, unless the Commissioner determines that the failure was due to willful neglect, or the issue is under examination by the Commissioner at any time during the period beginning on the date the failure first occurred and ending on the date 90 days after the receipt of the rebate amount. Generally, extensions of this 180-day period and waivers of the penalty in other cases will be granted by the Commissioner only in unusual circumstances.

G. SPENDING EXCEPTIONS FROM REBATE. Notwithstanding the foregoing, the Code and Treasury Regulations provide certain exceptions that, if complied with, will result in the Issuer being treated as having satisfied the obligation to pay rebate with respect to some or all of the Gross Proceeds of the bonds. These exceptions are complex, and satisfaction of any of the exceptions must be confirmed by an independent accountant or other professional expert in the application of the arbitrage rebate provisions of section 148(f) of the Code. The following is a brief summary of each of these exceptions:

i) SIX MONTH EXCEPTION. If the gross proceeds of the bonds (other than gross proceeds held in a *bona fide* debt service fund, amounts in a reasonably required reserve or replacement fund, amounts that were not anticipated to be gross proceeds but that become so after the end of the 6-month spending period, sale or investment proceeds derived from repayments of purpose investments of the bonds, or repayments of grants financed by the bonds (the *"Excepted Gross Proceeds"*) are expended within the 6-month period commencing on the date of issuance of the bonds, and if the rebate requirement is satisfied with respect to all amounts described in the preceding parenthetical (other than with respect to earnings on the *bona fide* debt service fund), then the rebate requirement shall be treated as satisfied;

ii) 18-MONTH EXCEPTION. If the gross proceeds of the bonds (exclusive of the Excepted Gross Proceeds) are allocated to expenditures in accordance with the following schedule measured from the issue date, and the rebate requirements are satisfied with respect to all Excepted Gross Proceeds (other than with respect to earnings on the *bona fide* debt service fund), and all of the sale proceeds and investment proceeds of the bonds qualified for the 3-year temporary period for capital projects (established under section 1.148-3(e)(2) of the Treasury Regulations), then the rebate requirement shall be treated as satisfied:

(1) At least 15 percent within 6 months;

(2) At least 60 percent within 12 months; and

(3) 100 percent within 18 months (provided that reasonable retainage (described in section 1.148-7(h) of the Treasury Regulations) may be allocated to expenditures within 30-months of the date of issuance).

iii) 2-YEAR EXCEPTION. If the bonds constitute a "construction issue" (within the meaning of section 1.148-7(f) of the Treasury Regulations, which requires, inter alia, that at least 75% of the "available construction proceeds" (as defined in section 148(f)(4)(C)(vi) of the Code) are to be allocated to construction expenditures for property to be owned by a state or local governmental unit or a 501(c)(3) organization), and the available construction proceeds of the bonds are allocated to expenditures in accordance with the following schedule measured from the issue date, then the rebate requirements are satisfied with respect to all available construction proceeds Excepted Gross Proceeds (other than with respect to earnings on the *bona fide* debt service fund), and all of the sale proceeds and investment proceeds of the bonds qualified for the 3-year temporary period for capital projects (established under section 1.148-3(e)(2) of the Treasury Regulations), then the rebate requirement shall be treated as satisfied:

(1) At least 10 percent within 6 months;

(2) At least 45 percent within 1 year;

(3) At least 75 percent within 18 months; and

(4) 100 percent within 24 months (provided that reasonable retainage (described in section 1.148-7(h) of the Treasury Regulations) may be allocated to expenditures within 36-months of the date of issuance).

Under the Code and Treasury Regulations, an issue comprising a construction purpose and also any other purpose or other purposes (e.g., acquisition or refunding), the Issuer under certain circumstances may bifurcate the issue for purposes of applying the rebate requirements, and may qualify the construction portion of the issue under the foregoing exception.

H. RECOVERY OF OVERPAYMENT OF REBATE. The Issuer may recover an overpayment of a rebate amount for an issue of tax-exempt bonds by establishing to the satisfaction of the Commissioner that the overpayment occurred. An overpayment is the excess of the amount paid to the United States for an issue under section 148 over the sum of the rebate amount for the issue as of the most recent Computation Date and all amounts that are otherwise required to be paid under section 148 as of the date the recovery is requested. Notwithstanding the preceding sentence, an overpayment may be recovered only to the extent that a recovery on the date that it is first requested would not result in an additional rebate amount if that date were treated as a Computation Date. Furthermore, except for overpayments in certain limited circumstance, an overpayment of less than $5,000 may not be recovered before the Final Computation Date.

I. RECORDKEEPING REQUIREMENT. The Issuer must retain records of the determination of its Rebate Requirement until six years after the retirement of the last obligation of the issue.

APPENDIX IV

ALLOCATION AND ACCOUNTING RULES

A. **GENERAL RULE.** The Issuer may use any reasonable, consistently applied accounting method to account for Gross Proceeds, investments and expenditures of an issue. An accounting method is "consistently applied" if it is applied uniformly within a Fiscal Period and between Fiscal Periods to account for Gross Proceeds of an issue and any amounts that are in a commingled fund.

B. **ALLOCATION OF GROSS PROCEEDS TO AN ISSUE.** Amounts are allocable to only one issue at a time as Gross Proceeds. Amounts cease to be allocated to an issue as Proceeds only when those amounts (i) are allocated to an expenditure for a governmental purpose; (ii) are allocated to transferred proceeds of another issue of obligations; or (iii) cease to be allocated to that issue at retirement of the issue or under the Universal Cap.

C. **ALLOCATION OF GROSS PROCEEDS TO INVESTMENTS.** Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the fair market value of the Nonpurpose Investment as of the purchase or sale date. The fair market value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment.

D. **ALLOCATION OF GROSS PROCEEDS TO EXPENDITURES.** Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a ratable allocation method, so long as the method used is consistently applied. An allocation of Gross Proceeds of an issue to an expenditure must involve a current outlay of cash for a governmental purpose of the issue. A current outlay of cash means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made. Each allocation of gross proceeds to expenditures must be made not later than 18 months after the later of the date the expenditure is paid or the date the project, if any, that is financed by the issue is placed in service, but in any event by the date 60 days after the earlier of the fifth anniversary of the issue date or the final retirement of the issue.

E. **COMMINGLED FUNDS.** Any fund or account that contains both Gross Proceeds of an issue and amounts in excess of $25,000 that are not Gross Proceeds of that issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of the funds deposited therein, constitutes a "COMMINGLED FUND." All payments and receipts (including deemed payments and receipts) on investments held by a commingled fund must be allocated (but not necessarily distributed) among each different source of funds invested in the commingled fund in accordance with a consistently applied, reasonable ratable allocation method. Reasonable ratable allocation methods include, without limitation, methods that allocate payments and receipts in proportion to either (i) the average daily balances of the amounts in the commingled fund from each different

source of funds during any consistent time period within its fiscal year, but at least quarterly (the "Fiscal Period"); or (ii) the average of the beginning and ending balances of the amounts in the commingled fund from each different source of funds for a Fiscal Period that does not exceed one month.

Funds invested in the commingled fund may be allocated directly to expenditures for governmental purposes pursuant to a reasonable consistently applied accounting method. If a ratable allocation method is used to allocate expenditures from the commingled fund, the same ratable allocation method must be used to allocate payments and receipts on investments in the commingled fund.

Generally a commingled fund must treat all its investments as if sold at fair market value either on the last day of the fiscal year or on the last day of each Fiscal Period. The net gains or losses from these deemed sales of investments must be allocated to each different source of funds invested in the commingled fund during the period since the last allocation. This mark-to-market requirement does not apply if (i) the remaining weighted average maturity of all investments held by a commingled fund during a particular fiscal year does not exceed 18 months, and the investments held by the commingled fund during that fiscal year consist exclusively of obligations; or (ii) the commingled fund operated exclusively as a reserve fund, sinking fund or replacement fund for two or more issues of the same issuer. Subject to the Universal Cap limitation, and the principle that amounts are allocable to only one issue at a time as Gross Proceeds, investments held by a commingled fund that serves as a common reserve fund, replacement fund or sinking fund must be allocated ratably among the issues served by the commingled fund in proportion to either (i) the relative values of the bonds of those issues; (ii) the relative amounts of the remaining maximum annual debt service requirements on the outstanding principal amounts of those issues; or (iii) the relative original stated principal amounts of the outstanding issues.

F. **UNIVERSAL CAP.** Amounts that would otherwise be Gross Proceeds allocable to an issue are allocated (and remain allocated) to the issue only to the extent that the Value of the Nonpurpose Investments allocable to those Gross Proceeds does not exceed the Value of all outstanding bonds of the issue. Nonpurpose Investments allocated to Gross Proceeds in a *bona fide* debt service fund for an issue are not taken into account in determining the Value of the Nonpurpose Investments, and those Nonpurpose Investments remain allocated to the issue. To the extent that the Value of the Nonpurpose Investments allocable to the Gross Proceeds of an issue exceed the Value of all outstanding bonds of that issue, the Issuer should seek the advice of Bond Counsel for the procedures necessary to comply with the Universal Cap.

G. **EXPENDITURE FOR WORKING CAPITAL PURPOSES.** Subject to certain exceptions, the Proceeds of an issue may be allocated to "working capital expenditures" as of any date only to the extent that those expenditures exceed "available amounts" as of that date (i.e., "proceeds-spent-last").

For purposes of this section, "working capital expenditures" include all expenditures other than "capital expenditures." "Capital expenditures" are costs of a type properly chargeable (or chargeable upon proper election) to a capital account under general

federal income tax principles. Such costs include, for example, costs incurred to acquire, construct, or improve land, buildings and equipment having a reasonably expected useful life in excess of one year. Thus, working capital expenditures include, among other things, expenditures for current operating expenses and debt service.

For purposes of this section, "available amount" means any amount that is available to the Issuer for working capital expenditure purposes of the type financed by the issue. Available amount excludes Proceeds of the issue but includes cash, investments and other amounts held in accounts or otherwise by an issuer for working capital expenditures of the type being financed by the issue without legislative or judicial action and without a legislative, judicial, or contractual requirement that those amounts be reimbursed. Notwithstanding the preceding sentence, a "reasonable working capital reserve" is treated as unavailable. A working capital reserve is reasonable if it does not exceed five percent of the actual working capital expenditures of the Issuer in the fiscal year before the year in which the determination of available amounts is made. For purpose of the preceding sentence only, in determining the working capital expenditures of an issuer for a prior fiscal year, any expenditures (whether capital or working capital expenditures) that are paid out of current revenues may be treated as working capital expenditures.

The proceeds-spent-last requirement does not apply to expenditures to pay: (i) any issuance costs of the issue or any qualified administrative costs; (ii) fees for qualified guarantees of the issue or payments for a qualified hedge for the issue; (iii) interest on the issue for a period commencing on the Delivery Date and ending on the date that is the later of three years from the Delivery Date or one year after the date on which the financed project is placed in service; (iv) the United States for yield reduction payments (including rebate payments) or penalties for the failure to meet the spend down requirements associated with certain spending exceptions to the rebate requirement; (v) costs, other than those described in (i) through (iv) above, that do not exceed five percent of the Sale Proceeds of an issue and that are directly related to capital expenditures financed by the issue (*e.g.*, initial operating expenses for a new capital project); (vi) principal or interest on an issue paid from unexpected excess sale or investment proceeds; (vii) principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a *bona fide* debt service fund; and (viii) principal, interest, or redemption premium on a prior issue and, for a crossover refunding issue, interest on that issue. Notwithstanding the preceding paragraph, the exceptions described above do not apply if the allocation merely substitutes Gross Proceeds for other amounts that would have been used to make those expenditures in a manner that gives rise to Replacement Proceeds.

APPENDIX V

VALUE OF INVESTMENTS

A. **FAIR MARKET VALUE.** The fair market value of an investment is the price at which a willing buyer would purchase the investment from a willing seller in a *bona fide* arm's-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (*i.e.*, the trade date rather than the settlement date). An investment that is not of a type traded on an established securities market, within the meaning of section 1273 of the Code, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

B. **CERTIFICATES OF DEPOSIT.** A certificate of deposit that has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal shall be treated as purchased at its fair market value if the yield on the certificate of deposit is not less than (i) the yield on reasonably comparable direct obligations of the United States and (ii) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

C. **GUARANTEED INVESTMENT CONTRACTS OR INVESTMENTS PURCHASED FOR A YIELD-RESTRICTED ESCROW.** The purchase price of a guaranteed investment contract or of an investment purchased for a yield-restricted escrow is treated as its fair market value on the purchase date only if:

i) The Issuer makes a *bona fide* solicitation for the investment, where:

(1) The bid specifications are in writing and are timely forwarded to potential providers;

(2) The bid specifications include all material terms of the bid. A term is material if it may directly or indirectly affect the yield or the cost of the investment;

(3) The bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Issuer or any other person (whether or not in connection with the bond issue), and that the bid is not being submitted solely as a courtesy to the Issuer or any other person for purposes of satisfying the requirements of paragraph (d)(6)(iii)(B)(1) or (2) of this section;

(4) The terms of the bid specifications are commercially reasonable. A term is commercially reasonable if there is a legitimate business purpose for the term other than to increase the purchase price or reduce the yield of the

investment. For example, for solicitations of investments for a yield restricted defeasance escrow, the hold firm period must be no longer than the Issuer reasonably requires;

(5) For purchases of guaranteed investment contracts only, the terms of the solicitation take into account the Issuer's reasonably expected deposit and drawdown schedule for the amounts to be invested;

(6) All potential providers have an equal opportunity to bid. For example, no potential provider is given the opportunity to review other bids (i.e., a last look) before providing a bid; and

(7) At least three reasonably competitive providers are solicited for bids. A reasonably competitive provider is a provider that has an established industry reputation as a competitive provider of the type of investments being purchased.

ii) The Issuer receives at least three bids from providers that the Issuer solicited under a *bona fide* solicitation described above that do not have a material financial interest in the issue. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the issue date of the issue. In addition, any entity acting as a financial advisor to the Issuer with respect to the purchase of the investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue. A provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue.

(1) At least one of the three bids described in clause (ii), above, is from a reasonably competitive provider, within the meaning of paragraph 1.148-5(d)(6)(iii)(A)(7) of the Treasury Regulations.

(2) If the Issuer uses an agent to conduct the bidding process, the agent did not bid to provide the investment.

iii) The winning bid satisfies following:

(1) In the case of a guaranteed investment contract, the Issuer purchases the highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's or other third party's fees);

(2) In the case of any other investment:

(a) The winning bid is the lowest cost *bona fide* bid (including any broker's fees). The lowest cost bid is either the lowest cost bid for the portfolio or, if the Issuer compares the bids on an investment-by-investment basis, the aggregate cost of a portfolio comprised of the lowest cost bid for each investment. Any payment received by the Issuer from a provider at the time a guaranteed investment contract

is purchased (e.g., an escrow float contract) for a yield restricted defeasance escrow under a bidding procedure meeting the requirements of this paragraph (iii) is taken into account in determining the lowest cost bid;

(b) The lowest cost *bona fide* bid (including any broker's fees) is not greater than the cost of the most efficient portfolio comprised exclusively of State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt. The cost of the most efficient portfolio of State and Local Government Series Securities is to be determined at the time that bids are required to be submitted pursuant to the terms of the bid specifications;

(c) If State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt are not available for purchase on the day that bids are required to be submitted pursuant to terms of the bid specifications because sales of those securities have been suspended, the cost comparison of this section is not required;

(d) the yield on the investment (determined net of broker's or other third party's fees) is not less than the yield then available from the provider on reasonably comparable guaranteed investment contracts, if any, offered to other persons from a source of funds other than gross proceeds of tax-exempt bonds;

(e) the determination of the terms of the guaranteed investment contract takes into account as a significant factor the Issuer's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in debt service funds and reasonably required reserve or replacement funds;

(f) the terms of the guaranteed investment contract, including collateral security requirements, are reasonable; and

(g) the obligor on the investment contract or provider of the investment certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the investment.

The Issuer shall maintain records adequate to determine the fair market value of the investments described above allocated to an issue at least until three years after the last bond of the issue is finally retired.

EXHIBIT A

INITIAL ISSUE PRICE CERTIFICATE

August 30, 2012

McFarland Unified School District
McFarland, California

Fulbright & Jaworski L.L.P.
Los Angeles, California

Ladies and Gentlemen:

We have served as the Underwriter in the sale by the McFarland Unified School District (County of Kern, California) (the "**Issuer**") of its $4,400,000 aggregate principal amount of 2012 General Obligation Refunding Bonds (the "**Bonds**"). As such, we have been involved in the structuring and the marketing of the Bonds.

We hereby certify that:

(1) August 9, 2012 was the first day on which there was a binding contract in writing for the sale or exchange of the Bonds by the Issuer to us, and on that day (the **"Sale Date"**), we undertook pursuant to such contract to make a bona fide public offering of all of the Bonds. On the Sale Date all of each maturity of the Bonds was offered in a *bona fide* initial offering to the general public (the **"Bona Fide Public Offering"**) at the initial offering price or initial offering yield (the **"Initial Offering Price"** of that maturity) shown for that maturity on the cover page of the Official Statement dated August 9, 2012 relating to such offering (the "**Official Statement**");

(2) based upon our records and other information available to us that we believe to be correct, the first price at which a substantial portion (but in no event less than ten percent) of each maturity the Bonds was sold to the general public pursuant to the Bona Fide Public Offering was the Initial Offering Price for that maturity;

(3) the Initial Offering Price for each maturity represented: (i) our reasonable determination of a fair market value on the Sale Date of that maturity of the Bonds; and (ii) the price that we reasonably expected would be the first price at which a substantial portion (at least 10%) of the Bonds of that maturity would be sold to the general public;

(4) taking into account the aggregate amount of the Bonds, and treating the Initial Offering Price as the issue price of each Bond, the aggregate issue price of the Bonds is $4,623,032 (the Bonds having been sold with an original issue premium of $223,032); and

(5) we have calculated the yield on the Bonds to be 2.7005% (such calculation being attached hereto as Exhibit A). For purposes of this Certificate, the yield was calculated, as described to us by Bond Counsel, as the discount rate that, when used in computing the present value on the Delivery Date of all the expected issue payments of principal and interest and fees for qualified guarantees that are paid and to be paid on the Bonds, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the issue on the Delivery Date thereof.

For purposes of this Certificate, the term "general public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers.

The Issuer has obtained a policy of municipal bond insurance from Assured Guaranty Municipal Corp. (the "**Bond Insurer**") for the Bonds. In our opinion, the amount of the premium paid for the policy with respect to the Bonds, $22,094.13, is not in excess of the present value (computed using as the discount rate the yield on the Bonds) of the expected interest savings as a result of the policy. In our further opinion, that premium is not in excess of a reasonable, arm's-length charge for the transfer of credit risk from the bondholders to the Bond Insurer.

The undersigned understands that the statements made herein will be relied upon by the Issuer in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986 (the **"Code"**), and will be relied upon by Bond Counsel in rendering its legal opinion, concerning the exclusion pursuant section 103(a) of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and from computing the alternative minimum taxable income of the owners thereof for federal income tax purposes.

STIFEL, NICOLAUS & COMPANY, INCORPORATED, DBA STONE & YOUNGBERG, A DIVISION OF STIFEL NICOLAUS, as Underwriter

By: _____
Authorized Representative

EXHIBIT A

YIELD PROOF

(See Attached)

BOND SUMMARY STATISTICS

McFarland Unified School District
2012 General Obligation Refunding Bonds
Bank Qualified

Final Numbers

Dated Date	08/30/2012
Delivery Date	08/30/2012
First Coupon	11/01/2012
Last Maturity	11/01/2024
Arbitrage Yield	2.700488%
True Interest Cost (TIC)	2.714737%
Net Interest Cost (NIC)	2.792243%
All-In TIC	3.194147%
Average Coupon	3.384587%
Average Life (years)	7.544
Duration of Issue (years)	6.659
Par Amount	4,400,000.00
Bond Proceeds	4,623,032.00
Total Interest	1,123,532.46
Net Interest	926,900.46
Bond Years from Dated Date	33,195,555.56
Bond Years from Delivery Date	33,195,555.56
Total Debt Service	5,523,532.46
Maximum Annual Debt Service	510,468.76
Average Annual Debt Service	453,885.34
Underwriter's Fees (per $1000)	
Average Takedown	
Other Fee	6.000000
Total Underwriter's Discount	6.000000
Bid Price	104.468909

Bond Component	Par Value	Price	Average Coupon	Average Life	Average Maturity Date	PV of 1 bp change
Bond Component	4,400,000.00	105.069	3.385%	7.544	03/16/2020	2,981.95
	4,400,000.00			7.544		2,981.95

	TIC	All-In TIC	Arbitrage Yield
Par Value	4,400,000.00	4,400,000.00	4,400,000.00
+ Accrued Interest			
+ Premium (Discount)	223,032.00	223,032.00	223,032.00
- Underwriter's Discount	-26,400.00	-26,400.00	
- Cost of Issuance Expense		-119,698.07	
- Other Amounts		-22,094.13	-22,094.13
Target Value	4,596,632.00	4,454,839.80	4,600,937.87
Target Date	08/30/2012	08/30/2012	08/30/2012
Yield	2.714737%	3.194147%	2.700488%

EXHIBIT B

CERTIFICATE OF BOND INSURER

(See Attached)

DISCLOSURE, NO DEFAULT AND TAX CERTIFICATE OF ASSURED GUARANTY MUNICIPAL CORP.

The undersigned hereby certifies on behalf of Assured Guaranty Municipal Corp. ("AGM"), in connection with the issuance by AGM of its Policy No. 215066-N (the "Policy") in respect of the $4,400,000 in aggregate principal amount of McFarland Unified School District (County of Kern, California), 2012 General Obligation Refunding Bonds (the "Bonds") that:

(i) the information set forth under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." in the official statement dated August 9, 2012, relating to the Bonds (the "Official Statement") is true and correct,

(ii) AGM is not currently in default nor has AGM ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation,

(iii) the Policy is an unconditional and recourse obligation of AGM (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled principal of and interest on the Bonds in the event of Nonpayment by the Issuer (as set forth in the Policy),

(iv) the insurance premium of $22,094.13 (the "Premium") is a charge for the transfer of credit risk and was determined in arm's length negotiations and is required to be paid to AGM as a condition to the issuance of the Policy,

(v) no portion of such Premium represents an indirect payment of costs of issuance, including rating agency fees, other than fees paid by AGM to maintain its ratings, which, together with all other overhead expenses of AGM, are taken into account in the formulation of its rate structure, or for the provision of additional services by us, nor the direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers of tax-exempt bonds (in transactions in which the guarantor has no involvement other than as a guarantor),

(vi) AGM is not providing any services in connection with the Bonds other than providing the Policy, and except for the Premium, AGM will not use any portion of the Bond proceeds; provided, however, that AGM or its affiliates may independently provide a guaranteed investment contract for the investment of all or a portion of the proceeds of the Bonds,

(vii) except for payments under the Policy in the case of Nonpayment by the Issuer, there is no obligation to pay any amount of principal or interest on the Bonds by AGM,

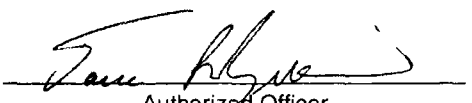
(viii) AGM does not expect that a claim will be made on the Policy,

(ix) the Issuer is not entitled to a refund of the premium for the Policy in the event a Bond is retired before the final maturity date, and

(x) for Bonds which are secured by a debt service reserve fund, AGM would not have issued the Policy unless the authorizing or security agreement for the Bonds provided for a debt service reserve fund funded and maintained in an amount at least equal to, as of any particular date of computation, the reserve requirement as set forth in such agreement.

AGM makes no representation as to the nature of the interest to be paid on the Bonds or the treatment of the Policy under Section 1.148-4(f) of the Income Tax Regulations.

ASSURED GUARANTY MUNICIPAL CORP.

By: 
Authorized Officer

Dated: August 30, 2012

EXHIBIT C

IRS FORM 8038-G

(See Attached)

Form **8038-G**
(Rev. September 2011)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)
► See separate instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ► ☐

1 Issuer's name
McFarland Unified School District

2 Issuer's employer identification number (EIN)
95-3401486

3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)

3b Telephone number of other person shown on 3a

4 Number and street (or P.O. box if mail is not delivered to street address) | Room/suite
601 Second Street

5 Report number *(For IRS Use Only)*
3

6 City, town, or post office, state, and ZIP code
McFarland, CA 93250

7 Date of issue
August 30, 2012

8 Name of issue
General Obligation Refunding Bonds, 2012 Series A

9 CUSIP number
580415GT8

10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions)
Gabriel McCurtis, Superintendent

10b Telephone number of officer or other employee shown on 10a
(661) 792-3081

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11	Education	11	4,623,032	00
12	Health and hospital	12		
13	Transportation	13		
14	Public safety	14		
15	Environment (including sewage bonds)	15		
16	Housing	16		
17	Utilities	17		
18	Other. Describe ►	18		
19	If obligations are TANs or RANs, check only box 19a ► ☐ If obligations are BANs, check only box 19b ► ☐			
20	If obligations are in the form of a lease or installment sale, check box ► ☐			

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	11/01/2024	$ 4,623,032.00	$ 4,400,000.00	7.5 years	2.7005 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0	00
23	Issue price of entire issue (enter amount from line 21, column (b))			23	4,623,032	00
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	146,098 07			
25	Proceeds used for credit enhancement	25	22,094 13			
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0 00			
27	Proceeds used to currently refund prior issues	27	345,669 40			
28	Proceeds used to advance refund prior issues	28	4,109,170 40			
29	Total (add lines 24 through 28)			29	4,623,032	00
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	0	00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31	Enter the remaining weighted average maturity of the bonds to be currently refunded ►	3.6792 years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ►	7.9362 years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) ►	11/01/ 2013
34	Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)	09/15/1998 and 06/2/2004

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35		
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a		
b	Enter the final maturity date of the GIC ▶ _____			
c	Enter the name of the GIC provider ▶ _____			
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37		

38a If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the following information:

b Enter the date of the master pool obligation ▶ _____

c Enter the EIN of the issuer of the master pool obligation ▶ _____

d Enter the name of the issuer of the master pool obligation ▶ _____

39 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box . . . . ▶ ☑

40 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . . ▶ ☐

41a If the issuer has identified a hedge, check here ▶ ☐ and enter the following information:

b Name of hedge provider ▶ _____

c Type of hedge ▶ _____

d Term of hedge ▶ _____

42 If the issuer has superintegrated the hedge, check box . . . . . ▶ ☐

43 If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box . . . . . ▶ ☐

44 If the issuer has established written procedures to monitor the requirements of section 148, check box . . . . . ▶ ☑

45a If some portion of the proceeds was used to reimburse expenditures, check here ▶ ☐ and enter the amount of reimbursement . . . . . ▶ _____

b Enter the date the official intent was adopted ▶ _____

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

Gabriel McCurtis — Signature of issuer's authorized representative — Date

Gabriel McCurtis, Superintendent — Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Richard Kornblith	Richard F. Kornblith	8/30/12		P01063972

Firm's name ▶	Fulbright & Jaworski L.L.P.	Firm's EIN ▶	74-1201087
Firm's address ▶	555 S. Flower St., 41st Fl., Los Angeles, CA 90071	Phone no.	(213) 892-9312

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the McFarland Unified School District (the "District") in connection with the issuance of $4,440,000 aggregate principal amount of the McFarland Unified School District 2012 General Obligation Refunding Bonds (Bank Qualified) (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on March 13, 2012 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Agreement. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Bond holders and in order to assist the underwriter for the Bonds (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, 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 4 and 5 of this Disclosure Certificate.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Designated Material Event" means any of the events listed in Section 6(a) of this Disclosure Certificate.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. Initially, and in the absence of the specific designation of a successor or alternate Dissemination Agent, the Dissemination Agent shall be Caldwell Flores Winters, Inc.

"Listed Event" shall mean any of the events listed in Section 6 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at *http://emma.msrb.org*, or any other entity designated or authorized by the Securities and Exchange Commission ("S.E.C.") to receive reports pursuant to the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated August 9, 2012 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than nine months after the end of the District's fiscal year (currently ending June 30), commencing with the report for the fiscal year ending June 30, 2012, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 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 5 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District or its Dissemination Agent is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, upon receipt from the District:

(i) provide an Annual Report received by it to the MSRB as provided herein; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding Fiscal Year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to each Repository as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding Fiscal Year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) the average daily attendance in the District schools on an aggregate basis;

(ii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding Fiscal Year;

(iii) description of amount of general fund revenues and expenditures which have been budgeted for the current Fiscal Year, together with audited actual budget figures for the preceding Fiscal Year;

(iv) the District's total revenue limit for the preceding Fiscal Year;

(v) prior Fiscal Year total secured property tax levy and collections, showing current collections as a percent of the total levy; and

(vi) current Fiscal Year assessed valuation of taxable properties in the District, including assessed valuation of the top ten properties.

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

SECTION 6. Reporting of Designated Events.

(a) The District agrees to provide or cause to be provided to the MSRB and the California Department of Education notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of or failure to perform by any credit provider.

(v) Issuance by the Internal Revenue Service of an adverse tax opinion, a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating Changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the

District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(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, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(vii) or (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate when the District is no longer an obligated person with

respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent or his or her designee may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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. The initial Dissemination Agent shall be the District. Any subsequent Dissemination Agent shall be paid compensation by the District for its services hereunder in accordance with the schedule of fees of the Dissemination Agent provided to the District. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section 8 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate under the following conditions:

(a) The amendment may be made only 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 the obligated person, or type of business conducted;

(b) This Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

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.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder 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 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Assignment. The District shall not transfer its obligations under the Resolution unless the transferee agrees to assume all obligations of the District under this Disclosure Certificate that would have been obligations of the transferee under the Rule, as amended as of the date of this Disclosure Certificate.

SECTION 14. Governing Law. This Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

SECTION 15. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Underwriter and Holders, from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: August 30, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: McFarland Unified School District

Name of Issue: $4,440,000 General Obligation Refunding Bonds, 2012 Series A (Bank Qualified)

Date of Issuance: August 30, 2012

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Certificate dated August 30, 2012. The Issuer anticipates that the Annual Report will be filed by [DATE].

Dated: _____

[ISSUER/DISSEMINATION AGENT]

By:_____

August 30, 2012

Municipal Securities Rulemaking Board
(MSRB)
1900 Duke Street, Suite 600
Alexandria, VA 22314
http://emma.msrb.org/

Re: Material Event Notice for McFarland Unified School District (County of Kern, California)
1998 General Obligation Refunding Bonds

To Whom It May Concern:

NOTICE IS HEREBY GIVEN by the McFarland Unified School District (the "District") of the refunding and defeasance of the General Obligation Bonds (the "Bonds") listed below. The refunding and defeasance of these Bonds qualify as material events as to which the District is required to file notice with the Municipal Securities Rulemaking Board (MSRB) in connection with such financings.

McFarland Unified School District
(County of Kern, California)
1998 General Obligation Refunding Bonds

The following identified General Obligation Bonds of the District are defeased as of August 30, 2012, to be redeemed on October 1, 2012 at a redemption price of 100%, plus accrued interest thereon:

Maturity Date (June 1)	Principal Amount To Be Redeemed	CUSIP Number (580415)
2013	$50,000	CV7
2014	50,000	CW5
2015	50,000	CX3
2016	50,000	CY1
2017	50,000	CZ8
2018	45,000	DA2
2019	45,000	DB0

The foregoing is intended to satisfy the District's continuing disclosure requirements under Rule 15c2-12 of the Securities and Exchange Commission with respect to the Bonds listed above. Should you require anything further, please contact the undersigned at (661) 792-3081 at your convenience.

Very truly yours,

Gabriel McCurtis
Superintendent

cc: Don Hunt, Fulbright & Jaworski L.L.P.

Clapp, Stuart

From: EMMANotifications@msrb.org
Sent: Thursday, August 30, 2012 9:30 AM
To: Clapp, Stuart
Subject: Published Submission Confirmation

Your Continuing Disclosure Submission has been published.

SubmissionId: EP563747

Disclosure Type: EVENT FILING
Defeasance dated 08/30/2012

Document Name: Event Filing dated 08/30/2012 dated 08/30/2012
MCFARLAND.1998.pdf posted 08/30/2012 12:23:44 PM

The following Issuers are associated with this Continuing Disclosure Submission:

CUSIP6	State	Issuer Name
580415	CA	MC FARLAND CALIF UNI SCH DIST

The following 21 Securities have been published with this Continuing Disclosure Submission:

Security: CUSIP - 580415CF2, Maturity Date - 06/01/1999
Security: CUSIP - 580415CG0, Maturity Date - 06/01/2000
Security: CUSIP - 580415CH8, Maturity Date - 06/01/2001
Security: CUSIP - 580415CJ4, Maturity Date - 06/01/2002
Security: CUSIP - 580415CK1, Maturity Date - 06/01/2003
Security: CUSIP - 580415CL9, Maturity Date - 06/01/2004
Security: CUSIP - 580415CM7, Maturity Date - 06/01/2005
Security: CUSIP - 580415CN5, Maturity Date - 06/01/2006
Security: CUSIP - 580415CP0, Maturity Date - 06/01/2007
Security: CUSIP - 580415CQ8, Maturity Date - 06/01/2008
Security: CUSIP - 580415CR6, Maturity Date - 06/01/2009
Security: CUSIP - 580415CS4, Maturity Date - 06/01/2010
Security: CUSIP - 580415CT2, Maturity Date - 06/01/2011
Security: CUSIP - 580415CU9, Maturity Date - 06/01/2012
Security: CUSIP - 580415CV7, Maturity Date - 06/01/2013
Security: CUSIP - 580415CW5, Maturity Date - 06/01/2014
Security: CUSIP - 580415CX3, Maturity Date - 06/01/2015
Security: CUSIP - 580415CY1, Maturity Date - 06/01/2016
Security: CUSIP - 580415CZ8, Maturity Date - 06/01/2017
Security: CUSIP - 580415DA2, Maturity Date - 06/01/2018
Security: CUSIP - 580415DB0, Maturity Date - 06/01/2019

Please follow the link to view this submission:

http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=EP563747

Please follow the link to make changes to this submission:

August 30, 2012

Municipal Securities Rulemaking Board
(MSRB)
1900 Duke Street, Suite 600
Alexandria, VA 22314
http://emma.msrb.org/

Re: Material Event Notice for McFarland Unified School District (County of Kern, California) General Obligation Bonds, Election of 2004, Series 2004A

To Whom It May Concern:

NOTICE IS HEREBY GIVEN by the McFarland Unified School District (the "District") of the refunding and defeasance of the General Obligation Bonds (the "Bonds") listed below. The refunding and defeasance of these Bonds qualify as material events as to which the District is required to file notice with the Municipal Securities Rulemaking Board (MSRB) in connection with such financings.

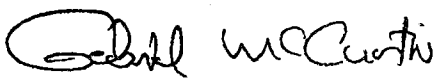
McFarland Unified School District
(County of Kern, California)
General Obligation Bonds
Election of 2004, Series 2004A

The following identified General Obligation Bonds of the District are defeased as of August 30, 2012, to be redeemed on November 1, 2013 at a redemption price of 101%, plus accrued interest thereon:

Maturity Date (November 1)	Principal Amount To Be Redeemed	CUSIP Number (580415)
2014	$225,000	DL8
2015	245,000	DM6
2016	265,000	DN4
2017	290,000	DP9
2018	315,000	DQ7
2019	340,000	DR5
2022	1,185,000	DS3
2024	950,000	DT1

The foregoing is intended to satisfy the District's continuing disclosure requirements under Rule 15c2-12 of the Securities and Exchange Commission with respect to the Bonds listed above. Should you require anything further, please contact the undersigned at (661) 792-3081 at your convenience.

Very truly yours,



Gabriel McCurtis
Superintendent

cc: Don Hunt, Fulbright & Jaworski L.L.P.

Clapp, Stuart

From: EMMANotifications@msrb.org
Sent: Thursday, August 30, 2012 9:30 AM
To: Clapp, Stuart
Subject: Published Submission Confirmation

Your Continuing Disclosure Submission has been published.

SubmissionId: EP563749

Disclosure Type: EVENT FILING
Defeasance dated 08/30/2012

Document Name: Event Filing dated 08/30/2012 dated 08/30/2012
MCFARLAND.2004.pdf posted 08/30/2012 12:24:59 PM

The following Issuers are associated with this Continuing Disclosure Submission:

CUSIP6	State	Issuer Name
580415	CA	MC FARLAND CALIF UNI SCH DIST

The following 20 Securities have been published with this Continuing Disclosure Submission:

Security: CUSIP - 580415DC8, Maturity Date - 11/01/2006
Security: CUSIP - 580415DD6, Maturity Date - 11/01/2007
Security: CUSIP - 580415DE4, Maturity Date - 11/01/2008
Security: CUSIP - 580415DF1, Maturity Date - 11/01/2009
Security: CUSIP - 580415DG9, Maturity Date - 11/01/2010
Security: CUSIP - 580415DH7, Maturity Date - 11/01/2011
Security: CUSIP - 580415DJ3, Maturity Date - 11/01/2012
Security: CUSIP - 580415DK0, Maturity Date - 11/01/2013
Security: CUSIP - 580415DL8, Maturity Date - 11/01/2014
Security: CUSIP - 580415DM6, Maturity Date - 11/01/2015
Security: CUSIP - 580415DN4, Maturity Date - 11/01/2016
Security: CUSIP - 580415DP9, Maturity Date - 11/01/2017
Security: CUSIP - 580415DQ7, Maturity Date - 11/01/2018
Security: CUSIP - 580415DR5, Maturity Date - 11/01/2019
Security: CUSIP - 580415DS3, Maturity Date - 11/01/2022
Security: CUSIP - 580415DT1, Maturity Date - 11/01/2024
Security: CUSIP - 580415DU8, Maturity Date - 11/01/2025
Security: CUSIP - 580415DV6, Maturity Date - 11/01/2026
Security: CUSIP - 580415DW4, Maturity Date - 11/01/2027
Security: CUSIP - 580415DX2, Maturity Date - 11/01/2028

Please follow the link to view this submission:

http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=EP563749

Please follow the link to make changes to this submission:
http://dataport.emma.msrb.org/Submission/ContinuingDisclosureTypeSelect.aspx?sid=EP563749

McFarland Unified School District
(Kern County, California)

2012 General Obligation Refunding Bonds

CAUSEY DEMGEN & MOORE P.C.
Certified Public Accountants and Consultants

CAUSEY DEMGEN & MOORE P.C.
Certified Public Accountants and Consultants

1125 Seventeenth Street - Suite 1450
Denver, Colorado 80202-2025
Telephone: (303) 296-2229
Facsimile: (303) 296-3731
www.causeycpas.com

August 30, 2012

McFarland Unified School District
601 Second Street
McFarland, California 93250

Fulbright & Jaworski L.L.P.
555 South Flower Street, 41st Floor
Los Angeles, California 90071

Stone & Youngberg, a Division of Stifel Nicolaus
One Ferry Building, Suite 275
San Francisco, California 94111

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, New York 10019

Caldwell Flores Winters, Inc.
6425 Christie Avenue, Suite 270
Emeryville, California 94608

We have completed our engagement to verify the mathematical accuracy of (a) the computations relating to the adequacy of cash plus U.S. Treasury Securities to be held in separate escrow accounts to pay the debt service requirements of the following bonds (herein collectively referred to as the "Refunded Bonds") issued by the McFarland Unified School District (Kern County, California) (herein referred to as the "District"):

- 1998 General Obligation Refunding Bonds (only those bonds described in Exhibit A-4) (herein referred to as the "Refunded 1998 Bonds"),

- General Obligation Bonds, Election of 2004, Series 2004A (only those bonds described in Exhibit B-4) (herein referred to as the "Refunded 2004A Bonds"),

and (b) the computations supporting the conclusion of Bond Counsel that the 2012 General Obligation Refunding Bonds (herein referred to as the "Refunding Bonds") to be issued by the District are not "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended. We express no opinion as to the attainability of the assumptions underlying the computations or the tax-exempt status of the Refunding Bonds. Our verification was performed solely on the information contained in certain schedules of proposed transactions provided by Stone & Youngberg, a Division of Stifel Nicolaus. In the course of our engagement to verify the mathematical accuracy of the computations in the schedules provided to us, we prepared Exhibits A through D attached hereto and made a part hereof.

The scope of our engagement consisted of performing the procedures described herein. These procedures were performed in a manner that we deem to be appropriate.

The accompanying exhibits of proposed transactions were prepared on the basis of assumptions underlying the computations and in accordance with the procedures described herein. We did not independently confirm the information used with outside parties.

OUR UNDERSTANDING OF THE TRANSACTION

The District intends to issue the Refunding Bonds on August 30, 2012 to currently refund the Refunded 1998 Bonds and to advance refund the Refunded 2004A Bonds. A portion of the proceeds of the Refunding Bonds will be used to purchase U.S. Treasury Securities and to provide cash that will be placed into separate escrow accounts to refund the Refunded Bonds.

The Escrow Agent will redeem the Refunded 1998 Bonds on October 1, 2012 at a redemption price equal to 100% of par plus accrued interest to such date.

The Escrow Agent will pay the debt service requirements of the Refunded 2004A Bonds on each scheduled payment date through and including November 1, 2013 and will redeem the Refunded 2004A Bonds at a redemption price equal to 101% of par on November 1, 2013, which is the first optional redemption date for these bonds.

ESCROW ACCOUNT TRANSACTIONS FOR THE REFUNDED 1998 BONDS

We verified the mathematical accuracy of the accompanying calculations of the escrow account transactions proposed to refund the Refunded 1998 Bonds.

The presently outstanding debt service requirements of the Refunded 1998 Bonds will be satisfied by the purchase of a U.S. Treasury Security (as described in Exhibit A-2) plus $0.40 in cash. The security and cash will be placed in an irrevocable escrow account and held therein until the Refunded 1998 Bonds are redeemed as previously described.

We read a copy of the Official Statement for the Refunded 1998 Bonds insofar as these obligations are described with respect to principal amounts, interest rates, maturity dates, and redemption provisions. We assumed this document to be accurate and all debt service payments on the Refunded 1998 Bonds to be current as of August 30, 2012. We compared the above information set forth in this Official Statement with the related information contained in the schedules provided to us and found the information to be consistent.

We compared the subscribed interest rate of the U.S. Treasury Security (State and Local Government Series) to be purchased and placed in escrow with the maximum allowable interest rate as published in the SLGS Daily Rate Table by the Bureau of the Public Debt for August 9, 2012 and found the subscribed rate to be less than or equal to the maximum allowable rate that were in effect on the subscription date for the applicable maturity date.

Based on the procedures and information set forth above, the computations provided to us and represented in Exhibits A through A-3, which indicate that the cash and security proposed to be placed in escrow by the District will produce the amount necessary to provide for the timely

payment of the proposed debt payment schedule on the Refunded 1998 Bonds, are mathematically correct.

ESCROW ACCOUNT TRANSACTIONS FOR THE REFUNDED 2004A BONDS

We verified the mathematical accuracy of the accompanying calculations of the escrow account transactions proposed to refund the Refunded 2004A Bonds.

The presently outstanding debt service requirements of the Refunded 2004A Bonds will be satisfied by the purchase of U.S. Treasury Securities (as described in Exhibit B-2) plus $0.40 in cash. The securities and cash will be placed in an irrevocable escrow account and held therein until the Refunded 2004A Bonds are redeemed as previously described.

We read a copy of the Official Statement for the Refunded 2004A Bonds insofar as these obligations are described with respect to principal amounts, interest rates, maturity dates, and redemption provisions. We assumed this document to be accurate and all debt service payments on the Refunded 2004A Bonds to be current as of August 30, 2012. We compared the above information set forth in this Official Statement with the related information contained in the schedules provided to us and found the information to be consistent.

We compared the subscribed interest rates of the U.S. Treasury Securities (State and Local Government Series) to be purchased and placed in escrow with the maximum allowable interest rates as published in the SLGS Daily Rate Table by the Bureau of the Public Debt for August 9, 2012 and found the subscribed rates to be less than or equal to the maximum allowable rates that were in effect on the subscription date for each applicable maturity date.

Based on the procedures and information set forth above, the computations provided to us and represented in Exhibits B through B-3, which indicate that the cash and securities proposed to be placed in escrow by the District will produce the amounts necessary to provide for the timely payment of the proposed debt payment schedule on the Refunded 2004A Bonds, are mathematically correct.

YIELD ON THE REFUNDING BONDS

We verified the mathematical accuracy of the accompanying computations of the yield on the Refunding Bonds as of August 30, 2012. For purposes of this calculation, yield is defined as the rate of interest which, using the assumptions and procedures set forth herein, discounts the payments to be made on the Refunding Bonds to an amount equal to the target purchase price of the Refunding Bonds. The computations were made using a 360-day year with interest compounded semi-annually and treated $223,032.00 as the net original issue premium and $22,094.13 as the bond insurance premium (which results in a target purchase price of $4,600,937.87).

Based upon the procedures and information set forth above, the computations provided to us and represented in Exhibits C and C-1, which indicate that the yield on the Refunding Bonds is 2.70048%, are mathematically correct.

YIELD ON THE INVESTMENT IN THE ESCROWED OBLIGATIONS PURCHASED WITH REFUNDING BOND PROCEEDS

We verified the mathematical accuracy of the accompanying computation of the yield on the investment in the escrowed U.S. Treasury Securities purchased with Refunding Bond proceeds based on an assumed settlement date of August 30, 2012 and an aggregate purchase price of $4,454,839.00. For purposes of this calculation, yield is defined as the rate of interest which, using the assumptions and procedures set forth herein, discounts the combined cash receipts from the escrowed securities to an amount equal to the aggregate purchase price of the escrowed securities. The computations were made using a 360-day year with interest compounded semi-annually and were based on the dates the funds are to be received in their respective escrow accounts and assume that all cash balances are not reinvested.

As provided by Bond Counsel, the District intends to waive the temporary period exemption from yield restriction on those Refunding Bond proceeds allocable to the current refunding of the Refunded 1998 Bonds.

Based upon the procedures and information set forth above, the computations provided to us and represented in Exhibit D, which indicate that the yield on the escrowed securities purchased with Refunding Bond proceeds is 0.17908% (which is less than the yield on the Refunding Bonds), are mathematically correct.

USE OF THIS REPORT

It is understood that this report is solely for the information of and assistance to the addressees hereof in connection with the issuance of the Refunding Bonds and is not to be used, relied upon, circulated, quoted or otherwise referred to for any other purpose without our written consent, except that (i) reference may be made to the report in the Official Statement for the Refunding Bonds in the section captioned "Verification of Mathematical Computations," (ii) reference may be made to the report in the purchase contract or in any closing documents pertaining to the issuance of the Refunding Bonds, (iii) the report may be used in its entirety as an exhibit to the escrow agreements for the Refunded Bonds, (iv) the report may be included in the transcripts pertaining to the issuance of the Refunding Bonds, (v) the report may be relied upon by Bond Counsel in connection with its opinions concerning the Refunded Bonds and the Refunding Bonds, (vi) the report may be relied upon by any rating agency or bond insurer that shall have rated or insured or that will rate or insure the Refunded Bonds or the Refunding Bonds, and (vii) the report may be relied upon by the Escrow Agent for the Refunded Bonds.

* * * * * * * * *

The scope of our engagement is deemed by the addressees hereto to be sufficient to assist such parties in evaluating the mathematical accuracy of the various computations cited above. The sufficiency of this scope is solely the responsibility of the specified users of this report and should not be taken to supplant any additional inquiries or procedures that the users would undertake in

their consideration of the issuance of the bonds related to the transaction described herein. We make no representation regarding the sufficiency of the scope of this engagement. This report should not be used by any party who does not agree to the scope set forth herein and who does not take responsibility for the sufficiency and appropriateness of such scope for their purposes.

Causey Demgen & Moore P.C. is registered and licensed to practice as an Accountancy Corporation in the State of California.

We have no obligation to update this report because of events, circumstances, or transactions occurring subsequent to the date of this report.

Very truly yours,

Causey Demgen & Moore P.C.

EXHIBIT A

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

ESCROW ACCOUNT CASH FLOW
FOR THE REFUNDED 1998 BONDS
AS OF AUGUST 30, 2012

Date	Total Cash Receipt From U.S. Treasury Security (Exhibit A-1)	Cash Disbursement From Escrow (Exhibit A-3)	Cash Balance
Beginning Balance:			$0.40
01-Oct-12	$345,696.27	$345,696.67	0.00
	$345,696.27	$345,696.67	

EXHIBIT A-1

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

CASH RECEIPT FROM THE ESCROWED SECURITY PURCHASED TO REFUND THE REFUNDED 1998 BONDS AS OF AUGUST 30, 2012

	$345,669.00	
	0.090000%	Total
Payment	SLGS (1)	Cash
Date	01-Oct-12	Receipt
01-Oct-12	$345,696.27	$345,696.27
	$345,696.27	$345,696.27

(1) U.S. Treasury Certificate of Indebtedness (State and Local Government Series).

EXHIBIT A-2

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

DESCRIPTION OF THE ESCROWED SECURITY
PURCHASED TO REFUND THE REFUNDED 1998 BONDS
AS OF AUGUST 30, 2012

Type	Settlement Date	Maturity Date	Par Amount	Coupon Rate	Price	Total Cost
SLGS	30-Aug-12	01-Oct-12	$345,669.00	0.090%	100.000000%	$345,669.00
			$345,669.00			$345,669.00

EXHIBIT A-3

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

ESCROW ACCOUNT DISBURSEMENT REQUIREMENTS
FOR THE REFUNDED 1998 BONDS
AS OF AUGUST 30, 2012

		Payment For		
Payment Date	Rate	Principal Redeemed	Interest	Total
01-Oct-12	Various	$340,000.00	$5,696.67	$345,696.67
		$340,000.00	$5,696.67	$345,696.67

EXHIBIT A-4

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

DEBT SERVICE REQUIREMENTS FOR THE REFUNDED 1998 BONDS
ASSUMING NO OPTIONAL REDEMPTIONS PRIOR TO MATURITY
AS OF AUGUST 30, 2012

(FOR INFORMATIONAL PURPOSES ONLY)

Payment Date	Rate	Original Principal	Previously Refunded Principal	Payment For Refunded 1998 Bond Principal	Interest	Total Debt Payment
01-Dec-12					$8,545.00	$8,545.00
01-Jun-13	4.800%	$290,000.00	$240,000.00	$50,000.00	8,545.00	58,545.00
01-Dec-13					7,345.00	7,345.00
01-Jun-14	5.000%	285,000.00	235,000.00	50,000.00	7,345.00	57,345.00
01-Dec-14					6,095.00	6,095.00
01-Jun-15	5.000%	280,000.00	230,000.00	50,000.00	6,095.00	56,095.00
01-Dec-15					4,845.00	4,845.00
01-Jun-16	5.100%	275,000.00	225,000.00	50,000.00	4,845.00	54,845.00
01-Dec-16					3,570.00	3,570.00
01-Jun-17	5.100%	270,000.00	220,000.00	50,000.00	3,570.00	53,570.00
01-Dec-17					2,295.00	2,295.00
01-Jun-18	5.100%	265,000.00	220,000.00	45,000.00	2,295.00	47,295.00
01-Dec-18					1,147.50	1,147.50
01-Jun-19	5.100%	265,000.00	220,000.00	45,000.00	1,147.50	46,147.50
		$1,930,000.00	$1,590,000.00	$340,000.00	$67,685.00	$407,685.00

EXHIBIT B

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

ESCROW ACCOUNT CASH FLOW
FOR THE REFUNDED 2004A BONDS
AS OF AUGUST 30, 2012

Date	Total Cash Receipts From U.S. Treasury Securities (Exhibit B-1)	Cash Disbursements From Escrow (Exhibit B-3)	Cash Balance
Beginning Balance:			$0.40
01-Nov-12	$88,139.92	$88,140.00	0.32
01-May-13	88,139.71	88,140.00	0.03
01-Nov-13	3,941,289.97	3,941,290.00	0.00
	$4,117,569.60	$4,117,570.00	

EXHIBIT B-1

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

CASH RECEIPTS FROM THE ESCROWED SECURITIES
PURCHASED TO REFUND THE REFUNDED 2004A BONDS
AS OF AUGUST 30, 2012

Payment Date	$86,913.00 0.090000% SLGS (1) 01-Nov-12	$84,511.00 0.150000% SLGS (1) 01-May-13	$3,937,746.00 0.180000% SLGS (2) 01-Nov-13	Total Cash Receipts
01-Nov-12	$86,926.50		$1,213.42	$88,139.92
01-May-13		$84,595.74	3,543.97	88,139.71
01-Nov-13			3,941,289.97	3,941,289.97
	$86,926.50	$84,595.74	$3,946,047.36	$4,117,569.60

(1) U.S. Treasury Certificate of Indebtedness (State and Local Government Series).
(2) U.S. Treasury Note or Bond (State and Local Government Series).

EXHIBIT B-2

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

DESCRIPTION OF THE ESCROWED SECURITIES
PURCHASED TO REFUND THE REFUNDED 2004A BONDS
AS OF AUGUST 30, 2012

Type	Settlement Date	Maturity Date	Par Amount	Coupon Rate	Price	Total Cost
SLGS	30-Aug-12	01-Nov-12	$86,913.00	0.090%	100.000000%	$86,913.00
SLGS	30-Aug-12	01-May-13	84,511.00	0.150%	100.000000%	84,511.00
SLGS	30-Aug-12	01-Nov-13	3,937,746.00	0.180%	100.000000%	3,937,746.00
			$4,109,170.00			$4,109,170.00

EXHIBIT B-3

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

ESCROW ACCOUNT DISBURSEMENT REQUIREMENTS
FOR THE REFUNDED 2004A BONDS
AS OF AUGUST 30, 2012

		Payment For			
Payment Date	Rate	Principal Redeemed	Interest	Premium	Total
01-Nov-12			$88,140.00		$88,140.00
01-May-13			88,140.00		88,140.00
01-Nov-13	Various	$3,815,000.00	88,140.00	$38,150.00	3,941,290.00
		$3,815,000.00	$264,420.00	$38,150.00	$4,117,570.00

EXHIBIT B-4

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

DEBT SERVICE REQUIREMENTS FOR THE REFUNDED 2004A BONDS
ASSUMING NO OPTIONAL REDEMPTIONS PRIOR TO MATURITY
AS OF AUGUST 30, 2012

(FOR INFORMATIONAL PURPOSES ONLY)

Payment		Payment For		Total Debt
Date	Rate	Principal	Interest	Payment
01-Nov-12			$88,140.00	$88,140.00
01-May-13			88,140.00	88,140.00
01-Nov-13			88,140.00	88,140.00
01-May-14			88,140.00	88,140.00
01-Nov-14	4.200%	$225,000.00	88,140.00	313,140.00
01-May-15			83,415.00	83,415.00
01-Nov-15	4.300%	245,000.00	83,415.00	328,415.00
01-May-16			78,147.50	78,147.50
01-Nov-16	4.350%	265,000.00	78,147.50	343,147.50
01-May-17			72,383.75	72,383.75
01-Nov-17	4.400%	290,000.00	72,383.75	362,383.75
01-May-18			66,003.75	66,003.75
01-Nov-18	4.500%	315,000.00	66,003.75	381,003.75
01-May-19			58,916.25	58,916.25
01-Nov-19	4.550%	340,000.00	58,916.25	398,916.25
01-May-20			51,181.25	51,181.25
01-Nov-20	4.750%	365,000.00	51,181.25	416,181.25
01-May-21			42,512.50	42,512.50
01-Nov-21	4.750%	395,000.00	42,512.50	437,512.50
01-May-22			33,131.25	33,131.25
01-Nov-22	4.750%	425,000.00	33,131.25	458,131.25
01-May-23			23,037.50	23,037.50
01-Nov-23	4.850%	460,000.00	23,037.50	483,037.50
01-May-24			11,882.50	11,882.50
01-Nov-24	4.850%	490,000.00	11,882.50	501,882.50
		$3,815,000.00	$1,481,922.50	$5,296,922.50

EXHIBIT C

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

YIELD ON THE REFUNDING BONDS
AS OF AUGUST 30, 2012

Payment Date	Total Debt Payment (Exhibit C-1)	Present Value at August 30, 2012 Using a Semi-Annually Compounded Yield of 2.70048%
01-Nov-12	$84,657.35	$84,273.44
01-May-13	72,159.38	70,875.16
01-Nov-13	72,159.38	69,930.92
01-May-14	72,159.38	68,999.26
01-Nov-14	337,159.38	318,098.85
01-May-15	69,509.38	64,706.14
01-Nov-15	404,509.38	371,540.24
01-May-16	64,484.38	58,439.57
01-Nov-16	414,484.38	370,625.95
01-May-17	59,234.38	52,260.88
01-Nov-17	429,234.38	373,656.52
01-May-18	51,834.38	44,521.64
01-Nov-18	441,834.38	374,444.95
01-May-19	44,034.38	36,821.00
01-Nov-19	459,034.38	378,725.10
01-May-20	37,809.38	30,778.94
01-Nov-20	427,809.38	343,620.91
01-May-21	31,959.38	25,328.11
01-Nov-21	446,959.38	349,500.45
01-May-22	23,659.38	18,254.01
01-Nov-22	463,659.38	352,962.96
01-May-23	14,859.38	11,161.07
01-Nov-23	489,859.38	363,037.86
01-May-24	7,734.38	5,655.63
01-Nov-24	502,734.38	362,718.31
	$5,523,532.47	$4,600,937.87

Dated Date:	30-Aug-12
Delivery Date:	30-Aug-12

The above aggregate present value of the future payments equals the following:

Par Value of the Issue	$4,400,000.00
Net Original Issue Premium	223,032.00
Bond Insurance Premium	(22,094.13)
Proceeds on Delivery Date	$4,600,937.87

EXHIBIT C-1

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

REFUNDING BOND DEBT SERVICE REQUIREMENTS AND PRODUCTION
AS OF AUGUST 30, 2012

Payment Date	Rate	Payment For		Total Debt Payment	Reoffering Price	Original Issue Premium/ (Discount)	Total Production
		Principal	Interest				
01-Nov-12	2.000%	$60,000.00	$24,657.35	$84,657.35	100.253%	$151.80	$60,151.80
01-May-13			72,159.38	72,159.38			
01-Nov-13			72,159.38	72,159.38			
01-May-14			72,159.38	72,159.38			
01-Nov-14	2.000%	265,000.00	72,159.38	337,159.38	102.357%	6,246.05	271,246.05
01-May-15			69,509.38	69,509.38			
01-Nov-15	3.000%	335,000.00	69,509.38	404,509.38	105.580%	18,693.00	353,693.00
01-May-16			64,484.38	64,484.38			
01-Nov-16	3.000%	350,000.00	64,484.38	414,484.38	106.247%	21,864.50	371,864.50
01-May-17			59,234.38	59,234.38			
01-Nov-17	4.000%	370,000.00	59,234.38	429,234.38	111.334%	41,935.80	411,935.80
01-May-18			51,834.38	51,834.38			
01-Nov-18	4.000%	390,000.00	51,834.38	441,834.38	111.674%	45,528.60	435,528.60
01-May-19			44,034.38	44,034.38			
01-Nov-19	3.000%	415,000.00	44,034.38	459,034.38	104.667%	19,368.05	434,368.05
01-May-20			37,809.38	37,809.38			
01-Nov-20	3.000%	390,000.00	37,809.38	427,809.38	103.073%	11,984.70	401,984.70
01-May-21			31,959.38	31,959.38			
01-Nov-21	4.000%	415,000.00	31,959.38	446,959.38	109.472%	39,308.80	454,308.80
01-May-22			23,659.38	23,659.38			
01-Nov-22	4.000%	440,000.00	23,659.38	463,659.38	109.163%	40,317.20	480,317.20
01-May-23			14,859.38	14,859.38			
01-Nov-23	3.000%	475,000.00	14,859.38	489,859.38	98.131%	(8,877.75)	466,122.25
01-May-24			7,734.38	7,734.38			
01-Nov-24	3.125%	495,000.00	7,734.38	502,734.38	97.275%	(13,488.75)	481,511.25
		$4,400,000.00	$1,123,532.47	$5,523,532.47		$223,032.00	$4,623,032.00

EXHIBIT D

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

ESCROW YIELD CALCULATION
AS OF AUGUST 30, 2012

	Cash Receipts From U.S. Treasury Securities Purchased to Refund the:			
Date	Refunded 1998 Bonds (Exhibit A)	Refunded 2004A Bonds (Exhibit B)	Total Cash Receipts	Present Value at August 30, 2012 Using a Semi-Annually Compounded Yield of 0.17908%
01-Oct-12	$345,696.27		$345,696.27	$345,642.99
01-Nov-12		$88,139.92	88,139.92	88,113.19
01-May-13		88,139.71	88,139.71	88,034.16
01-Nov-13		3,941,289.97	3,941,289.97	3,933,048.66
	$345,696.27	$4,117,569.60	$4,463,265.87	$4,454,839.00

Cost of Securities Purchased to Refund the:	
Refunded 1998 Bonds	$345,669.00
Refunded 2004A Bonds	4,109,170.00
Total Cost of Securities	$4,454,839.00

EXHIBIT E

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

ESTIMATED SOURCES AND USES OF FUNDS
AS OF AUGUST 30, 2012

Sources of Funds:	
Par Value of Bonds	$4,400,000.00
Net Original Issue Premium	223,032.00
Total Sources of Funds	$4,623,032.00
Uses of Funds:	
Beginning Escrow Account Cash Balance for the:	
Refunded 1998 Bonds	$0.40
Refunded 2004A Bonds	0.40
Cost of the Escrowed Securities Purchased to Refund the:	
Refunded 1998 Bonds	345,669.00
Refunded 2004A Bonds	4,109,170.00
Bond Insurance Premium	22,094.13
Underwriter's Discount	26,400.00
Issuance Costs	119,698.07
Total Uses of Funds	$4,623,032.00

EXECUTION COPY

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)

$4,400,000
2012 General Obligation Refunding Bonds

BOND PURCHASE AGREEMENT

August 9, 2012

McFarland Unified School District
259 Sherwood Avenue
McFarland, California 93250

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated d.b.a. Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter"), offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the McFarland Unified School District (the "District"), which, upon your acceptance hereof, will be binding upon the District and the Underwriter. By execution of this Purchase Agreement, the District and the Underwriter acknowledge the terms hereof and recognize that they will be bound by certain of the provisions hereof, and to the extent binding thereupon, acknowledge and agree to such terms. This offer is made subject to the written acceptance of this Purchase Agreement by the District and delivery of such acceptance to us at or prior to 11:59 P.M., California Time, on the date hereof.

The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the District and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as the agent or fiduciary of the District, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters) and the Underwriter has no obligation to the District with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Agreement and (iv) the District has consulted its own legal, financial and other advisors to the extent it has deemed appropriate. The District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB")

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of $4,400,000 McFarland

Unified School District 2012 General Obligation Refunding Bonds (the "Bonds"). The Bonds shall accrete interest at the rates with the yields to maturity, and shall mature as shown on Exhibit A hereto, which is incorporated herein by this reference. The Underwriter shall purchase the Bonds at a price of $4,596,632 (consisting of the aggregate initial issue amount of the Bonds of $4,400,000.00, plus a net original issue premium of $223,032.00, less an Underwriter's discount of $26,400.00. The bond insurance premium in the amount of $22,094.13 will be wired to the Insurer (defined below) directly from the Underwriter.

Inasmuch as this purchase and sale represents a negotiated transaction, the District understands, and hereby confirms, that the Underwriter is not acting as a fiduciary of the District, but rather is acting solely in its capacity as Underwriter, for its own account. The Underwriter has been duly authorized to execute this Purchase Agreement and to act hereunder.

2. **The Bonds.** The Bonds shall be dated as of their date of delivery, shall bear interest from their date of delivery, payable semiannually on May 1 and November 1 of each year, commencing November 1, 2012 and shall mature on November 1 in the years shown on Exhibit A hereto. The Bonds shall otherwise be as described in, and shall be issued and secured pursuant to the provisions of the Resolution of the governing board of the District adopted on March 13, 2012 (the "Resolution"), this Purchase Agreement and Article 9 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"). The Paying Agent for the Bonds, as designated by the Resolution, shall be Wells Fargo Bank, National Association (the "Paying Agent").

The Bonds shall be executed and delivered under and in accordance with the provisions of this Purchase Agreement and the Resolution. The Bonds shall be in book-entry form, shall bear CUSIP numbers, shall be in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The payment of principal of the Bonds shall be secured by a municipal bond insurance policy (the "Insurance Policy"), to be issued simultaneously with the issuance of the Bonds by Assured Guaranty Municipal Corp. (the "Insurer").

3. **Use of Documents.** The District hereby authorizes the Underwriter to use, in connection with the offering and sale of the Bonds, this Purchase Agreement, the Official Statement, the Resolution, and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

4. **Public Offering of the Bonds.** The Underwriter agrees to make a *bona fide* public offering of all the Bonds at the initial public offering prices or yields to be set forth on the cover or inside cover page of the Official Statement (defined below) and may subsequently change such offering prices without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated in the Official Statement.

5. **Official Statement.** The District has caused to be drafted and consents to the use of a Preliminary Official Statement (the "Preliminary Official Statement"), including the cover page and Appendices thereto, relating to the Bonds. The District represents that it deems the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), interest rate(s), yield(s) to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended (the "Rule"). The Preliminary Official Statement has been prepared for use by the Underwriter in connection with the public offering, sale and distribution of the Bonds.

The District hereby authorizes the preparation of a final Official Statement respecting the Bonds following the execution hereof (the "Official Statement") and the District hereby authorizes the use thereof by the Underwriter in connection with the public offering and sale of the Bonds. The District shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the District's acceptance of this Agreement (but, in any event, not later than seven business days after the execution hereof, and in sufficient time to accompany any confirmation of a sale of Bonds) copies of the Official Statement, which is complete as of the date of its delivery to the Underwriter, in such reasonable quantities as the Underwriter shall request in order to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board.

The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

During the period ending on the 25th day after the End of the Underwriting Period (or such other period as may be agreed to by the District and the Underwriter), the District (i) shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the District, that is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the opinion of the Underwriter, such event requires the preparation and distribution of a supplement or amendment to the Official Statement, the District shall prepare and furnish to the Underwriter, at the District's expense, such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the District and the Underwriter, as the Underwriter may reasonably request. If such notification shall be given subsequent to the Closing Date, the District also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

For purposes of this Agreement:

the "End of the Underwriting Period" is used as defined in Rule 15c2-12 and shall occur on the later of (A) the date of Closing or (B) when the Underwriter no longer retains an unsold balance of the Bonds; unless otherwise advised in writing by the Underwriter on or prior to the Closing Date, or otherwise agreed to by the District and the Underwriter, the District may assume that the End of the Underwriting Period is the Closing Date.

The Underwriter hereby agrees to file the Official Statement with the MSRB.

6. **Closing.** At 9:00 a.m., California Time, on August 30, 2012, or at such other time or on such other date as shall have been mutually agreed upon by the District and the Underwriter (the "Closing"), the District will deliver to the Underwriter, at the offices of DTC, or at such other place as the parties may mutually agree upon, the Bonds in book-entry form, duly executed and registered as provided in paragraph 2 above, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds by wire transfer to an account or accounts within the United States designated by the District. The Underwriter will deposit certain original issue premium with the Paying Agent, who shall pay or provide for payment of the costs of issuance of the Bonds, as detailed in Section 10 hereof.

7. **Representations, Warranties and Agreements of the District.** The District hereby represents, warrants and agrees with the Underwriter that:

A. The District is a school district duly organized and validly existing under the laws of the State of California, with the full legal right, power and authority to (i) to issue the Bonds pursuant to the Act; (ii) enter into, execute and deliver this Purchase Agreement and the Continuing Disclosure Undertaking appended to the Official Statement (the "Continuing Disclosure Agreement"); (iii) to adopt the Resolution; and (iv) to construct, improve or acquire the Projects (as described in the Official Statement) with the proceeds of sale of the Bonds.

B. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has the legal right, power and authority to enter into this Purchase Agreement, to adopt the Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Purchase Agreement and the Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the Continuing Disclosure Agreement, the Escrow Agreements, the Resolution and this Purchase Agreement (collectively, the "District Documents") have been duly authorized and such authorization shall be in force and effect at the time of the Closing; (iv) the District Documents constitute valid and legally binding obligations of the District enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and to principles of equity

relating to or affecting the enforcement of creditors' rights; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Purchase Agreement and by the Official Statement.

C. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, or which have not been taken or obtained; provided, however, that the District shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

D. The District has complied with the requirements of the Internal Revenue Code of 1986, as amended, applicable to the Bonds.

E. To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of the District Documents, and the compliance with the provisions thereof and hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

F. As of the time of acceptance hereof no action, suit, hearing or investigation is pending or, to the best knowledge of the District, threatened: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of the Bonds, the application of the proceeds of the sale of the Bonds, or the collection of revenues or assets of the District available to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Agreement or the Resolution or contesting the powers of the District or its authority with respect to the Bonds, this Purchase Agreement or the Resolution; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Agreement or the Resolution, (b) declare this Purchase Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes or the exemption of such interest from California personal income taxation.

G. Between the date hereof and the Closing without the prior written consent of the Underwriter, neither the District nor the County of Kern (the "County") in the name and on behalf of the District, will have issued in the name and on behalf of the District, any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

H. Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.

I. With respect to any certificates by the District pursuant to Section 42131 of the Education Code of the State, the District has not received, and for the next reporting period does not expect to receive, a qualified or negative classification from the County Superintendent of Schools.

J. In accordance with the requirements of the Rule, the District will enter into the Continuing Disclosure Agreement, upon or prior to the sale of the Bonds, in which the District will undertake, for the benefit of the Owners of the Bonds, to provide certain information as set forth therein. Based upon reasonable investigation, the District certifies that it is not in default with respect to any continuing disclosure obligation it may have incurred prior to the date hereof in connection with the delivery or issuance of any debt instruments, bonds, notes or lease-purchase obligations.

K. The District will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request in order to qualify the Bonds for offering and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and to continue such qualifications in effect so long as may be required for the distribution of the Bonds (provided, however, that the District will not be required to qualify as a foreign corporation or to file any general or special consent to service of process under the laws of any jurisdiction).

L. The District agrees to apply the proceeds from the sale of the Bonds for the purposes specified in the Resolution.

M. The Preliminary Official Statement did not and the Official Statement does not as of its date (excluding therefrom information relating to The Depository Trust Company and the Insurer) and information provided by the Underwriter) contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of, and other financial information regarding, the District contained in

the Official Statement fairly represent the financial position and operating results of the District as of the dates and for the periods set forth therein. Prior to the Closing, there will have been no adverse change of a material nature in such financial position, results of operation or condition, financial or otherwise, of the District. The District is not a party to any litigation or other proceeding pending, or, to its knowledge, threatened which, if decided adversely to the District, would have a materially adverse effect on the financial condition of the District.

8. **Conditions to Closing.** The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the District contained herein and the performance by the District of its obligations hereunder, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the date of Closing. Accordingly, the Underwriter's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds are and shall be conditions upon the performance by the District of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject at the option of the Underwriter, to the following further conditions, including the delivery by the District such documents and instruments as are enumerated herein, in form and substance satisfactory to the Underwriter:

A. The representations and warranties of the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District shall be in compliance with each of the agreements made by them, individually, in this Purchase Agreement;

B. At the time of the Closing, (i) the Official Statement, this Purchase Agreement and the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District shall perform or have performed all of its obligations required under or specified in the Resolution, this Purchase Agreement or the Official Statement to be performed at or prior to the Closing;

C. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, pending or threatened, which has any of the effects described in Section 7.F. hereof, or contesting in any way the completeness or accuracy of the Official Statement;

D. Between the date hereof and the Closing, the market price for the Bonds, or the market for or marketability of the Bonds at the initial offering prices set

forth in the Official Statement, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall not have been materially adversely affected in the reasonable professional judgment of the Underwriter (evidenced by a written notice to the District terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds) by reason of any of the following:

(1) legislation enacted by the Congress of the United States, or passed by either House of the Congress, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or by the legislature of the State of California (the "State"), or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court of the United States or the State or by the United States Tax Court, or an order, regulation (final, temporary or proposed) or official statement issued or made:

(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service or other federal or State authority, which would have the purpose or effect of changing, directly or indirectly, the federal income tax consequences or State tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof; or

(ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

(2) the declaration of war or engagement in or material escalation of major military hostilities by the United States or the occurrence of any other national or international emergency or calamity or crisis relating to the effective operation of the government or the financial community in the United States;

(3) the declaration of a general banking moratorium by federal, New York or State authorities having jurisdiction, or the general suspension of trading on any national securities exchange or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on any national securities exchange, whether by virtue of a determination by that exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(4) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material

restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters;

(5) an order, decree or injunction of any court of competent jurisdiction, or order, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the Federal securities laws, as amended and then in effect;

(6) the withdrawal or downgrading of any rating of any of the District's outstanding indebtedness by a national rating agency;

(7) any event's occurring, or information's becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information set forth in the Official Statement, or results in an omission to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(8) there shall have occurred since the date of this Purchase Agreement any materially adverse change in the affairs or financial condition of the District;

(9) any state Blue Sky or securities commission, or other governmental agency or body, shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(10) any amendment shall have been made to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the District, its property, income securities (or interest thereon) or the validity or enforceability of the levy of taxes to pay principal of and interest on the Bonds; or

(11) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

E. At or prior to the date of the Closing, the Underwriter shall receive five copies of the following documents, in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(1) An approving opinion of Bond Counsel addressed to the District;

(2) A reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described in E(1) above;

(3) A supplemental opinion from Bond Counsel, addressed to the Underwriter and the District, to the effect that:

(a) this Purchase Agreement has been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Underwriter, is a legally valid and binding agreement of the District, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies, and is subject to general principles of equity (regardless of whether such enforcement is considered in equity or at law);

(b) the statements contained in the Official Statement in the sections thereof entitled: "THE BONDS" and "TAX MATTERS," insofar as such statements purport to summarize certain provisions of the Bonds, the Resolution, present a fair and accurate summary of such provisions; and

(c) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(4) A defeasance opinion of Fulbright & Jaworski L.L.P., Bond Counsel as to the effective defeasance of the 2004 Bonds;

(5) A defeasance opinion of Fulbright & Jaworski L.L.P., Bond Counsel as to the effective defeasance of the 1998 Bonds;

(6) An opinion, dated the date of the Closing and addressed to the District and the Underwriter, of Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel for the District;

(7) An opinion, dated the date of the Closing and addressed to the District and Fulbright & Jaworski L.L.P., of Nossaman LLP, Irvine, California, Counsel for the Underwriter;

(8) A certificate signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Purchase

Agreement, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the Resolution and this Purchase Agreement to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (iv) such official has reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statements of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) the Bonds being delivered on the date of the Closing to the Underwriter under this Purchase Agreement substantially conform to the descriptions thereof contained in the Resolution and (vi) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending or, to his or her knowledge, threatened against the District contesting in any way the completeness or accuracy of the Official Statement, the issuance of the Bonds by the District or the due adoption of the Resolution;

(9) A tax certificate of the District in form satisfactory to Bond Counsel;

(10) Evidence satisfactory to the Underwriter that the Bonds have received an underlying rating of "A," and "AA-" (stable outlook) rating based upon the issuance of the Insurance Policy from S&P (or such other equivalent rating as such rating agency may give) and that such rating have not been revoked or downgraded;

(11) A certificate, together with fully executed copies of the Resolution, of the Secretary of the District Board of Education to the effect that:

(i) such copies are true and correct copies of the Resolution; and

(ii) that the Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.

(12) A "deemed final" certificate of the appropriate official of the District with respect to the Preliminary Official Statement in accordance with the Rule;

(13) The Continuing Disclosure Agreement, signed by an appropriate official of the District and the Dissemination Agent, if any;

(14) A certificate of the Paying Agent, signed by a duly authorized officer of the Paying Agent, and in form and substance satisfactory to the Underwriter, to the effect that, to the best of such officer's knowledge, no

litigation is pending or threatened (either in state or federal courts) (A) seeking to restrain or enjoin the delivery by the Paying Agent of any of the Bonds, or (B) in any way contesting or affecting any authority of the Paying Agent for the delivery of the Bonds or the validity or enforceability of the Bonds or any agreement with the Paying Agent;

(15) A municipal bond insurance policy issued by the Insurer with respect to the Bonds, together with an opinion from general counsel to such Insurer as to the enforceability thereof and a Certificate issued by such Insurer regarding the description of the Insurer in the Official Statement and certain other matters;

(16) A copy of the 2004 Escrow Agreement executed by the District and the Escrow Agent;

(17) A copy of the 1998 Escrow Agreement executed by the District and the Escrow Agent;

(18) A certificate of the Escrow Agent, dated the date of closing, signed by a duly authorized officer of the Escrow Agent, and in form and substance satisfactory to the Underwriter, to the effect that (A) the Escrow Agent has all necessary power and authority to enter into and perform its duties under each of the Escrow Agreements; (B) the Escrow Agent has duly authorized, executed and delivered the Escrow Agreements, and, assuming due authorization, execution and delivery by the other parties thereto, ach of the Escrow Agreement constitutes the valid and binding agreement of the Escrow Agent enforceable against the Escrow Agent in accordance with its terms, except as enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and to the application of equitable principles; (C) the execution and delivery of the Escrow Agreements and compliance with the provisions thereof have been duly authorized by all necessary corporate action on the part of the Escrow Agent and, to the best knowledge of the Escrow Agent, will not conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution, charter, bylaws or any agreement to which the Escrow Agent is subject or by which it is bound; (D) the Escrow Agent has complied in all respects with the covenants and agreements contained in each of the Escrow Agreements, as of the date thereof; (E) all approvals, consents and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the Escrow Agent of its duties and obligations under each of the Escrow Agreements have been obtained and are in full force and effect as of the date hereof; (F) each of the Escrow Agreements was duly executed and delivered by a duly authorized officer of the Escrow Agent; and (G) no litigation is pending or, to the best knowledge of the Escrow Agent, threatened (either in state or federal courts) against the Escrow Agent in

any way contesting or affecting the validity or enforceability of the Bonds or the Escrow Agreements;

(19) Verification Report; and

(20) Such additional legal opinions, certificates, proceedings, instruments, and other documents as the Underwriter may reasonably request in order to evidence compliance (i) by the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the District herein contained and of the Official Statement, and (iii) the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

F. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever, the forms of Bonds shall not have been provided by or on behalf of the District to the Underwriter prior to the Closing, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriter under Section 12 hereof.

If the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the District in writing or by telephone or telecopy, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

9. **Conditions to Obligations of the District.** The performance by the District of their respective obligations under this Purchase Agreement is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the District and by the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than themselves.

10. **Expenses.** Pursuant to Section 53556 of the Government Code, $168,192.20 of Bond proceeds will be used to pay costs of issuance, including but not limited to: (i) the fees and disbursements of Bond Counsel, Disclosure Counsel and Counsel to the Underwriter; (ii) the cost of the preparation, printing and delivery of the Bonds; (iii) the fees, if any, for bond ratings and bond insurance premium, including all expenses related to obtaining such ratings and bond insurance; (iv) the cost of the printing and distribution of the Official Statement; (v) fees of any Paying Agent appointed for the purpose of paying costs of issuance, and the initial fees of the Paying Agent, (vi) fees of the Financial Advisor and (vii) all other fees and expenses incident to the issuance and sale of Bonds. If, after payment of all costs of issuance set forth above, any amount that has not been expended shall be transferred into the District's Debt Service Fund.

Any expenses owing following the depletion of said amount shall be for the account of the District. The Underwriter shall pay its out-of-pocket expenses.

11. **Notices.** Any notice or other communication to be given under this Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof may be given by delivering the same in writing, if to the District, to the Superintendent of McFarland Unified School District, 259 Sherwood Avenue, McFarland, California 93250, or if to the Underwriter, to Stone & Youngberg, a Division of Stifel Nicolaus, 515 South Figueroa Street, Suite 1800, Los Angeles, California 90071, Attention: John R. Baracy.

12. **Parties In Interest; Survival of Representations and Warranties.** This Purchase Agreement when accepted by the District in writing as heretofore specified shall constitute the entire agreement between the District and the Underwriter. This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All the representations, warranties and agreements of the District in this Purchase Agreement shall survive regardless of (a) any investigation of any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriter for the Bonds hereunder, and (c) any termination of this Purchase Agreement.

13. **Execution in Counterparts.** This Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

14. **Applicable Law.** This Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in such State.

Very truly yours,

STIFEL, NICOLAUS & COMPANY, INCORPORATED D.B.A. STONE & YOUNGBERG, A DIVISION OF STIFEL NICOLAUS

By_____
Authorized Representative

The foregoing is hereby agreed to and accepted as of the date first above written:

MCFARLAND UNIFIED SCHOOL DISTRICT

By_____
Gabriel McCurtis
Superintendent

Date: _____

Time: _____

14. **Applicable Law.** This Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in such State.

Very truly yours,

STIFEL, NICOLAUS & COMPANY, INCORPORATED d.b.a. STONE & YOUNGBERG LLC, a Division of Stifel Nicolaus

By_____
Authorized Representative

The foregoing is hereby agreed to and accepted as of the date first above written:

MCFARLAND UNIFIED SCHOOL DISTRICT

By_____
Gabriel McCurtis
Superintendent

Date: 8/9/12

Time: 1:30 p.m

EXHIBIT A

MATURITY SCHEDULES AND INTEREST RATES

MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)

2012 General Obligation Refunding Bonds

Maturity (November 1)	Principal Amount	Interest Rate	Yield	CUSIP No. (580415)†
2012	$ 60,000.00	2.000%	0.500%	GF8
2014	265,000.00	2.000	0.900	GH4
2015	335,000.00	3.000	1.200	GJ0
2016	350,000.00	3.000	1.450	GK7
2017	370,000.00	4.000	1.700	GL5
2018	390,000.00	4.000	1.980	GM3
2019	415,000.00	3.000	2.290	GN1
2020	390,000.00	3.000	2.580	GP6
2021	415,000.00	4.000	2.820	GQ4
2022	440,000.00	4.000	2.950	GR2
2023	475,000.00	3.000	3.200	GS0
2024	495,000.00	3.125	3.400	GT8

TERMS OF REDEMPTION

The Bonds are not subject to redemption prior to maturity.

EXHIBIT A

INITIAL ISSUE PRICE CERTIFICATE

August 30, 2012

McFarland Unified School District
McFarland, California

Fulbright & Jaworski L.L.P.
Los Angeles, California

Ladies and Gentlemen:

We have served as the Underwriter in the sale by the McFarland Unified School District (County of Kern, California) (the "**Issuer**") of its $4,400,000 aggregate principal amount of 2012 General Obligation Refunding Bonds (the "**Bonds**"). As such, we have been involved in the structuring and the marketing of the Bonds.

We hereby certify that:

(1) August 9, 2012 was the first day on which there was a binding contract in writing for the sale or exchange of the Bonds by the Issuer to us, and on that day (the **"Sale Date"**), we undertook pursuant to such contract to make a bona fide public offering of all of the Bonds. On the Sale Date all of each maturity of the Bonds was offered in a *bona fide* initial offering to the general public (the **"Bona Fide Public Offering"**) at the initial offering price or initial offering yield (the **"Initial Offering Price"** of that maturity) shown for that maturity on the cover page of the Official Statement dated August 9, 2012 relating to such offering (the "**Official Statement**");

(2) based upon our records and other information available to us that we believe to be correct, the first price at which a substantial portion (but in no event less than ten percent) of each maturity the Bonds was sold to the general public pursuant to the Bona Fide Public Offering was the Initial Offering Price for that maturity;

(3) the Initial Offering Price for each maturity represented: (i) our reasonable determination of a fair market value on the Sale Date of that maturity of the Bonds; and (ii) the price that we reasonably expected would be the first price at which a substantial portion (at least 10%) of the Bonds of that maturity would be sold to the general public;

(4) taking into account the aggregate amount of the Bonds, and treating the Initial Offering Price as the issue price of each Bond, the aggregate issue price of the Bonds is $4,623,032 (the Bonds having been sold with an original issue premium of $223,032); and

(5) we have calculated the yield on the Bonds to be 2.7005% (such calculation being attached hereto as Exhibit A). For purposes of this Certificate, the yield was calculated, as described to us by Bond Counsel, as the discount rate that, when used in computing the present value on the Delivery Date of all the expected issue payments of principal and interest and fees for qualified guarantees that are paid and to be paid on the Bonds, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price of the issue on the Delivery Date thereof.

For purposes of this Certificate, the term "general public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers.

The Issuer has obtained a policy of municipal bond insurance from Assured Guaranty Municipal Corp. (the "**Bond Insurer**") for the Bonds. In our opinion, the amount of the premium paid for the policy with respect to the Bonds, $22,094.13, is not in excess of the present value (computed using as the discount rate the yield on the Bonds) of the expected interest savings as a result of the policy. In our further opinion, that premium is not in excess of a reasonable, arm's-length charge for the transfer of credit risk from the bondholders to the Bond Insurer.

The undersigned understands that the statements made herein will be relied upon by the Issuer in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986 (the **"Code"**), and will be relied upon by Bond Counsel in rendering its legal opinion, concerning the exclusion pursuant section 103(a) of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and from computing the alternative minimum taxable income of the owners thereof for federal income tax purposes.

STIFEL, NICOLAUS & COMPANY, INCORPORATED, DBA STONE & YOUNGBERG, A DIVISION OF STIFEL NICOLAUS, as Underwriter

By: _____
Authorized Representative

EXHIBIT A

YIELD PROOF

(See Attached)

BOND SUMMARY STATISTICS

McFarland Unified School District
2012 General Obligation Refunding Bonds
Bank Qualified

Final Numbers

Dated Date	08/30/2012
Delivery Date	08/30/2012
First Coupon	11/01/2012
Last Maturity	11/01/2024
Arbitrage Yield	2.700488%
True Interest Cost (TIC)	2.714737%
Net Interest Cost (NIC)	2.792243%
All-In TIC	3.194147%
Average Coupon	3.384587%
Average Life (years)	7.544
Duration of Issue (years)	6.659
Par Amount	4,400,000.00
Bond Proceeds	4,623,032.00
Total Interest	1,123,532.46
Net Interest	926,900.46
Bond Years from Dated Date	33,195,555.56
Bond Years from Delivery Date	33,195,555.56
Total Debt Service	5,523,532.46
Maximum Annual Debt Service	510,468.76
Average Annual Debt Service	453,885.34
Underwriter's Fees (per $1000)	
Average Takedown	
Other Fee	6.000000
Total Underwriter's Discount	6.000000
Bid Price	104.468909

Bond Component	Par Value	Price	Average Coupon	Average Life	Average Maturity Date	PV of 1 bp change
Bond Component	4,400,000.00	105.069	3.385%	7.544	03/16/2020	2,981.95
	4,400,000.00			7.544		2,981.95

	TIC	All-In TIC	Arbitrage Yield
Par Value	4,400,000.00	4,400,000.00	4,400,000.00
+ Accrued Interest			
+ Premium (Discount)	223,032.00	223,032.00	223,032.00
- Underwriter's Discount	-26,400.00	-26,400.00	
- Cost of Issuance Expense		-119,698.07	
- Other Amounts		-22,094.13	-22,094.13
Target Value	4,596,632.00	4,454,839.80	4,600,937.87
Target Date	08/30/2012	08/30/2012	08/30/2012
Yield	2.714737%	3.194147%	2.700488%

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

RECEIPT FOR BONDS

The undersigned, an authorized representative of Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as underwriter (the "Underwriter") for the McFarland Unified School District (the "District") 2012 General Obligation Refunding Bonds (the "Bonds"), hereby acknowledges receipt this date from the District of $4,400,000 in aggregate principal amount of Bonds. The Bonds are dated August 30, 2012, are registered in the nominee name of The Depository Trust Company, New York, New York, and are issued in the denominations and maturities provided by us to the District.

Dated: August 30, 2012

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, DBA STONE & YOUNGBERG,
A DIVISION OF STIFEL NICOLAUS

By: _____
Authorized Representative

NOSSAMAN LLP

ATTORNEYS AT LAW

18101 Von Karman Avenue
Suite 1800
Irvine, CA 92612
T 949.833.7800
F 949.833.7878

Refer To File #: 190597-0038

August 30, 2012

Stifel, Nicolaus & Company, Incorporated dba
Stone & Youngberg,
a Division of Stifel Nicolaus
515 South Figueroa Street, Suite 1800
Los Angeles, CA 90071

Re: $4,400,000 McFarland Unified School District 2012 General Obligation Refunding Bonds

Ladies and Gentlemen:

We have acted as counsel for you, as the underwriter (the "Underwriter") named in the Bond Purchase Agreement (the "Purchase Contract"), dated August 9, 2012, between the Underwriter and the McFarland Unified School District (the "District"), in connection with the purchase by the Underwriter of the above-entitled Bonds. The Bonds will be issued pursuant to the provisions of a Resolution of the governing board of the District adopted on March 13, 2012 (the "Resolution"), the Purchase Contract and Article 9 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"). Capitalized terms herein, unless otherwise defined, shall have the meanings provided in the Resolution.

We have, as such counsel, examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, records, opinions of counsel, including the final approving opinions of Fulbright & Jaworski L.L.P., as bond counsel ("Bond Counsel"), and other instruments as we deemed necessary or appropriate for the purpose of this opinion. In rendering our opinion herein, we are not expressing any opinion or review on the validity, accuracy or sufficiency of documents, certificates or opinions that we have examined or on the authorization, execution, delivery or validity of the Bonds or the inclusion in or exclusion from gross income for federal income tax purposes, or the exemption from State of California personal income taxes, of interest on the Bonds. With your permission we have assumed and relied on the validity, accuracy and sufficiency of the records, documents, certificates and opinions relating to the issuance of the Bonds. Further, we have assumed, but not independently verified, that the signatures on all documents, certificates and opinions that we have reviewed are genuine.

Based on and subject to the foregoing, and in reliance thereon, we are of the opinion that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and that the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

Because the primary purpose of our professional engagement was not to establish factual matters, and because of the wholly or partially non-legal character of many determinations involved in the preparation by Bond Counsel of the official statement relating to the Bonds (the "Official Statement"), we are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, in our capacity as counsel for you, we reviewed the contents of the Official Statement and related materials provided by Bond Counsel. Based solely on our review, and in reliance thereon and on the certificates, opinions and other documents we have reviewed, and without independent investigation, we advise you that no information has come to our attention which would cause us to believe that the Official Statement, as of its date (except for any financial, demographic or statistical data or forecasts contained in the Official Statement, the Appendices to the Official Statement or any information relating to the Insurer, The Depository Trust Company or the book-entry system included in the Official Statement, as to which we express no opinion) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This opinion is furnished by us solely for your benefit and solely with respect to your purchase of the Bonds, upon the understanding, as we have advised you, and as you have agreed, that we are not hereby assuming any professional responsibility to any other person whatsoever. Our opinion herein is not to be used, circulated, quoted or otherwise referred to for any other purpose without our express written permission; provided, however, a copy may be included in the transcript of the proceedings for the Bonds. This opinion is not intended to, and may not, be relied upon by the Bond Owners, the District or any other party to whom it is not specifically addressed.

Respectfully submitted,



WELLS FARGO BANK, NATIONAL ASSOCIATION

ASSISTANT SECRETARY'S CERTIFICATE

I, Scott C. Emmons, hereby certify that I am an Assistant Secretary of Wells Fargo Bank, National Association, a national banking association, (the "Bank"), and I hereby further certify as follows:

1. The following is a true and correct extract from resolutions duly adopted by the Board of Directors of the Bank on November 25, 2003, and no modification, amendment, rescission or revocation of such resolutions has occurred affecting such extract as of the date of this certificate.

> **RESOLVED**, that for the purposes of these resolutions, "Executive Officer" shall mean any person specifically designated as an Executive Officer of the Bank by resolution of the Board of Directors, and "Signing Officer" shall mean the Chairman of the Board, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, the Treasurer, any Vice President, any Assistant Vice President, any person whose title includes the word "Officer" (e.g., Commercial Banking Officer, Personal Banking Officer, Trust Officer), or any other person whose title has been or is hereafter designated by the Board of Directors as a title for an officer of the Bank, and such officers are hereby authorized to sign agreements, instruments and other documents on behalf of the Bank in accordance with the signing authorities conferred in Parts A, B and C of these resolutions;
>
> * * *
>
> C. Signing Officers
>
> **FURTHER RESOLVED**, that any Signing Officer, acting alone, may execute on behalf of the Bank, whether acting for its own account or in a fiduciary or other representative capacity:
>
> * * *
>
> Trust indentures, declarations of trust, trust and agency agreements, pooling and servicing agreements, fiscal and paying agency agreements, acceptances thereof, consents thereto and any similar agreements, however denominated, to which the Bank is a party in a fiduciary or other representative capacity; certificates of authentication or other indicia of valid issuance with respect to bonds, notes, debentures and other securities or obligations issued under any indenture, mortgage, trust or other agreement; certificates for securities deposited, interim certificates and other certificates for and on behalf of the Bank as depository or agent; countersignatures of stocks, bonds, notes, debentures, voting trust certificates, participation certificates and other certificates, instruments, obligations or other securities on behalf of the Bank as

trustee, fiscal and paying agent, transfer agent, registrar or in another similar capacity; and certificates of cancellation and cremation of stocks, bonds, debentures or other securities.

2. The following named persons are Signing Officers of the Bank as of the date hereof, and their correct titles and genuine signatures appear beside their names:

Name	**Title**	**Signature**
Sandy Chan	Vice President	
Maddy Hall	Vice President	
Kyle Lim	Assistant Vice President	
Tom Orlina	Vice President	
Dania Samai	Vice President	
Mark D. Petrasso	Vice President	
Robert Schneider	Vice President	
Kheang (TK) Tan	Assistant Vice President	
Michael Tu	Assistant Vice President	
Aimee Tabor	Vice President	
Kathryn Valdivia	Vice President	
Grace Yang	Vice President	

IN WITNESS WHEREOF, I have hereunto set my hand this 30th day of August 2012.

Scott C. Emmons
Assistant Secretary

AGREEMENT FOR SERVICES
AS COST ADMINISTRATOR

This Agreement is made by and between the McFarland Unified School District, a school district organized and existing under the under the Constitution and the laws of the State of California (the "District") and Wells Fargo Bank, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, with headquarters in San Francisco, California ("Wells Fargo").

WHEREAS, the District desires to engage Wells Fargo as cost administrator ("Cost Administrator") in connection with the District's issuance of $4,400,000 aggregate principal amount of 2012 General Obligation Refunding Bonds (the "Bonds"); and

WHEREAS, Wells Fargo has agreed to serve as Cost Administrator in connection with the issuance of the Bonds for a fee of $500.00;

NOW, THEREFORE, in exchange for proper consideration, the adequacy of which is hereby acknowledged, the parties agree that Wells Fargo shall serve as Cost Administrator in connection with the District's issuance and delivery of the Bonds that is scheduled to occur on or about August 30, 2012. As Cost Administrator, Wells Fargo shall:

Section 1. Duties. As Cost Administrator, Wells Fargo shall:

(i) Receive proceeds from the sale of the Bonds in the amount of $119,698.07 upon the closing of the Bonds on August 30, 2012;

(ii) set aside such moneys in a separate account, and invest such moneys pending distribution as provided hereunder in the Costs of Issuance Fund;

(iii) apply such moneys at such times and as directed in each Written Requisition for Costs of Issuance, executed from time to time by an authorized representative of the District;

(iv) provide an accounting to the District of the moneys, if any, remaining in such account on November 30, 2012; and

(v) return all unspent moneys to the District upon written instruction from an authorized representative of the District.

Section 2. Concerning Wells Fargo. The following provisions shall control with respect to the rights, duties, liabilities, privileges, and immunities of Wells Fargo:

(i) Wells Fargo is not a party to, is not bound by, and has no duty to inquire into any agreement other than this Agreement. All references in this Agreement to other agreements are for the convenience of parties other than Wells Fargo, and Wells Fargo shall have no duties or obligations with

respect thereto. Wells Fargo shall have no implied duties beyond the express duties set forth herein.

(ii) Wells Fargo, in acting hereunder, may rely without inquiry upon and assume the genuineness of any written notice, request, requisition, waiver, consent, certificate, receipt, authorization, power of attorney, or other paper or document which Wells Fargo in good faith believes to be genuine and what it purports to be.

(iii) Wells Fargo shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

(iv) Wells Fargo shall be held harmless from and against any and all loss, damage, tax, liability and expense that may be incurred by Wells Fargo arising out of or in connection with its duties, obligations or performance as Wells Fargo hereunder, except as caused by Wells Fargo's gross negligence or willful misconduct. The terms of this Section shall survive the termination of this Agreement and, with respect to claims arising in connection with Wells Fargo's duties while acting as Cost Administrator, the resignation or removal of Wells Fargo.

(v) Wells Fargo may at any time resign by giving written notice of its resignation at least ten days prior to the date specified for such resignation to take effect, and upon the effective date of such resignation, any funds then held by Wells Fargo shall be delivered by it to such person as may be designated in writing by the other parties hereto, whereupon all of Wells Fargo's duties and obligations hereunder shall cease and terminate. If no such person shall have been designated by such time, all duties and obligations of Wells Fargo shall nevertheless cease and terminate. Wells Fargo's sole responsibility thereafter shall be to keep safely all funds then held by it pursuant to this Agreement and to deliver the same to a person or persons designated by the District.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Date: August 30, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____

Gabriel McCurtis
Superintendent

Date: August 30, 2012

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Cost Administrator

By: _____

Mark D. Petrasso
Authorized Officer

Date: August 30, 2012

MCFARLAND UNIFIED SCHOOL DISTRICT

By: _____

Gabriel Curtis
Superintendent

Date: August 30, 2012

Wells Fargo Bank, National Association, as Cost Administrator

By: Aimee Tabor

Aimee Tabor
Authorized Officer

Service	Vendor	Amount	Note
Bond Counsel and Disclosure Counsel	Fulbright & Jaworski	50,000.00	Actual
Financial Advisor	Caldwell Flores Winters	45,000.00	Actual
Financial Advisor Reimburseable Expenses	Caldwell Flores Winters	753.90	Actual
Underwriter's Counsel	Nossaman	2,000.00	Actual
Rating Agency	Standard & Poor's	9,000.00	Actual
Financial Printer	Royce Printing	1,463.00	Actual
Escrow Verification	Causey Demgen & Moore	2,750.00	Actual
Data Services	California Municipal Statistics	1,350.00	Estimate
Escrow Agent	Bank of New York Mellon	500.00	Actual
Paying Agent / Escrow Agent	Wells Fargo	1,000.00	Estimate
Contingency		5,881.17	
Total		**119,698.07**	

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

ACCEPTANCE OF DUTIES OF PAYING AGENT

The undersigned hereby states and certifies:

(i) that she is an authorized officer of Wells Fargo Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America (the "Bank"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same; and

(ii) that the duties and obligations imposed upon the Bank as paying agent for the bonds designated "McFarland Unified School District 2012 General Obligation Refunding Bonds" in the aggregate principal amount of $4,400,000 (the "Bonds"), issued and sold by the McFarland Unified School District (the "District"), pursuant to the resolution No. 1112-10 of the Board of Trustees of the District passed and adopted on March 13, 2012, have been duly accepted by the Bank and such acceptance is hereby acknowledged.

Dated: August 30, 2012

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Paying Agent

By: _____
Authorized Officer

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

CERTIFICATE OF PAYING AGENT

The undersigned hereby states and certifies:

(i) that I am a duly elected or appointed, qualified and acting authorized officer of Wells Fargo Bank, National Association (herein, the "Paying Agent") under the resolution No. 1112-10 of the Board of Trustees of the McFarland Unified School District (the "District"), passed and adopted on March 13, 2012, with respect to the issuance and sale by the District of its 2012 General Obligation Refunding Bonds, in the aggregate principal amount of $4,400,000 (the "Bonds");

(ii) that the representations and agreements of the Paying Agent in the Paying Agent Agreement, dated August 30, 2012, by and between the Paying Agent and the District (the "Paying Agent Agreement"), are true and correct in all material respects as of the date hereof; and

(iii) no litigation is pending or, to the best of my knowledge, threatened (either in state or federal courts) (A) seeking to restrain or enjoin the delivery by the Paying Agent of any of the Bonds, or (B) in any way contesting or affecting any authority of the Paying Agent for the delivery of the Bonds or the validity or enforceability of the Bonds or the Paying Agent Agreement.

Dated: August 30, 2012

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Paying Agent

By: _____
Authorized Officer

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds
(Bank Qualified)

RECEIPT OF PAYING AGENT

The undersigned, an authorized officer of Wells Fargo Bank, National Association, in its capacity as Paying Agent (the "Paying Agent") for the above-captioned Bonds, hereby certifies that on the date of this receipt, the Paying Agent received from Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as underwriter of the Bonds, the amount of $119,698.07, to be applied to the payment of the costs of issuance incurred in connection with the issuance of the Bonds.

Dated: August 30, 2012

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Paying Agent

By: _____
Authorized Officer

McFarland Unified School District
General Obligation Bonds
Election of 2004, Series 2004

RECEIPT OF ESCROW AGENT

The undersigned, an authorized officer of Wells Fargo Bank, National Association, in its capacity as Escrow Agent (the "Escrow Agent") under that certain Escrow and Deposit Agreement, dated as of August 1, 2012 (the "Escrow Agreement"), by and between the Escrow Agent and McFarland Unified School District (the "District"), with respect to the District's outstanding General Obligation Bonds, Election of 2004, Series 2004, hereby certifies that on the date of this Receipt, the Escrow Agent received the following amounts from the following sources for deposit as indicated:

SOURCE	AMOUNT	DESIGNATED DEPOSIT
Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus	$4,109,170.40	2004 Escrow Fund

Dated: August 30, 2012

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Authorized Officer

ESCROW AND DEPOSIT AGREEMENT

This Escrow and Deposit Agreement, dated as of August 1, 2012 (this "Agreement") by and between Wells Fargo Bank, National Association, as Paying Agent for certain outstanding general obligation bonds (more particularly described below) and as escrow agent hereunder (in such capacity, the "Escrow Agent"), and MCFARLAND UNIFIED SCHOOL DISTRICT, Kern County, California (the "District").

W I T N E S S E T H:

WHEREAS, the District has heretofore caused the County of Kern (the "County") to issue and sell on behalf and in the name of the District certain general obligation bonds of the District authorized by an election conducted within the District on March, 2, 2004, to wit, the $5,285,308.20 McFarland Unified School District (County of Kern, California) General Obligation Bonds, Election of 2004, 2004 Series A (the "Prior Bonds"); and

WHEREAS, the District has determined to refund $3,815,000 aggregate principal amount of the Prior Bonds which are currently outstanding and subject to optional redemption on November 1, 2013 (the "Refunded Prior Bonds"); and

WHEREAS, to provide funds, in part, for the refunding of the Refunded Prior Bonds, the District has issued $4,400,000 aggregate principal amount of its 2012 General Obligation Refunding Bonds, (the "Refunding Bonds"); and

WHEREAS, the Refunded Prior Bonds were issued under and pursuant to a Resolution of the Board of Supervisors of the County on behalf of the District, adopted on April 27, 2004 (the "Resolution") providing the terms of redemption thereof; and

WHEREAS, the District wishes to provide for the application of the net proceeds of the Refunding Bonds, together with the interest earned from the investment thereof, to effect the refunding of the Refunded Prior Bonds; and

WHEREAS, in connection with such refunding, the District requires that the Paying Agent undertake the services of Escrow Agent for the Refunded Prior Bonds in accordance with the terms of the Refunded Prior Bonds and this Agreement; and

NOW, THEREFORE, the District and the Escrow Agent agree as follows:

ARTICLE I

REPRESENTATIONS, WARRANTIES AND AGREEMENTS

Each party hereto, as to itself and not as to the other party, hereby represents, warrants and agrees that:

Section 1.1 Authorization. The execution, delivery and performance of this Agreement by such party are within such party's respective powers and have been duly authorized by all necessary action of such party.

Section 1.2 No Conflict. (a) The District represents, warrants and agrees to its current actual knowledge that the execution, delivery and performance of this Agreement will not violate or conflict with (i) the Resolution or any other resolution of the District; (ii) the Constitution or laws of the State of California; or (iii) any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other governmental or public entity with jurisdiction over the District or its operations. The Escrow Agent represents and warrants that the execution, delivery and performance of this Agreement will not violate or conflict with (i) the articles of association or bylaws of the Escrow Agent; and (ii) any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other governmental or public entity with jurisdiction over the trust powers and operation of the Escrow Agent.

Section 1.3 Binding Obligation. This Agreement has been duly executed by, and is a legally valid and binding obligation of each party, enforceable against such party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights, and by general principles of equity.

Section 1.4 Title to Moneys Deposited in Escrow. The District represents that the District has good, sufficient and legal title to the moneys and securities deposited in the Escrow Fund established hereunder free and clear of all liens other than those created hereby.

Section 1.5 Duties of Parties. The District hereby directs and the Escrow Agent accepts the duties set forth herein, in order that the Refunded Prior Bonds shall be effectively and legally defeased in accordance with their terms and applicable provisions of law. For this purpose, the District will deposit, or cause to be deposited, and the Escrow Agent shall apply, proceeds of the sale of the Refunding Bonds as specified herein, and for no other purpose. The Escrow Agent hereby covenants and agrees to perform its duties set forth herein in accordance with the terms hereof.

ARTICLE II

ESTABLISHMENT OF ESCROW FUND

Section 2.1 Creation of Escrow Fund. The District hereby directs the Escrow Agent to establish a special escrow fund to be designated as the "McFarland Unified School District 2004 Escrow Fund" (the "Escrow Fund"), into which the Escrow Agent shall deposit a portion of the proceeds of the Refunding Bonds in the amount of $4,109,170.40 (the "Refunding Proceeds"), $4,109,170.00 of which shall be invested in State and Local Government Series/U.S. Treasury Obligations as set forth on Schedule A hereto and $0.40 of which shall remain uninvested in cash. The District hereby irrevocably directs the Escrow Agent to make the deposits as set forth hereinabove.

Section 2.2 Terms of Resolutions and Refunded Prior Bonds. Receipt is hereby acknowledged by the Escrow Agent of a copy of the Resolution. Reference herein to, or citation herein of, any provision of the Resolution or the terms of the Refunded Prior Bonds shall be deemed to be incorporated as a part hereof in the same manner and with the same effect as if it or they were fully set forth herein.

Section 2.3 Permitted Investments. The District hereby irrevocably directs the Escrow Agent to take such actions as may be necessary to assure that the amount so deposited in the Escrow Fund shall be invested in "United States Obligations" (being noncallable direct and general obligations of the United States of America (including State and Local Government Series Treasury obligations) or obligations which are unconditionally guaranteed by the United States of America, and permitted under Section 149(b) of the Internal Revenue Code and Regulations, or any of the following which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross

income for federal income tax purposes of interest on the Refunded Prior Bonds, as particularly set forth on Schedule A attached hereto and made a part hereof (the "Escrowed Securities"), so as to be available to the Refunded Prior Bonds on the dates established therefor in the Resolution, it being the intention of the District that the principal of and interest paid on such Escrowed Securities on deposit in the Escrow Fund, together with any uninvested cash on deposit therein, will be sufficient for such purposes, as of the date of calculation, and that such Escrowed Securities will mature, bear interest and be available: (i) to pay in a timely manner the principal of and interest on the Refunded Prior Bonds (all as more particularly set forth in Schedule B attached hereto and each made a part hereof); (ii) to pay the redemption price of the Refunded Prior Bonds on the redemption date therefor (all as more particularly set forth in Schedule B attached hereto and each made a part hereof). The District hereby represents that such Escrowed Securities are comprised of United States Obligations. Any additional funds on deposit in the Debt Service Fund of the District under the Resolution, or earned or credited thereto after August 30, 2012 (the "Closing Date"), shall be pledged and applied solely to the payment of principal of and interest on the Refunding Bonds and not to the Refunded Prior Bonds. Any conflict in provisions respecting the defeasance of the Refunded Prior Bonds between the foregoing and the Resolution shall be governed by Resolution.

Section 2.4 Deposit of Moneys. The Escrow Agent hereby acknowledges receipt of the deposit of the moneys and Escrowed Securities into the Escrow Accounts as described in Section 2.1 hereof.

Section 2.5 Purpose of Deposit. The deposit by the District of the moneys into the Escrow Fund shall constitute an irrevocable deposit thereof for the uses and purposes specified in this Agreement and in the provisions of the Resolution and the Refunded Prior Bonds expressly referred to herein, and such moneys and Escrowed Securities, together with all interest thereon, shall be held in trust and applied solely for such uses and purposes. Such moneys and Escrowed Securities, along with the proceeds of investment thereof, shall be held by the Escrow Agent separate and apart from all other funds and shall not be commingled with other moneys for any purpose.

Section 2.6 Investments; District Covenants. (a) Except as otherwise expressly provided in Sections 2.1 and 2.3, the Escrow Agent shall have no power or duty to invest any moneys held hereunder or to make substitutions of the Escrowed Securities held hereunder or to sell, transfer or otherwise dispose of the Escrowed Securities acquired hereunder, or to pay interest on any such moneys not required to be invested hereunder.

(b) The District hereby agrees that it will not take action or fail to take action which would (i) affect adversely the exclusion from gross income for federal income tax purposes of interest on the Refunded Prior Bonds or on the Refunding Bonds, or (ii) adversely affect the status of the Refunded Prior Bonds as being deemed no longer Outstanding under the Resolution.

Section 2.7 Handling of Investment Proceeds. The District hereby directs the Escrow Agent to collect the matured principal of and payments of interest on the Escrowed Securities as the same become due and payable and deposit the same in the Escrow Fund. Not later than the date on which any payment on any of the Refunded Prior Bonds is required to be made, as set forth in Schedule B, or if such date is not a Business Day (being any day other than a Saturday or Sunday or a day on which the Escrow Agent and banks and trust companies located in New York, New York, or Los Angeles, California, are not authorized or required to remain closed and on which the New York Stock Exchange is open) then not later than the Business Day next succeeding such date, the Escrow Agent shall transmit, from the funds in the Escrow Fund, the applicable amount set forth in Schedule B attached hereto. The Escrow Agent may conclusively rely upon Schedule B with respect to all information set forth therein and may conclusively rely upon any written directions of the District with respect to any of the matters described in this paragraph.

If at any time it shall appear to the Escrow Agent that the money in the Escrow Fund, including the anticipated proceeds of the Escrowed Securities, will not be sufficient to make all payments required hereunder and under the terms of the Refunded Prior Bonds, or either Series thereof, the Escrow Agent shall give notice thereof to the District in accordance with Section 5.4 hereof of the amount of such deficiency and the District agrees to pay the amount of such deficiency into the Escrow Fund from any source of lawfully available moneys.

Any moneys held by the Escrow Agent in trust for the payment and discharge of the principal or redemption price of or interest on any of the Refunded Prior Bonds which remain unclaimed for 18 months after the date when such payments have become due and payable, shall be paid to the District to be used for any of its lawful purposes and the Escrow Agent shall thereupon be released and discharged with respect thereto and the Owners of Refunded Prior Bonds shall look only to the District for the payment of the principal or redemption price of or interest on such Refunded Prior Bonds.

Section 2.8 Notices to Owners of Refunded Prior Bonds. The District hereby irrevocably directs the Escrow Agent to provide notices of defeasance and of redemption substantially in the forms set forth in Schedule D and E, the former to be mailed promptly upon the funding of the Escrow Fund hereunder.

Notice of redemption (Schedule D) shall be mailed by first class mail, postage prepaid, to the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at http://emma.msrb.org, to the District, the Treasurer and Tax Collector of the County, the Bond Insurer of the Refunded Prior Bonds, and the respective Owners of the Refunded Prior Bonds at their addresses appearing on the Bond registration books.

Section 2.9 Compensation; Indemnification. (a) The District agrees to pay and shall pay to the Escrow Agent as compensation in full for all services to be rendered by the Escrow Agent under this Agreement the amounts set forth in a separate schedule of fees and expenses, as modified from time to time in a writing between the District and the Escrow Agent. Any payment to the Escrow Agent pursuant to this Section shall be made from any moneys of the District lawfully available therefor, but the Escrow Agent shall have no lien whatsoever upon any of the moneys or Escrowed Securities in the Escrow Fund for any such payment.

(b) To the extent authorized by law, the District assumes liability for and agrees to indemnify the Escrow Agent and its respective successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the District, the County or the Escrow Agent (whether or not also indemnified against by any person under any other contract or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement, the acceptance and performance of the duties and obligations of the Escrow Agent hereunder, the establishment of the Escrow Fund, the acceptance of the moneys deposited in such fund, the purchase of the Escrowed Securities, the retention of such moneys and Escrowed Securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement. In no event shall the District be liable to any person by reason of the transactions contemplated hereby other than to the Escrow Agent as set forth in this paragraph. The indemnities contained in this paragraph shall survive the termination of this Agreement.

Section 2.10 Books and Records; Limited Liability. The Escrow Agent agrees to maintain books and records for the Escrow Fund and to account separately for deposits therein, investments thereof, earnings thereon and losses (if any) with respect thereto. The Escrow Agent shall only act in accordance with the specific provisions set forth herein and shall not assume any implied duties or obligations hereunder.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the District periodic cash transaction statements which shall include detail for all investment transactions made by the Escrow Agent hereunder.

The Escrow Agent shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Agreement unless the District shall have deposited sufficient funds therefor with the Escrow Agent. The Escrow Agent may rely and shall be protected in acting upon the written or oral instructions of authorized representatives of the District or of their respective agents relating to any matter or action undertaken as Escrow Agent under this Agreement.

The liability of the Escrow Agent for the payment of moneys as hereinabove set forth respecting the payment of the Refunded Prior Bonds shall be limited to the principal of and interest on the Escrowed Securities and other securities purchased hereunder. The Escrow Agent shall not be liable for any loss resulting from any investment, sale, transfer, prepayment, substitution or other disposition made pursuant to this Agreement in compliance with the provisions hereof or the sufficiency of the Escrowed Securities or any uninvested moneys held hereunder to accomplish the discharge of the Refunded Prior Bonds. The Escrow Agent shall not have any lien whatsoever upon any of the moneys deposited in accordance with Section 2.1 hereof for the payments of fees and expenses for services by it under this Agreement until after all payments required pursuant hereto in accordance herewith. The recitals of fact contained in the "whereas" clauses herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representations as to the sufficiency of the Escrowed Securities to be purchased pursuant hereto and any uninvested moneys to accomplish the refunding of the Refunded Prior Bonds or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be bond counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be provided or established prior to taking, suffering, or omitting any action under this Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the District. The Escrow Agent undertakes such duties as are expressly set forth herein, and no implied duties or obligations of the Escrow Agent shall be read into this Agreement. The obligations of the District hereunder shall survive the termination or discharge of this Agreement. The Escrow Agent may resign at any time upon 30 days' written notice to the District.

ARTICLE III

TERMINATION OF AGREEMENT

Section 3.1 Termination of Agreement. It is the intention of the District that the proceeds of the Escrowed Securities shall be applied on the dates and at the prices shown on Schedule B, to the payment of the Refunded Prior Bonds in accordance with their terms until the redemption date for the Refunded Prior Bonds. The Escrow Agent agrees to liquidate the Escrowed Securities in accordance with their terms and to apply the proceeds thereof to the payment of principal of and interest on the Refunded Prior Bonds as aforesaid; any moneys remaining in the Escrow Fund following such payment

in whole on the respective redemption dates shown on Schedule B shall, after payment of any amounts due the Escrow Agent, be transferred to the District. Upon the completion of such transfer, if any, this Agreement shall be terminated and of no further force or effect.

ARTICLE IV

FEES OF ESCROW AGENT

Section 4.1 Fees of Escrow Agent. The District shall pay to the Escrow Agent fees and expenses as are mutually agreed upon by the District and the Escrow Agent as and for payment in full for the services of the Escrow Agent as escrow holder hereunder, through and including the redemption of the Refunded Prior Bonds as set forth herein.

It is also understood that the fee agreed upon for the services of the Escrow Agent hereunder shall be considered compensation for its ordinary services as contemplated by these instructions, but in the event that the conditions of this escrow are not promptly fulfilled or that the Escrow Agent renders any service hereunder not provided for in the foregoing instructions or that there is an assignment of any interest in the subject matter of this escrow, or modification hereof, or that any controversy arises hereunder or that the Escrow Agent is made a party to, or intervenes in, or, in good faith, interpleads in, any litigation pertaining to this escrow or the subject matter thereof, the Escrow Agent shall be reasonably compensated by the District for such extraordinary services and reimbursed for all costs and expenses, plus interest charged at the maximum rate permitted by law occasioned by such default, delay, controversy or litigation, including, without limitation, the fees and disbursements of legal counsel to the Escrow Agent.

Under no circumstances shall the Escrow Agent be entitled to assert a lien against the cash or Escrowed Securities held in the Escrow Fund to provide security for the payment of the fees described in this Section.

ARTICLE V

MISCELLANEOUS

Section 5.1 Severability of Provisions. If any one or more of the covenants or agreements provided in this Agreement on the part of the parties hereto to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

Section 5.2 Execution in Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original and shall constitute and be but one and the same instrument.

Section 5.3 Applicable Law. This Agreement shall be governed by the laws of the State of California, applicable to contracts made and performed in said State.

Section 5.4 Notices. All notices, demands and formal actions under this Agreement shall be in writing and mailed, telegraphed or delivered to:

The District: McFarland Unified School District
601 Second Street
McFarland, California 93250
Attention: Superintendent

Section 5.5 Amendments. This Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of one hundred percent (100%) in aggregate principal amount of the Refunded Prior Bonds then unpaid as to principal shall have been filed with the Escrow Agent. This Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only: (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the District; (ii) to cure, correct or supplement any ambiguous or defective provision contained herein; or (iii) in regard to questions arising hereunder as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the Owners of the Refunded Prior Bonds, and that such amendment will not cause interest on the Refunded Prior Bonds to become subject to inclusion in gross income for proposes of federal income taxation.

IN WITNESS WHEREOF, the District has entered into this Escrow and Deposit Agreement with the Escrow Agent as of the date first above written.

MCFARLAND UNIFIED SCHOOL DISTRICT

By:_____
Superintendent

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Escrow Agent

By:_____
Authorized Officer

Section 5.5 Amendments. This Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of one hundred percent (100%) in aggregate principal amount of the Refunded Prior Bonds then unpaid as to principal shall have been filed with the Escrow Agent. This Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only: (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the District; (ii) to cure, correct or supplement any ambiguous or defective provision contained herein; or (iii) in regard to questions arising hereunder as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the Owners of the Refunded Prior Bonds, and that such amendment will not cause interest on the Refunded Prior Bonds to become subject to inclusion in gross income for proposes of federal income taxation.

IN WITNESS WHEREOF, the District has entered into this Escrow and Deposit Agreement with the Escrow Agent as of the date first above written.

MCFARLAND UNIFIED SCHOOL DISTRICT

By:_____
Superintendent

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Escrow Agent

By:_____
Authorized Officer

SCHEDULE A

DESCRIPTION OF THE ESCROWED SECURITIES

(Exhibit B-2 from the Verification Report)

EXHIBIT B-2

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

DESCRIPTION OF THE ESCROWED SECURITIES
PURCHASED TO REFUND THE REFUNDED 2004A BONDS
AS OF AUGUST 30, 2012

Type	Settlement Date	Maturity Date	Par Amount	Coupon Rate	Price	Total Cost
SLGS	30-Aug-12	01-Nov-12	$86,913.00	0.090%	100.000000%	$86,913.00
SLGS	30-Aug-12	01-May-13	84,511.00	0.150%	100.000000%	84,511.00
SLGS	30-Aug-12	01-Nov-13	3,937,746.00	0.180%	100.000000%	3,937,746.00
			$4,109,170.00			$4,109,170.00

SCHEDULE B

REFUNDED PRIOR BONDS DEBT SERVICE REQUIREMENTS

(Exhibit B-4 from the Verification Report)

EXHIBIT B-4

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

DEBT SERVICE REQUIREMENTS FOR THE REFUNDED 2004A BONDS
ASSUMING NO OPTIONAL REDEMPTIONS PRIOR TO MATURITY
AS OF AUGUST 30, 2012

(FOR INFORMATIONAL PURPOSES ONLY)

Payment		Payment For		Total Debt
Date	Rate	Principal	Interest	Payment
01-Nov-12			$88,140.00	$88,140.00
01-May-13			88,140.00	88,140.00
01-Nov-13			88,140.00	88,140.00
01-May-14			88,140.00	88,140.00
01-Nov-14	4.200%	$225,000.00	88,140.00	313,140.00
01-May-15			83,415.00	83,415.00
01-Nov-15	4.300%	245,000.00	83,415.00	328,415.00
01-May-16			78,147.50	78,147.50
01-Nov-16	4.350%	265,000.00	78,147.50	343,147.50
01-May-17			72,383.75	72,383.75
01-Nov-17	4.400%	290,000.00	72,383.75	362,383.75
01-May-18			66,003.75	66,003.75
01-Nov-18	4.500%	315,000.00	66,003.75	381,003.75
01-May-19			58,916.25	58,916.25
01-Nov-19	4.550%	340,000.00	58,916.25	398,916.25
01-May-20			51,181.25	51,181.25
01-Nov-20	4.750%	365,000.00	51,181.25	416,181.25
01-May-21			42,512.50	42,512.50
01-Nov-21	4.750%	395,000.00	42,512.50	437,512.50
01-May-22			33,131.25	33,131.25
01-Nov-22	4.750%	425,000.00	33,131.25	458,131.25
01-May-23			23,037.50	23,037.50
01-Nov-23	4.850%	460,000.00	23,037.50	483,037.50
01-May-24			11,882.50	11,882.50
01-Nov-24	4.850%	490,000.00	11,882.50	501,882.50
		$3,815,000.00	$1,481,922.50	$5,296,922.50

SCHEDULE C

NOTICE OF DEFEASANCE

$5,285,308.20
MCFARLAND UNIFIED SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds, Election of 2004, 2004 Series A

Notice is hereby given to the owners of certain McFarland Unified School District (the "District") General Obligation Bonds, Election of 2004, 2004 Series A (the "Bonds") that moneys sufficient to provide for the payment of the principal of and interest on all of the Bonds listed below have been set aside in an Escrow Fund established under that certain Escrow Deposit and Trust Agreement, dated as of August 1, 2012 (the "Escrow Agreement"), by and between the District and Wells Fargo Bank, National Association, as Escrow Agent (the "Escrow Agent"), and verified for such purpose by Causey Demgen & Moore P.C., as Verification Agent. The Bonds will be called for redemption on November 1, 2013, in accordance with their terms, at 101%, plus accrued interest to the redemption date.

Maturity Date (November 1)	Principal Amount To Be Redeemed	CUSIP [1] Number (580415)
2014	$ 225,000	DL8
2015	245,000	DM6
2016	265,000	DN4
2017	290,000	DP9
2018	315,000	DQ7
2019	340,000	DR5
2022 (Term)	1,185,000	DS3
2024 (Term)	950,000	DT1

[1] The Escrow Agent shall not be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the Owners.

MCFARLAND UNIFIED SCHOOL DISTRICT

By: Wells Fargo Bank, National Association,
as Escrow Agent

By: _____
Authorized Officer

SCHEDULE D

FORM OF NOTICE OF REDEMPTION TO THE OWNERS OF

$5,285,308.20
MCFARLAND UNIFIED SCHOOL DISTRICT
(Kern County, California)
General Obligation Bonds, Election of 2004, 2004 Series A

Notice is hereby given to the owners of certain McFarland Unified School District (the "District") General Obligation Bonds, Election of 2004, 2004 Series A (the "Bonds") that the Bonds maturing in the years and bearing the CUSIP numbers set forth below are subject to optional redemption in accordance with that certain Resolution adopted by Board of Supervisors of Kern County, California on behalf of the District, on April 27, 2004 (the "Resolution"), which amounts, along with interest thereon, have been determined to be sufficient and available to redeem the Bonds identified below, at a price of 101%, plus accrued interest thereon, on November 1, 2013 (the "Redemption Date").

Maturity Date (November 1)	Principal Amount To Be Redeemed	CUSIP [1] Number (580415)
2014	$ 225,000	DL8
2015	245,000	DM6
2016	265,000	DN4
2017	290,000	DP9
2018	315,000	DQ7
2019	340,000	DR5
2022 (Term)	1,185,000	DS3
2024 (Term)	950,000	DT1

[1] The Escrow Agent shall not be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the Owners.

On the Redemption Date, all of the Bonds to be redeemed will become due and payable at the redemption price aforesaid, and payment will be made upon presentation and surrender to the Escrow Agent for the Bonds at:

From and after the Redemption Date, the principal of and interest on the Bonds called for redemption shall cease to accrue and be payable.

All Owners submitting their Bonds for redemption must also submit a form W-9. Failure to provide a completed form W-9 will result in a 28% backup withholding to the owners of the Bonds pursuant to the Interest and Dividend Tax Compliance Act of 1993.

Dated: _____, 2013[1]

MCFARLAND UNIFIED SCHOOL DISTRICT

By: Wells Fargo Bank, National Association,
as Escrow Agent

By: _____
Authorized Officer

[1] Notice must be given at least 30 but not more than 45 days prior to the Redemption Date.

U.S. Treasury Securities
SLGS Time Deposit
Subscription View

Issue Information

Treasury Case Number 201205169
Status Complete
Issue Date 08/30/2012
Issue Amount $4,454,839.00
Rate Table Date 08/09/2012

Owner

Taxpayer Identification Number 95-3401486
Underlying Bond Issue McFarland Unified School District Series 2012 Escrow
Owner Name McFarland Unified School District
Address Line 1 601 Second Street
Line 2
Line 3
City McFarland
State CA
Zip Code 93250
Contact Name Gabriel McCurtis
Telephone 661-792-3081
Fax
E-mail

Trustee

ABA Routing Number 091000019
Bank Reference Number
Bank Name Wells Fargo Bank N.A.
Address Line 1 608 2nd Ave S, 12th Floor
Line 2 MAC N9303-121
Line 3
City Minneapolis
State MN
Zip Code 55479
Contact Name Alicia Amato
Telephone 612-316-1770
Fax 855-579-4534
E-mail alicia.g.amato@wellsfargo.com

Funds for Purchase

ABA Routing Number 091000019
Bank Name Wells Fargo Bank N.A.
Contact Name Alicia Amato
Telephone 612-316-1770
Fax 855-579-4534
E-mail alicia.g.amato@wellsfargo.com

ACH Institutions & Instructions

ABA Routing Number 091000019
Bank Name Wells Fargo Bank N.A.
Address Line 1 608 2nd Ave S, 12th Floor
Line 2 MAC N9303-121
Line 3
City Minneapolis
State MN
Zip Code 55479
Contact Name Alicia Amato
Telephone 612-316-1770
Fax 855-579-4534
E-mail alicia.g.amato@wellsfargo.com

ABA Routing Number 091000019
Account Name Trust Clearing Acct
Account Number 31380
Account Type Checking

Subscriber

ABA/TIN 091000019
Organization Name Wells Fargo Bank
Address Line 1 608 2nd Ave South
Line 2
Line 3
City Minneapolis
State MN
Zip Code 55402
Contact Name Alicia Amato
Telephone 612-316-1770
Fax 855-579-4534
E-mail alicia.g.amato@wellsfargo.com

Viewers

ABA/TIN	Organization Name
No Viewers Assigned	

Securities

Security Number	Security Type	Principal Amount	Interest Rate	Maturity Date	First Interest Payment Date	Security Description
1	C of I	$345,669.00	0.090000000	10/01/2012		
2	C of I	$86,913.00	0.090000000	11/01/2012		
3	C of I	$84,511.00	0.150000000	05/01/2013		
4	Note	$3,937,746.00	0.180000000	11/01/2013	11/01/2012	

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

OFFICER'S CERTIFICATE

I do hereby certify that:

(i) I am the duly elected Officer of The Bank of New York Mellon Trust Company, N.A.; (the Company");

(ii) attached hereto is a true, correct copy of Signing Authorities extracts from by-laws of the Company adopted by action of the Board of Directors of the Company and presently in effect;

(iii) attached hereto is a list of the persons who, as of the date hereof, are certain duly elected officers of the Company, which lists sets forth the title of each such officer next to his or her typed name, with which officers I am personally familiar; and

IN WITNESS WHEREOF, I have hereunto executed this Certificate as Vice President of the Company this 30th day of August 2012.

Officer's Name: Deborah Young
Title: Vice President

I hereby certify that as of the date hereof that Deborah Young is the duly elected Officer of The Bank of New York Mellon Trust Company, N.A. and that the signature which appears on the foregoing pages is the signature of Deborah Young and that it is a signature with which I am personally familiar and do certify as to its authenticity:

Dated: August 30, 2012

By: Gonzalo Urey
Title: Vice President

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

I, the undersigned, Barbara J. Parrish, Assistant Secretary of The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States (the "Association") and located in the State of California, DO HEREBY CERTIFY that the following individuals are duly appointed and qualified Officers of the Association:

Officer	Title	Signing Authority
LOS ANGELES, CA (700 S. Flower Street)		
Frank P. Sulzberger	Managing Director	Senior
Karen Bayz	Managing Director and Chief Financial Officer	Senior
Maria E. Allison	Vice President and Assistant Secretary	A, C1, J, N, P1
Eladia Burgos	Vice President	A, C2, J, P1
Maria Rose Bystrom	Vice President & Assistant Secretary	A, C1, J, N, P1
Gregory Chenail	Vice President	A, C2, J, N, P1
Patricia Cronin	Vice President	A, C5, J, P2
Delia V. Dailo	Vice President	A, C2, N, P8
Christopher Davy	Vice President	A, C6, J, P2
Teresa Fructuoso	Vice President & Assistant Secretary	A, C2, J, P1
Evelyn T. Furukawa	Vice President & Assistant Secretary	A, C1, J, P1
Mark A. Golder	Vice President & Assistant Secretary	A, C2, J, P1
Cheryl Hardy	Vice President	A, C5, J, N, P8
Lisa Infusino	Vice President	A, C2, J, N, P1
Rena Kajita	Vice President	A, C2, J, P2
Aaron Masters	Vice President	A, C2, J, N, P1
Jose M. Matamoros	Vice President	A
Marina Meza	Vice President	A, C5, J, P2
Melinda Murrell	Vice President	A, C6, J, P2
Jacqueline Nowak	Vice President	A, C2, J, P1
Agnes Obando	Vice President	A, C2, J, N, P1
Linda G. Ojeda	Vice President & Assistant Secretary	A, C1, J, P1
Jennifer O'Neill	Vice President	A
Teresa Petta	Vice President	A, C2, J, P1
Aurora Quiazon	Vice President	A, C6, J, P2
Johanna Tokunaga	Vice President & Assistant Secretary	A, C2, J, N, P1
Fe R. Tuzon	Vice President	A, C6, J, P2
Gonzalo Urey	Vice President	A, C6, J, P2
Deborah D. Young	Vice President	A, C2, J, P1
Melonee Young	Vice President	A, C2, J, P1
Karen Yu	Vice President	A, C5, J, N, P2
John A. (Alex) Briffett	Senior Associate	A, C5, J, N, P2
Fanny Chen	Senior Associate	A, C5, J, N, P2
Cristina D. Garchitorena	Senior Associate	A, C5, J, P2
Christopher Johnson	Senior Associate	A, C5, J, N, P2
Kitty Kwong	Senior Associate	A, C5, J, N, P2

Matthew Moon	**Senior Associate**	**A, C5, J, N, P2**
Zenaida (Gabby) Rodriguez	**Senior Associate**	**A, C6, J, N, P2**
Raymond Torres	**Senior Associate**	**A, C5, J, N, P2**
Valere D. Jones-Shaw	**Associate**	**A, C3, J, N**
Amy Kung	**Associate**	**A, C3, J, N**
Teresita D. Sanchez	**Associate**	**C3, P10**

I further certify that as of this date they have been authorized to sign on behalf of the Association in discharging or performing their duties in accordance with the senior and limited signing powers provided under Article V, Sections 5.2 and 5.3 of the By-Laws of the Association and the paragraphs indicated above of the signing authority resolution of the Board of Directors of the Association.

Attached hereto are true and correct copies of excerpts of the By-Laws of the Association and the signing authority resolutions, which have not been amended or revised since October 15, 2009 and are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of The Bank of New York Mellon Trust Company, N.A. this 20th day of April 2011.

Barbara J. Parrish

Barbara J. Parrish, Assistant Secretary

Extracts from By-Laws

of

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

As Amended through October 15, 2009

ARTICLE V
SIGNING AUTHORITIES

Section 5.1 Real Property. Real property owned by the Association in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Association in its own right with such maximum values as the Board may fix in its authorizing resolution.

Section 5.2. Senior Signing Powers. Subject to the exception provided in Section 5.1, the President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Association in all transactions arising out of, or in connection with, the normal course of the Association's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Association thereto. In such instances as in the judgment of the President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Association authorized in or pursuant to Section 5.3 to have any of the powers set forth therein, other than the officer signing pursuant to this Section 5.2, is authorized to attest to the seal of the Association on any documents requiring such seal.

Section 5.3. Limited Signing Powers. Subject to the exception provided in Section 5.1, in such instances as in the judgment of the President or any Executive Vice President, may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Association to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

Section 5.4. Powers of Attorney. All powers of attorney on behalf of the Association shall be executed by any officer of the Association jointly with the President, any Executive Vice President, or any Managing Director, provided that the execution by such Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of said officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors.

Section 5.5. Auditor. The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Association, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

Pursuant to Article V, Section 5.3 of the By-Laws
Adopted October 15, 2009

RESOLVED that, pursuant to Section 5.3 of the By-Laws of the Association, authority be, and hereby is, granted to the President or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Association; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Association's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $500,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $500,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $500,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount in excess of $100,000,000 but not to exceed $500,000,000*.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $100,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $10,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $1,000,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $250,000.

(C10) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $50,000.

(C11) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000.

*Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Association as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Association in trust or in connection with any transaction with respect to which the Association is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Association or to affix the seal of the Association to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Association in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings, Contracts for providing customers with Association products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only, (i.e., general ledger tickets); does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

(P1) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in excess of $10,000,000.

(P2) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $10,000,000.

(P3) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $5,000,000.

(P4) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $1,000,000.

(P5) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $250,000.

(P6) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $100,000.

(P7) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $50,000.

(P8) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $25,000.

(P9) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $10,000.

(P10) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $5,000.

(P11) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $3,000.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the President or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Association.

McFarland Unified School District
1998 General Obligation Refunding Bonds

RECEIPT OF ESCROW AGENT

The undersigned, an authorized officer of The Bank of New York Mellon Trust Company, N.A., in its capacity as Escrow Agent (the "Escrow Agent") under that certain Escrow and Deposit Agreement, dated as of August 1, 2012 (the "Escrow Agreement"), by and between the Escrow Agent and McFarland Unified School District (the "District"), with respect to the District's outstanding 1998 General Obligation Refunding Bonds, hereby certifies that on the date of this Receipt, the Escrow Agent received the following amounts from the following sources for deposit as indicated:

SOURCE	AMOUNT	DESIGNATED DEPOSIT
Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus	$345,669.40	1998 Escrow Fund

Dated: August 30, 2012

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Escrow Agent

By: _____
Authorized Officer

ESCROW AND DEPOSIT AGREEMENT

This Escrow and Deposit Agreement, dated as of August 1, 2012 (this "Agreement") by and between The Bank of New York Mellon Trust Company, N.A., as Paying Agent for certain outstanding general obligation bonds (more particularly described below) and as escrow agent hereunder (in such capacity, the "Escrow Agent"), and MCFARLAND UNIFIED SCHOOL DISTRICT, Kern County, California (the "District").

W I T N E S S E T H:

WHEREAS, the District issued certain general obligation bonds, to wit, the $9,150,000 McFarland Unified School District (Kern County, California) 1998 General Obligation Refunding Bonds (the "Prior Bonds"); and

WHEREAS, the District has determined to refund $340,000 aggregate principal amount of the Prior Bonds which are currently outstanding and subject to optional redemption on October 1, 2012 (the "Refunded Prior Bonds"); and

WHEREAS, to provide funds, in part, for the refunding of the Refunded Prior Bonds, the District has issued $4,400,000 aggregate principal amount of its 2012 General Obligation Refunding Bonds, (the "Refunding Bonds"); and

WHEREAS, the Refunded Prior Bonds were issued under and pursuant to a resolution adopted by the District's Board of Trustees on August 11, 1998 (the "Resolution") providing the terms of redemption thereof; and

WHEREAS, the District wishes to provide for the application of the net proceeds of the Refunding Bonds, together with the interest earned from the investment thereof, to effect the refunding of the Refunded Prior Bonds; and

WHEREAS, in connection with such refunding, the District requires that the Paying Agent undertake the services of Escrow Agent for the Refunded Prior Bonds in accordance with the terms of the Refunded Prior Bonds and this Agreement; and

NOW, THEREFORE, the District and the Escrow Agent agree as follows:

ARTICLE I

REPRESENTATIONS, WARRANTIES AND AGREEMENTS

Each party hereto, as to itself and not as to the other party, hereby represents, warrants and agrees that:

Section 1.1 Authorization. The execution, delivery and performance of this Agreement by such party are within such party's respective powers and have been duly authorized by all necessary action of such party.

Section 1.2 No Conflict. (a) The District represents, warrants and agrees to its current actual knowledge that the execution, delivery and performance of this Agreement will not violate or conflict with (i) the Resolution or any other resolution of the District; (ii) the Constitution or laws of

the State of California; or (iii) any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other governmental or public entity with jurisdiction over the District or its operations. The Escrow Agent represents and warrants that the execution, delivery and performance of this Agreement will not violate or conflict with (i) the articles of association or bylaws of the Escrow Agent; and (ii) any decisions, statutes, ordinances, rulings, directions, rules, regulations, orders, writs, decrees, injunctions, permits, certificates or other requirements of any court or other governmental or public entity with jurisdiction over the trust powers and operation of the Escrow Agent.

Section 1.3 Binding Obligation. This Agreement has been duly executed by, and is a legally valid and binding obligation of each party, enforceable against such party in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights, and by general principles of equity.

Section 1.4 Title to Moneys Deposited in Escrow. The District represents that the District has good, sufficient and legal title to the moneys and securities deposited in the Escrow Fund established hereunder free and clear of all liens other than those created hereby.

Section 1.5 Duties of Parties. The District hereby directs and the Escrow Agent accepts the duties set forth herein, in order that the Refunded Prior Bonds shall be effectively and legally defeased in accordance with their terms and applicable provisions of law. For this purpose, the District will deposit, or cause to be deposited, and the Escrow Agent shall apply, proceeds of the sale of the Refunding Bonds as specified herein, and for no other purpose. The Escrow Agent hereby covenants and agrees to perform its duties set forth herein in accordance with the terms hereof.

ARTICLE II

ESTABLISHMENT OF ESCROW FUND

Section 2.1 Creation of Escrow Fund. The District hereby directs the Escrow Agent to establish a special escrow fund to be designated as the "McFarland Unified School District 1998 Escrow Fund" (the "Escrow Fund"), into which the Escrow Agent shall deposit a portion of the proceeds of the Refunding Bonds in the amount of $345,669.40 (the "Refunding Proceeds"), of which $345,669.00 shall be invested in State and Local Government Series/U.S. Treasury Obligations as set forth on Schedule A hereto and $0.40 shall remain uninvested in cash. The District hereby irrevocably directs the Escrow Agent to make the deposits as set forth hereinabove.

Section 2.2 Terms of Resolutions and Refunded Prior Bonds. Receipt is hereby acknowledged by the Escrow Agent of a copy of the Resolution. Reference herein to, or citation herein of, any provision of the Resolution or the terms of the Refunded Prior Bonds shall be deemed to be incorporated as a part hereof in the same manner and with the same effect as if it or they were fully set forth herein.

Section 2.3 Permitted Investments. The District hereby irrevocably directs the Escrow Agent to take such actions as may be necessary to assure that the amount so deposited in the Escrow Fund shall be invested in "United States Obligations" (being noncallable direct and general obligations of the United States of America (including State and Local Government Series Treasury obligations) or obligations which are unconditionally guaranteed by the United States of America, and permitted under Section 149(b) of the Internal Revenue Code and Regulations, or any of the following which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Refunded Prior Bonds, as particularly set forth on Schedule A attached hereto and made a part hereof (the "Escrowed Securities"), so as to be available to the Refunded Prior Bonds on the dates established therefor in the Resolution, it being the intention of

the District that the principal of and interest paid on such Escrowed Securities on deposit in the Escrow Fund, together with any uninvested cash on deposit therein, will be sufficient for such purposes, as of the date of calculation, and that such Escrowed Securities will mature, bear interest and be available: (i) to pay in a timely manner the principal of and interest on the Refunded Prior Bonds (all as more particularly set forth in Schedule B attached hereto and each made a part hereof); (ii) to pay the redemption price of the Refunded Prior Bonds on the redemption date therefor (all as more particularly set forth in Schedule B attached hereto and each made a part hereof). The District hereby represents that such Escrowed Securities are comprised of United States Obligations. Any additional funds on deposit in the Debt Service Fund of the District under the Resolution, or earned or credited thereto after August 30, 2012 (the "Closing Date"), shall be pledged and applied solely to the payment of principal of and interest on the Refunding Bonds and not to the Refunded Prior Bonds. Any conflict in provisions respecting the defeasance of the Refunded Prior Bonds between the foregoing and the Resolution shall be governed by Resolution.

Section 2.4 Deposit of Moneys. The Escrow Agent hereby acknowledges receipt of the deposit of the moneys and Escrowed Securities into the Escrow Fund as described in Section 2.1 hereof.

Section 2.5 Purpose of Deposit. The deposit by the District of the moneys into the Escrow Fund shall constitute an irrevocable deposit thereof for the uses and purposes specified in this Agreement and in the provisions of the applicable Resolution and the Refunded Prior Bonds expressly referred to herein, and such moneys and Escrowed Securities, together with all interest thereon, shall be held in trust and applied solely for such uses and purposes. Such moneys and Escrowed Securities, along with the proceeds of investment thereof, shall be held by the Escrow Agent separate and apart from all other funds and shall not be commingled with other moneys for any purpose.

Section 2.6 Investments; District Covenants. (a) Except as otherwise expressly provided in Sections 2.1 and 2.3, the Escrow Agent shall have no power or duty to invest any moneys held hereunder or to make substitutions of the Escrowed Securities held hereunder or to sell, transfer or otherwise dispose of the Escrowed Securities acquired hereunder, or to pay interest on any such moneys not required to be invested hereunder.

(b) The District hereby agrees that it will not take action or fail to take action which would (i) affect adversely the exclusion from gross income for federal income tax purposes of interest on the Refunded Prior Bonds or on the Refunding Bonds, or (ii) adversely affect the status of the Refunded Prior Bonds as being deemed no longer Outstanding under the Resolution.

Section 2.7 Handling of Investment Proceeds. The District hereby directs the Escrow Agent to collect the matured principal of and payments of interest on the Escrowed Securities as the same become due and payable and deposit the same in the Escrow Fund. Not later than the date on which any payment on any of the Refunded Prior Bonds is required to be made, as set forth in Schedule B, or if such date is not a Business Day (being any day other than a Saturday or Sunday or a day on which the Escrow Agent and banks and trust companies located in New York, New York, or Los Angeles, California, are not authorized or required to remain closed and on which the New York Stock Exchange is open) then not later than the Business Day next succeeding such date, the Escrow Agent shall transmit, from the funds in the Escrow Fund, the applicable amount set forth in Schedule B attached hereto. The Escrow Agent may conclusively rely upon Schedule B with respect to all information set forth therein and may conclusively rely upon any written directions of the District with respect to any of the matters described in this paragraph.

If at any time it shall appear to the Escrow Agent that the money in the Escrow Fund, including the anticipated proceeds of the Escrowed Securities, will not be sufficient to make all payments required hereunder and under the terms of the Refunded Prior Bonds, or either Series thereof, the Escrow

Agent shall give notice thereof to the District in accordance with Section 5.4 hereof of the amount of such deficiency and the District agrees to pay the amount of such deficiency into the Escrow Fund from any source of lawfully available moneys.

Any moneys held by the Escrow Agent in trust for the payment and discharge of the principal or redemption price of or interest on any of the Refunded Prior Bonds which remain unclaimed for 18 months after the date when such payments have become due and payable, shall be paid to the District to be used for any of its lawful purposes and the Escrow Agent shall thereupon be released and discharged with respect thereto and the Owners of Refunded Prior Bonds shall look only to the District for the payment of the principal or redemption price of or interest on such Refunded Prior Bonds.

Section 2.8 Notices to Owners of Refunded Prior Bonds. The District hereby irrevocably directs the Escrow Agent to provide notices of defeasance and of redemption substantially in the forms set forth in Schedule C and D, the former to be mailed promptly upon the funding of the Escrow Fund hereunder.

Notice of redemption (Schedule D) shall be mailed by first class mail, postage prepaid, to the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") website located at *http://emma.msrb.org*, to the District, the Treasurer and Tax Collector of the County, and the respective registered Owners of the Refunded Prior Bonds at their addresses appearing on the Bond registration books.

Section 2.9 Compensation; Indemnification. (a) The District agrees to pay and shall pay to the Escrow Agent as compensation in full for all services to be rendered by the Escrow Agent under this Agreement the amounts set forth in a separate schedule of fees and expenses, as modified from time to time in a writing between the District and the Escrow Agent. Any payment to the Escrow Agent pursuant to this Section shall be made from any moneys of the District lawfully available therefor, but the Escrow Agent shall have no lien whatsoever upon any of the moneys or Escrowed Securities in the Escrow Fund for any such payment.

(b) To the extent authorized by law, the District assumes liability for and agrees to indemnify the Escrow Agent and its respective successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the District, the County or the Escrow Agent (whether or not also indemnified against by any person under any other contract or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement, the acceptance and performance of the duties and obligations of the Escrow Agent hereunder, the establishment of the Escrow Fund, the acceptance of the moneys deposited in such fund, the purchase of the Escrowed Securities, the retention of such moneys and Escrowed Securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement. In no event shall the District be liable to any person by reason of the transactions contemplated hereby other than to the Escrow Agent as set forth in this paragraph. The indemnities contained in this paragraph shall survive the termination of this Agreement.

Section 2.10 Books and Records; Limited Liability. The Escrow Agent agrees to maintain books and records for the Escrow Fund and to account separately for deposits therein, investments thereof, earnings thereon and losses (if any) with respect thereto. The Escrow Agent shall only act in accordance with the specific provisions set forth herein and shall not assume any implied duties or obligations hereunder.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage

confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the District periodic cash transaction statements which shall include detail for all investment transactions made by the Escrow Agent hereunder.

The Escrow Agent shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Agreement unless the District shall have deposited sufficient funds therefor with the Escrow Agent. The Escrow Agent may rely and shall be protected in acting upon the written or oral instructions of authorized representatives of the District or of their respective agents relating to any matter or action undertaken as Escrow Agent under this Agreement.

The liability of the Escrow Agent for the payment of moneys as hereinabove set forth respecting the payment of the Refunded Prior Bonds shall be limited to the principal of and interest on the Escrowed Securities and other securities purchased hereunder. The Escrow Agent shall not be liable for any loss resulting from any investment, sale, transfer, prepayment, substitution or other disposition made pursuant to this Agreement in compliance with the provisions hereof or the sufficiency of the Escrowed Securities or any uninvested moneys held hereunder to accomplish the discharge of the Refunded Prior Bonds. The Escrow Agent shall not have any lien whatsoever upon any of the moneys deposited in accordance with Section 2.1 hereof for the payments of fees and expenses for services by it under this Agreement until after all payments required pursuant hereto in accordance herewith. The recitals of fact contained in the "whereas" clauses herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representations as to the sufficiency of the Escrowed Securities to be purchased pursuant hereto and any uninvested moneys to accomplish the refunding of the Refunded Prior Bonds or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be bond counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be provided or established prior to taking, suffering, or omitting any action under this Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the District. The Escrow Agent undertakes such duties as are expressly set forth herein, and no implied duties or obligations of the Escrow Agent shall be read into this Agreement. The obligations of the District hereunder shall survive the termination or discharge of this Agreement. The Escrow Agent may resign at any time upon 30 days' written notice to the District.

ARTICLE III

TERMINATION OF AGREEMENT

Section 3.1 Termination of Agreement. It is the intention of the District that the proceeds of the Escrowed Securities shall be applied on the dates and at the prices shown on Schedule B, to the payment of the Refunded Prior Bonds in accordance with their terms until the redemption date for the Refunded Prior Bonds. The Escrow Agent agrees to liquidate the Escrowed Securities in accordance with their terms and to apply the proceeds thereof to the payment of principal of and interest on the Refunded Prior Bonds as aforesaid; any moneys remaining in the Escrow Fund following such payment in whole on the respective redemption dates shown on Schedule B shall, after payment of any amounts

due the Escrow Agent, be transferred to the District. Upon the completion of such transfer, if any, this Agreement shall be terminated and of no further force or effect.

ARTICLE IV

FEES OF ESCROW AGENT

Section 4.1 Fees of Escrow Agent. The District shall pay to the Escrow Agent fees and expenses as are mutually agreed upon by the District and the Escrow Agent as and for payment in full for the services of the Escrow Agent as escrow holder hereunder, through and including the redemption of the Refunded Prior Bonds as set forth herein.

It is also understood that the fee agreed upon for the services of the Escrow Agent hereunder shall be considered compensation for its ordinary services as contemplated by these instructions, but in the event that the conditions of this escrow are not promptly fulfilled or that the Escrow Agent renders any service hereunder not provided for in the foregoing instructions or that there is an assignment of any interest in the subject matter of this escrow, or modification hereof, or that any controversy arises hereunder or that the Escrow Agent is made a party to, or intervenes in, or, in good faith, interpleads in, any litigation pertaining to this escrow or the subject matter thereof, the Escrow Agent shall be reasonably compensated by the District for such extraordinary services and reimbursed for all costs and expenses, plus interest charged at the maximum rate permitted by law occasioned by such default, delay, controversy or litigation, including, without limitation, the fees and disbursements of legal counsel to the Escrow Agent.

Under no circumstances shall the Escrow Agent be entitled to assert a lien against the cash or Escrowed Securities held in the Escrow Fund to provide security for the payment of the fees described in this Section.

ARTICLE V

MISCELLANEOUS

Section 5.1 Severability of Provisions. If any one or more of the covenants or agreements provided in this Agreement on the part of the parties hereto to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

Section 5.2 Execution in Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original and shall constitute and be but one and the same instrument.

Section 5.3 Applicable Law. This Agreement shall be governed by the laws of the State of California, applicable to contracts made and performed in said State.

Section 5.4 Notices. All notices, demands and formal actions under this Agreement shall be in writing and mailed, telegraphed or delivered to:

The District:	McFarland Unified School District 601 Second Street McFarland, California 93250 Attention: Superintendent
The Escrow Agent:	The Bank of New York Mellon Trust Company, N.A. 400 S. Hope Street, Suite 400 Los Angeles, California 90071

Section 5.5 Amendments. This Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of one hundred percent (100%) in aggregate principal amount of the Refunded Prior Bonds then unpaid as to principal shall have been filed with the Escrow Agent. This Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only: (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the District; (ii) to cure, correct or supplement any ambiguous or defective provision contained herein; or (iii) in regard to questions arising hereunder as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the Owners of the Refunded Prior Bonds, and that such amendment will not cause interest on the Refunded Prior Bonds to become subject to inclusion in gross income for proposes of federal income taxation.

IN WITNESS WHEREOF, the District has entered into this Escrow and Deposit Agreement with the Escrow Agent as of the date first above written.

MCFARLAND UNIFIED SCHOOL DISTRICT

By:_____
Superintendent

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.
as Escrow Agent

By:_____
Authorized Officer

Section 5.5 Amendments. This Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of one hundred percent (100%) in aggregate principal amount of the Refunded Prior Bonds then unpaid as to principal shall have been filed with the Escrow Agent. This Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only: (i) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the District; (ii) to cure, correct or supplement any ambiguous or defective provision contained herein; or (iii) in regard to questions arising hereunder as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the Owners of the Refunded Prior Bonds, and that such amendment will not cause interest on the Refunded Prior Bonds to become subject to inclusion in gross income for proposes of federal income taxation.

IN WITNESS WHEREOF, the District has entered into this Escrow and Deposit Agreement with the Escrow Agent as of the date first above written.

MCFARLAND UNIFIED SCHOOL DISTRICT

By:_____
Superintendent

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.
as Escrow Agent

By:_____
Authorized Officer

SCHEDULE A

DESCRIPTION OF THE ESCROWED SECURITIES

(Exhibit A-2 from the Verification Report)

EXHIBIT A-2

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

DESCRIPTION OF THE ESCROWED SECURITY
PURCHASED TO REFUND THE REFUNDED 1998 BONDS
AS OF AUGUST 30, 2012

Type	Settlement Date	Maturity Date	Par Amount	Coupon Rate	Price	Total Cost
SLGS	30-Aug-12	01-Oct-12	$345,669.00	0.090%	100.000000%	$345,669.00
			$345,669.00			$345,669.00

SCHEDULE B

REFUNDED PRIOR BONDS DEBT SERVICE REQUIREMENTS

(Exhibit A-3 from the Verification Report)

EXHIBIT A-3

MCFARLAND UNIFIED SCHOOL DISTRICT
(KERN COUNTY, CALIFORNIA)
2012 GENERAL OBLIGATION REFUNDING BONDS

ESCROW ACCOUNT DISBURSEMENT REQUIREMENTS
FOR THE REFUNDED 1998 BONDS
AS OF AUGUST 30, 2012

		Payment For		
Payment Date	Rate	Principal Redeemed	Interest	Total
01-Oct-12	Various	$340,000.00	$5,696.67	$345,696.67
		$340,000.00	$5,696.67	$345,696.67

SCHEDULE C

NOTICE OF DEFEASANCE

$9,150,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(Kern County, California)
1998 General Obligation Refunding Bonds

Notice is hereby given to the owners of McFarland Unified School District (the "District") 1998 General Obligation Refunding Bonds (the "Bonds") that moneys sufficient to provide for the payment of the principal of and interest on all of the Bonds listed below have been set aside in an Escrow Fund established under that certain Escrow Deposit and Trust Agreement, dated as of August 1, 2012 (the "Escrow Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent (the "Escrow Agent"), and verified for such purpose by Causey Demgen & Moore P.C., as Verification Agent. The Bonds will be called for redemption on October 1, 2012, in accordance with their terms, at 100%, plus accrued interest to the redemption date.

Maturity Date (June 1)	Principal Amount To Be Redeemed	CUSIP [1] Number (580415)
2013	$50,000	CV7
2014	50,000	CW5
2015	50,000	CX3
2016	50,000	CY1
2017	50,000	CZ8
2018	45,000	DA2
2019	45,000	DB0

[1] The Escrow Agent shall not be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the Owners.

MCFARLAND UNIFIED SCHOOL DISTRICT

By: THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Agent

By: _____
Authorized Officer

SCHEDULE D

FORM OF NOTICE OF REDEMPTION TO THE OWNERS OF

$9,150,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(Kern County, California)
1998 General Obligation Refunding Bonds

Notice is hereby given to the owners of McFarland Unified School District (the "District") 1998 General Obligation Refunding Bonds (the "Bonds") that the Bonds maturing in the years and bearing the CUSIP numbers set forth below are subject to optional redemption in accordance with that certain Resolution adopted by the District on August 11, 1998 (the "Resolution"), which amounts, along with interest thereon, have been determined to be sufficient and available to redeem the Bonds identified below, at a price of 100%, plus accrued interest thereon, on October 1, 2012 (the "Redemption Date").

Maturity Date (June 1)	Principal Amount To Be Redeemed	CUSIP [1] Number (580415)
2013	$50,000	CV7
2014	50,000	CW5
2015	50,000	CX3
2016	50,000	CY1
2017	50,000	CZ8
2018	45,000	DA2
2019	45,000	DB0

[1] The Escrow Agent shall not be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the Owners.

On the Redemption Date, all of the Bonds to be redeemed will become due and payable at the redemption price aforesaid, and payment will be made upon presentation and surrender to the Escrow Agent for the Bonds at:

From and after the Redemption Date, the principal of and interest on the Bonds called for redemption shall cease to accrue and be payable.

All Owners submitting their Bonds for redemption must also submit a form W-9. Failure to provide a completed form W-9 will result in a 28% backup withholding to the owners of the Bonds pursuant to the Interest and Dividend Tax Compliance Act of 1993.

Dated: August 30, 2012[1]

MCFARLAND UNIFIED SCHOOL DISTRICT

By: THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Agent

By: _____
Authorized Officer

[1] Notice must be given no more than 30 and later than 60 days prior to the redemption date.

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: McFarland Unified School District (County of Kern, California)

BONDS: $4,400,000 in aggregate principal amount of 2012 General Obligation Refunding Bonds

Policy No.: 215066-N

Effective Date: August 30, 2012

Premium: $22,094.13

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

ASSURED GUARANTY
MUNICIPAL

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (California Insurance Guaranty Association)

ISSUER: McFarland Unified School District (County of Kern, California)

Policy No.: 215066-N

Effective Date: August 30, 2012

BONDS: $4,400,000 in aggregate principal amount of 2012 2012 General Obligation Refunding Bonds

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the insurance provided by this Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

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, ASSURED GUARANTY MUNICIPAL CORP. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52ND Street, New York, New York 10019

(212) 826-0100

NOTICE OF CLAIM AND CERTIFICATE

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 10019

The undersigned, a duly authorized officer of [FULL NAME OF TRUSTEE or PAYING AGENT] (the "Trustee/Paying Agent"), hereby certifies to Assured Guaranty Municipal Corp. ("AGM"), with reference to Municipal Bond Insurance Policy No. 215066-N dated August 30, 2012 (the "Policy") issued by AGM in respect of the McFarland Unified School District (County of Kern, California) 2012 General Obligation Refunding Bonds (the "Bonds"), that:

(i) The Trustee/Paying Agent is the Trustee/Paying Agent under the document authorizing the issuance of the Bonds (the "Indenture") for the Holders.

(ii) The sum of all amounts on deposit (or scheduled to be on deposit) in the [RELEVANT ACCOUNTS] and available for distribution to the Holders pursuant to the Indenture will be $_____ (the "Shortfall") less than the aggregate amount of principal and interest Due for Payment on _____("Scheduled Payments").

(iii) The Trustee/Paying Agent is making a claim under the Policy for the Shortfall to be applied to the payment of Scheduled Payments.

(iv) The Trustee/Paying Agent agrees that, following receipt of funds from AGM, it shall (a) hold such amounts in trust and apply the same directly to the payment of Scheduled Payments on the Bonds when due; (b) not apply such funds for any other purpose; (c) not commingle such funds with other funds held by the Trustee/Paying Agent and (d) maintain an accurate record of such payments with respect to each Bond and the corresponding claim on the Policy and proceeds thereof, and, if the Bond is required to be [SURRENDERED/PRESENTED] for such payment, shall stamp on each such Bond the legend $"[insert applicable amount] paid by AGM and the balance hereof has been canceled and reissued" and then shall deliver such Bond to AGM.

(v) The Trustee/Paying Agent, on behalf of the Holders, hereby assigns to AGM the rights of the Holders with respect to the Bonds to the extent of any payments under the Policy, including, without limitation, any amounts due to the Holders in respect of securities law violations arising from the offer and sale of the Bonds. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to AGM in respect of such payments. Payments to AGM in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Holders to receive all Scheduled Payments in respect of the Bonds. The Trustee/Paying Agent shall take such action and deliver such instruments as may be reasonably requested or required by AGM to effectuate the purpose or provisions of this clause (v).

(vi) The Trustee/Paying Agent, on its behalf and on behalf of the Holders, hereby appoints AGM as agent and attorney-in-fact for the Trustee/Paying Agent and each such Holder in any legal proceeding with respect to the Bonds. The Trustee/Paying Agent hereby agrees that, so long as AGM shall not be in default in its payment obligations under the Policy, AGM may at any time during the continuation of any proceeding by or against the Issuer under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim in connection with an Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment made with respect to the Bonds (a "Preference Claim"), (B) the direction of any appeal of any order relating to any Preference Claim at the expense of AGM but subject to reimbursement as provided in the Indenture and (C) the posting of any surety, supersedes or performance bond pending any such appeal. In addition, the Trustee/Paying Agent hereby agrees that AGM shall be subrogated to, and the Trustee/Paying Agent on its behalf and on behalf of each Holder, hereby delegates and assigns, to the fullest extent permitted by law, the rights of the Trustee/Paying Agent and each Holder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(vii) Payment should be made by wire transfer directed to [SPECIFY INSURANCE ACCOUNT].

Unless the context otherwise requires, capitalized terms used in this Notice of Claim and Certificate and not defined herein shall have the meanings provided in the Policy.

IN WITNESS WHEREOF, the Trustee/Paying Agent has executed and delivered this Notice of Claim and Certificate as of the _____ day of _____, _____.

By _____

Title _____

For AGM or
Fiscal Agent Use Only
Wire transfer sent on _____ By _____
Confirmation Number _____

DISCLOSURE, NO DEFAULT AND TAX CERTIFICATE OF ASSURED GUARANTY MUNICIPAL CORP.

The undersigned hereby certifies on behalf of Assured Guaranty Municipal Corp. ("AGM"), in connection with the issuance by AGM of its Policy No. 215066-N (the "Policy") in respect of the $4,400,000 in aggregate principal amount of McFarland Unified School District (County of Kern, California), 2012 General Obligation Refunding Bonds (the "Bonds") that:

(i) the information set forth under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." in the official statement dated August 9, 2012, relating to the Bonds (the "Official Statement") is true and correct,

(ii) AGM is not currently in default nor has AGM ever been in default under any policy or obligation guaranteeing the payment of principal of or interest on an obligation,

(iii) the Policy is an unconditional and recourse obligation of AGM (enforceable by or on behalf of the holders of the Bonds) to pay the scheduled principal of and interest on the Bonds in the event of Nonpayment by the Issuer (as set forth in the Policy),

(iv) the insurance premium of $22,094.13 (the "Premium") is a charge for the transfer of credit risk and was determined in arm's length negotiations and is required to be paid to AGM as a condition to the issuance of the Policy,

(v) no portion of such Premium represents an indirect payment of costs of issuance, including rating agency fees, other than fees paid by AGM to maintain its ratings, which, together with all other overhead expenses of AGM, are taken into account in the formulation of its rate structure, or for the provision of additional services by us, nor the direct or indirect payment for a cost, risk or other element that is not customarily borne by insurers of tax-exempt bonds (in transactions in which the guarantor has no involvement other than as a guarantor),

(vi) AGM is not providing any services in connection with the Bonds other than providing the Policy, and except for the Premium, AGM will not use any portion of the Bond proceeds; provided, however, that AGM or its affiliates may independently provide a guaranteed investment contract for the investment of all or a portion of the proceeds of the Bonds,

(vii) except for payments under the Policy in the case of Nonpayment by the Issuer, there is no obligation to pay any amount of principal or interest on the Bonds by AGM,

(viii) AGM does not expect that a claim will be made on the Policy,

(ix) the Issuer is not entitled to a refund of the premium for the Policy in the event a Bond is retired before the final maturity date, and

(x) for Bonds which are secured by a debt service reserve fund, AGM would not have issued the Policy unless the authorizing or security agreement for the Bonds provided for a debt service reserve fund funded and maintained in an amount at least equal to, as of any particular date of computation, the reserve requirement as set forth in such agreement.

AGM makes no representation as to the nature of the interest to be paid on the Bonds or the treatment of the Policy under Section 1.148-4(f) of the Income Tax Regulations.

ASSURED GUARANTY MUNICIPAL CORP.

By: _____
Authorized Officer

Dated: August 30, 2012

ASSURED GUARANTY
MUNICIPAL

August 30, 2012

Municipal Bond Insurance Policy No. 215066-N With Respect to
$4,400,000 In Aggregate Principal Amount of
McFarland Unified School District (County of Kern, California)
2012 General Obligation Refunding Bonds

Ladies and Gentlemen:

I am Counsel of Assured Guaranty Municipal Corp., a New York stock insurance company ("AGM"). You have requested my opinion in such capacity as to the matters set forth below in connection with the issuance by AGM of its above-referenced policy (the "Policy"). In that regard, and for purposes of this opinion, I have examined such corporate records, documents and proceedings as I have deemed necessary and appropriate.

Based upon the foregoing, I am of the opinion that:

1. AGM is a stock insurance company duly organized and validly existing under the laws of the State of New York and authorized to transact financial guaranty insurance business therein.

2. The Policy has been duly authorized, executed and delivered by AGM.

3. The Policy constitutes the valid and binding obligation of AGM, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy or insolvency of AGM and to the application of general principles of equity.

In addition, please be advised that I have reviewed the description of the Policy under the caption "BOND INSURANCE – The Insurance Policy" in the official statement relating to the above-referenced Bonds dated August 9, 2012 (the "Official Statement"). There has not come to my attention any information which would cause me to believe that the description of the Policy referred to above, as of the date of the Official Statement or as of the date of this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that I express no opinion with respect to any information contained in, or omitted from, the caption "BOND INSURANCE – Assured Guaranty Municipal Corp.".

I am a member of the Bar of the State of New York, and do not express any opinion as to any law other than the laws of the State of New York.

Very truly yours,

Counsel

McFarland Unified School District,
601 Second Street,
McFarland, California 93250

Stone & Youngberg LLC,
as Representative of the Underwriters,
One Ferry Building,
San Francisco, California 94111

STANDARD
&POOR'S
RATINGS SERVICES

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 1225003

August 13, 2012

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, NY 10019
Attention: Mr. Richard Bauerfeld, Managing Director

Re: ***$4,400,000 McFarland Unified School District, County of Kern, California, General Obligation Refunding Bonds, 2012 Series A, dated: Date of Delivery, due: November 1, 2012, November 1, 2014-2024, (POLICY #215066-N)***

Dear Mr. Bauerfeld:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AA-" from "A". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's

Standard & Poor's Ratings Services
a Standard & Poor's Financial Services LLC business.

aw

STANDARD
&POOR'S
RATINGS SERVICES

Standard & Poor's Ratings Services
Terms and Conditions Applicable To Public Finance Ratings

You understand and agree that:

General. The ratings and other views of Standard & Poor's Ratings Services ("Ratings Services") are statements of opinion and not statements of fact. A rating is not a recommendation to purchase, hold, or sell any securities nor does it comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services' opinions should not be relied upon in making any investment decision. Ratings Services does not act as a "fiduciary" or an investment advisor. Ratings Services neither recommends nor will recommend how an issuer can or should achieve a particular rating outcome nor provides or will provide consulting, advisory, financial or structuring advice.

All Rating Actions in Ratings Services' Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, at any time, in Ratings Services' sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential or private rating or a withdrawal of a rating, or termination of this Agreement. Ratings Services will not convert a public rating to a confidential or private rating, or a private rating to a confidential rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate the rating provided hereunder and any analytical reports, including the rationale for the rating, unless you specifically request in connection with the initial rating that the rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private rating or the existence of a confidential or private rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the rating as a public rating, including, without limitation, publishing the rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of you or at your request. Notwithstanding anything to the contrary herein, Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Ratings Services' ability to modify or refine its ratings criteria at any time as Ratings Services deems appropriate.

Information to be Provided by You. For so long as this Agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services all information requested by Ratings Services in accordance with its applicable published ratings criteria. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, as of the date such information is provided, (i) is true, accurate and complete in all material respects and, in light of the circumstances in which it was provided, not misleading and (ii) does not infringe or violate the intellectual property rights of a third party. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean verbal or written information that you or your agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential". Notwithstanding the foregoing, information disclosed by you or your agents or advisors to

Ratings Services shall not be deemed to be Confidential Information, and Ratings Services shall have no obligation to treat such information as Confidential Information, if such information (i) was known by Ratings Services or its affiliates at the time of such disclosure and was not known by Ratings Services to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of Ratings Services or its affiliates) subsequent to such disclosure, (iv) is disclosed to Ratings Services or its affiliates by a third party subsequent to such disclosure and Ratings Services reasonably believes that such third party's disclosure to Ratings Services or its affiliates was not prohibited, (v) is developed independently by Ratings Services or its affiliates without reference to the Confidential Information, (vi) is approved in writing by you for public disclosure, or (vii) is required by law or regulation to be disclosed by Ratings Services or its affiliates. Ratings Services is aware that U.S. and state securities laws may impose restrictions on trading in securities when in possession of material, non-public information and has adopted securities trading and communication policies to that effect.

Ratings Services' Use of Information. Except as otherwise provided herein, Ratings Services shall not disclose Confidential Information to third parties. Ratings Services may (i) use Confidential Information to assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, and (ii) share Confidential Information with its affiliates engaged in the ratings business who are bound by appropriate confidentiality obligations; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. Ratings Services may also use, and share Confidential Information with any of its affiliates or agents engaged in the ratings or other financial services businesses who are bound by appropriate confidentiality obligations ("Relevant Affiliates and Agents"), for modelling, benchmarking and research purposes; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. With respect to structured finance ratings not maintained on a confidential or private basis, Ratings Services may publish data aggregated from Confidential Information, excluding data that is specific to and identifies individual debtors ("Relevant Data"), and share such Confidential Information with any of its Relevant Affiliates and Agents for general market dissemination of Relevant Data; you confirm that, to the best of your knowledge, such publication would not breach any confidentiality obligations you may have toward third parties. Ratings Services will comply with all applicable U.S. and state laws, rules and regulations protecting personally-identifiable information and the privacy rights of individuals. Ratings Services acknowledges that you may be entitled to seek specific performance and injunctive or other equitable relief as a remedy for Ratings Services' disclosure of Confidential Information in violation of this Agreement. Ratings Services and its affiliates reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you, your agents or advisors.

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Ratings Services is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. Rating Services has not performed the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. As of the date of this Agreement, (a) neither you nor the issuer (if you are not the issuer) or any of your or the issuer's subsidiaries, or any director or corporate officer of any of the foregoing entities, is the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("OFAC Sanctions"), (b) neither you nor the issuer (if you are not the issuer) is 50% or more owned or controlled, directly or indirectly, by any person or entity ("parent") that is the subject of OFAC Sanctions, and (c) to the best of your knowledge, no entity 50% or more owned or controlled by a direct or indirect parent of you or the issuer (if you are not the issuer) is the subject of OFAC sanctions. For so long as this Agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

Ratings Services' Use of Confidential and Private Ratings. Ratings Services may use confidential and private ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. Ratings Services may disclose a confidential or private rating as a confidential credit estimate or assessment to the managers of CDO and similar investment vehicles. Ratings Services may permit CDO managers to use and disseminate credit estimates or assessments on a limited basis and subject to various restrictions; however, Ratings Services cannot control any such use or dissemination.

Entire Agreement. Nothing in this Agreement shall prevent you, the issuer (if you are not the issuer) or Ratings Services from acting in accordance with applicable laws and regulations. Subject to the prior sentence, this Agreement, including any amendment made in accordance with the provisions hereof, constitutes the complete and entire agreement between the parties on all matters regarding the rating provided hereunder. The terms of this Agreement supersede any other terms and conditions relating to information provided to Ratings Services by you or your agents and advisors hereunder, including without limitation, terms and conditions found on, or applicable to, websites or other means through which you or your agents and advisors make such information available to Ratings Services, regardless if such terms and conditions are entered into before or after the date of this Agreement. Such terms and conditions shall be null and void as to Ratings Services.

Limitation on Damages. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and Ratings Services are parties to result from gross negligence, intentional wrongdoing, or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of US$5,000,000 except to the extent such monetary damages directly result from Ratings Services' intentional wrongdoing or willful misconduct. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third–Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended or superseded except by a writing that specifically refers to this Agreement and is executed manually or electronically by authorized representatives of both parties.

Reservation of Rights. The parties to this Agreement do not waive, and reserve the right to contest, any issues regarding sovereign immunity, the applicable governing law and the appropriate forum for resolving any disputes arising out of or relating to this Agreement.

FULBRIGHT
& Jaworski L.L.P.
Attorneys at Law

555 South Flower Street • Forty-First Floor • Los Angeles, California 90071
Telephone: 213 892 9200 • Facsimile: 213 892 9494

August 30, 2012

Board of Trustees
McFarland Unified School District
601 Second Street
McFarland, California 93250

Re: $4,400,000 McFarland Unified School District 2012 General Obligation Refunding Bonds

Ladies and Gentlemen:

We have acted as bond counsel for the McFarland Unified School District, County of Kern, State of California (the "District"), in connection with the issuance by the District of $4,400,000 aggregate principal amount of the above-captioned bonds (the "Bonds"). The Bonds are issued pursuant to pertinent provisions of the Government Code of the State of California, as amended, and a resolution adopted by the Board of Trustees of the District on March 13, 2012 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), delivered by the District in connection with the issuance of the Bonds. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof.

AUSTIN • BEIJING • DALLAS • DENVER • DUBAI • HONG KONG • HOUSTON • LONDON • LOS ANGELES • MINNEAPOLIS
MUNICH • NEW YORK • PITTSBURGH-SOUTHPOINTE • RIYADH • SAN ANTONIO • ST. LOUIS • WASHINGTON DC
www.fulbright.com

We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the opinions that:

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

2. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District.

3. Under existing law interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants referred to herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes and is not included in the computation of the alternative minimum taxable income of the owners thereof for federal income tax purposes. In our further opinion, under existing statutes, regulations, rulings and court decisions, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issue of the Bonds. In the Resolution and the Tax Certificate, the District has made representations relevant to the determination of, and has made certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the District with such covenants. We express no opinion with respect to the exclusion pursuant to section 103(a) of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes in the event that any of such representations is untrue or the District should fail to comply with any of its covenants, unless such failure to comply is based on our advice or opinion.

Except as set forth above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

Our opinions are based on existing law, which is subject to change. The opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

Fulbright & Jaworski L.L.P.

FULBRIGHT
& Jaworski L.L.P.
Attorneys at Law

555 South Flower Street • Forty-First Floor • Los Angeles, California 90071
Telephone: 213 892 9200 • Facsimile: 213 892 9494

August 30, 2012

Stifel, Nicolaus & Company, Incorporated,
dba Stone & Youngberg, a Division of Stifel Nicolaus
515 South Figueroa Street, Suite 1800
Los Angeles, California 90071

Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
Los Angeles, California 90017

Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, New York 10019

Re: $4,400,000 McFarland Unified School District 2012 General Obligation Refunding Bonds

Ladies and Gentlemen:

We have issued our final approving opinion dated August 30, 2012. You are entitled to rely on said opinions as if they were addressed to you.

Respectfully submitted,

Fulbright & Jaworski L.L.P.

AUSTIN • BEIJING • DALLAS • DENVER • DUBAI • HONG KONG • HOUSTON • LONDON • LOS ANGELES • MINNEAPOLIS
MUNICH • NEW YORK • PITTSBURGH-SOUTHPOINTE • RIYADH • SAN ANTONIO • ST. LOUIS • WASHINGTON DC
www.fulbright.com

FULBRIGHT
& Jaworski L.L.P.
Attorneys at Law

555 South Flower Street • Forty-First Floor • Los Angeles, California 90071
Telephone: 213 892 9200 • Facsimile: 213 892 9494

August 30, 2012

Stifel, Nicolaus & Company, Incorporated,
dba Stone & Youngberg, a Division of Stifel Nicolaus
515 South Figueroa Street, Suite 1800
Los Angeles, California 90071

Re: $4,400,000 McFarland Unified School District 2012 General Obligation Refunding Bonds

Ladies and Gentlemen:

This opinion is delivered to you pursuant to that certain Bond Purchase Agreement, dated August 16, 2012 (the "Bond Purchase Agreement"), by and between the McFarland Unified School District, a school district organized and existing under the laws of the State of California (the "District"), and Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as underwriter (the "Underwriter"), in connection with the issuance and sale of $4,400,000 aggregate principal or issue amount of the District's 2012 General Obligation Refunding Bonds (the "Bonds"), issued pursuant to the Government Code of the State of California (commencing at Section 53506) and that certain resolution of the Board of Trustees of the District, adopted on March 13, 2012 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings set forth in the Bond Purchase Agreement.

In our capacity as Bond Counsel, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, records and proceedings as we have deemed necessary or appropriate for the purposes of this opinion.

On the basis of the foregoing and upon consideration of applicable law, we are of the opinion on the date of this letter that:

(i) the Bond Purchase Agreement, the Escrow Agreements and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute the legal, valid and binding agreements of the District, enforceable in accordance with their respective terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on remedies against school districts in the State of California; provided, however, that no opinion is expressed as to the enforceability of any indemnification, contribution, choice of law, penalty or waiver provisions therein;

(ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(iii) the statements contained in the Official Statement on the cover and under the captions "THE BONDS" (other than under the captions "—Book-Entry Only System," "SECURITY FOR THE BONDS," "THE PLAN OF REFUNDING," "TAX MATTERS" and APPENDIX B to the Official Statement), insofar as such statements purport to summarize certain provisions of the Bonds, the Resolution, the Escrow Agreements and our final approving opinion, are fair and accurate.

This opinion is furnished to you solely for your benefit and may not be relied on, circulated, quoted or otherwise referred to by any other person without our prior written consent.

Respectfully submitted,

Fulbright + Jaworski L.L.P.

FULBRIGHT
& Jaworski L.L.P.
Attorneys at Law

555 South Flower Street • Forty-First Floor • Los Angeles, California 90071
Telephone: 213 892 9200 • Facsimile: 213 892 9494

August 30, 2012

Board of Trustees
McFarland Unified School District
601 Second Street
McFarland, California 93250

Stifel, Nicolaus & Company, Incorporated,
dba Stone & Youngberg, a Division of Stifel Nicolaus
515 South Figueroa Street, Suite 1800
Los Angeles, California 90071

Re: $4,400,000 McFarland Unified School District 2012 General Obligation Refunding Bonds

Ladies and Gentlemen:

This opinion is delivered to you pursuant to that certain Bond Purchase Agreement, dated August 16, 2012 (the "Bond Purchase Agreement"), by and between the McFarland Unified School District, a school district of the State of California (the "District"), and Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as underwriter (the "Underwriter"), in connection with the issuance and sale of $4,400,000 aggregate principal or issue amount of the District's 2012 General Obligation Refunding Bonds (the "Bonds"), issued pursuant to the Government Code of the State of California (commencing at Section 53506) and that certain resolution of the Board of Trustees of the District, adopted on March 13, 2012. Capitalized terms used but not defined herein shall have the meanings set forth in the Bond Purchase Agreement.

In our capacity as Disclosure Counsel, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, records and proceedings as we have deemed necessary or appropriate for the purposes of this opinion.

This letter is limited to matters governed by the federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel, we have rendered certain legal advice and assistance to the District in connection with the preparation of the Official Statement. Rendering such legal advice and assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in

conferences with, among others, the Underwriter and representatives of the District, at which conferences the contents of the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement), no facts have come to the attention of the personnel in our firm directly involved in rendering legal advice and assistance to you in connection with the preparation of the Official Statement which cause us to believe that the Official Statement as of its date (excluding therefrom financial, demographic, engineering and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; The Depository Trust Company, New York, New York and its book-entry only system and Assured Guaranty Municipal Corp., and information set forth in Appendices C, E, and F, as to all of which we express no opinion) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

During the period from the date of the Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Official Statement.

We are furnishing this opinion to you, as Disclosure Counsel to the District, pursuant to the Bond Purchase Agreement, solely for your benefit. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the closing relating to the Bonds, and we have no obligation to update this opinion.

This opinion is furnished by us to you solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Respectfully submitted,

Fulbright + Jaworski L.L.P.

FULBRIGHT
& Jaworski L.L.P.
Attorneys at Law

555 South Flower Street • Forty-First Floor • Los Angeles, California 90071
Telephone: 213 892 9200 • Facsimile: 213 892 9494

August 30, 2012

Board of Trustees
McFarland Unified School District
601 Second Street
McFarland, California 93250

Re: McFarland Unified School District 1998 General Obligation Refunding Bonds and McFarland Unified School District General Obligation Bonds, Election of 2004, Series 2004

Ladies and Gentlemen:

We have served as Bond Counsel to the McFarland Unified School District, a school district duly organized and existing under the Constitution and laws of the State of California (the "District"), in connection with the redemption and defeasance of the District's 1998 General Obligation Refunding Bonds (the "1998 Bonds") issued pursuant to the terms of a resolution adopted by the Board of Supervisors of the County of Kern (the "1998 Resolution"), and the defeasance of the District's General Obligation Bonds, Election of 2004, Series 2004 (the "2004 Bonds") issued pursuant to the terms of a resolution adopted by the Board of Supervisors of the County of Kern (the "2004 Resolution," and collectively with the 1998 Resolution, the "Resolutions"). Terms capitalized but not defined herein shall have the meanings ascribed thereto in the Resolutions.

The District issued its 2012 General Obligation Refunding Bonds (the "2012 Bonds"), for the purpose of effecting a current refunding and defeasance of the 1998 Bonds maturing on or after August 30, 2012, in the aggregate outstanding principal amount of $340,000 (the "1998 Refunded Bonds"), and for the purpose of effecting an advance refunding and defeasance of the 2004 Bonds maturing on or after November 1, 2013, in the aggregate outstanding principal amount of $3,815,000 (the "2004 Refunded Bonds" and, collectively with the 1998 Refunded Bonds, the "Refunded Bonds"). A portion of the net proceeds of the 2012 Bonds is to be deposited into an Escrow Fund established for such purpose under that certain Escrow and Deposit Agreement, dated as of August 1, 2012 (the "1998 Escrow Agreement"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "1998 Escrow Agent"). A portion of the net proceeds of the 2012 Bonds is to be deposited into an Escrow Fund established for such purpose under that certain Escrow and Deposit Agreement (the "2004 Escrow Agreement" and, together with the 1998 Escrow Agreement, the "Escrow Agreements"), dated as of August 1, 2012, by and between the District and Wells Fargo Bank, National Association, as escrow agent (the "2004 Escrow Agent" and, together with the 1998 Escrow Agent, the "Escrow Agents").

The amount set aside for such payment and redemption of the Refunded Bonds has been determined by the Verification Agent for the Refunded Bonds to be sufficient for such purpose, taking into account the investment earnings on certain Defeasance Obligations scheduled to be purchased with a portion of the proceeds of the 2012 Bonds deposited into the respective Escrow Fund.

We have examined the Resolutions and the Escrow Agreements. In addition, we have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic originals of all documents submitted to us as copies. We have relied upon the aforementioned instruments, certificates and documents as to any facts which were not independently established.

Based on the foregoing, on the law of the State of California, on the federal law of the United States of America both in effect on the date of this opinion, we are of the opinion that:

(i) the Escrow Agreements have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Escrow Agents, each constitutes a legal, valid and binding obligation of the District, enforceable in accordance with its terms, except as such terms may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law); and

(ii) upon the deposit of certain proceeds of the 2012 Bonds, the notices of defeasance having been given, or provision having been made for the giving of such notice, as provided in the Escrow Agreements and the Resolutions and the investment of money and securities in accordance with the provisions of the Escrow Agreements, then the Refunded Bonds shall have been defeased in accordance with the Resolutions and the obligations of the District and the respective Paying Agent under the Resolutions to the owners of the Refunded Bonds shall thereupon cease and terminate in accordance with the Resolutions.

In rendering the following opinions, we have made no independent calculations or verifications concerning the actual deposit of the amounts and obligations specified in the Escrow Agreements, the principal or redemption price and interest requirements with respect to the Refunded Bonds, the adequacy of the amounts deposited pursuant to the Escrow Agreements and the investment income thereon to pay such principal or redemption price and interest requirements when due, or the accuracy of any of the numbers, computations, assumptions or conclusions contained in the verification report, dated August 30, 2012 (the "Verification Report") delivered by Causey Demgen & Moore P.C., certified public accountants and consultants, stating that the firm has verified the accuracy of mathematical computations

concerning the adequacy of the cash and securities deposited in the respective Escrow Funds to pay the interest due with respect to each series of the Refunded Bonds, but with respect to such matters have relied solely upon, and assumed the accuracy of, the Verification Report, the representations in the Escrow Agreements and related certifications. We have also assumed that the deposits required to be made to the Escrow Funds established pursuant to the Escrow Agreements have been made, that all other instructions set forth in the Escrow Agreements have been complied with, and that provision satisfactory to the Escrow Agents has been irrevocably made with respect to the giving of notice of redemption of the Refunded Bonds.

This opinion is furnished to you solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Respectfully submitted,

Fulbright + Jaworski L.L.P.

STATE OF CALIFORNIA

Bill Lockyer
State Treasurer and Chair

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION
915 CAPITOL MALL ROOM 400
PO BOX 942809
SACRAMENTO CA 94209-0001
TELEPHONE: (916) 653-3269
FAX: (916) 654-7440

August 2, 2012

TO: Stuart Clapp
Fulbright & Jaworski LLP
555 S Flower St 41st Fl
Los Angeles, CA 90071

FROM: Mark Campbell, Executive Director

RE: ACKNOWLEDGEMENT OF REPORT OF PROPOSED DEBT ISSUANCE

California Government Code Section 8855 requires written notice to be given to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the proposed sale of any public agency debt issue.

CDIAC acknowledges receipt of your notice of the following proposed debt issuance:

CDIAC Number:	2012-1421
Issuer:	McFarland Unified School District
Project:	Series A
Proposed Amount:	$4,500,000
Proposed Sale Date:	August 16, 2012
Date Notice Recieved:	August 01, 2012

Issuers may electronically file the Report of Final Sale through CDIAC's website, using the following information:

CDIAC Number:	2012-1421
Password:	99000

A CDIAC Number and Password will be provided for each electronic filing of the Report of Proposed Debt Issuance. This information is unique to this filing and must be used for any subsequent reporting under this CDIAC Number.

Please submit the Report of Final Sale and the Official Statement/Offering Memorandum or other Bond Documents in accordance with Government Code Section 8855 on this issue within 45 days of the signing of the bond purchase contract or the acceptance of a bid to purchase the debt, to www.treasurer.ca.gov/cdiac/reporting.asp under the heading "Reporting Forms". Official Statements/Offering Memorandums or other Bond Documents can be sent by e-mail to CDIAC_issuance@treasurer.ca.gov.

Any questions regarding reporting requirements may be directed to CDIAC's Data Unit at (916) 653-3269.

Cc: Gabriel McCurtis
Interim Superintendent

REPORT OF PROPOSED DEBT ISSUANCE

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
Tel: (916) 653-3269 Fax: (916) 654-7440

Submitted: Wednesday, August 01, 2012
9:35:44AM

Your completion and submittal of this on-line form assures your compliance with existing California State law and will assist in the maintenance of a complete database of public debt in California. Thank you for your cooperation.

ISSUER NAME McFarland Unified School District
ISSUE NAME General Obligation Refunding Bonds, 2012 Series A
Please specify type/ name of project:
PROPOSED SALE DATE 08-16-2012 PRINCIPAL TO BE SOLD 4,500,000.00
WILL A VALIDATION ACTION BE PURSUED: No

IS ANY PORTION OF THE DEBT FOR REFUNDING? Yes, enter proposed amount for refunding: $4,500,000.00

Issuer Contact

First Name	Gabriel	Middle Name		Last Name	McCurtis
Title	Superintendent		E-Mail	gmccurtis@mcfarland.k12.ca.us	
Address	601 Second Street		Address (con't)		
Address (con't)			Address (con't)		
City	McFarland	State	CA	Zip Code	93250
Phone	661 792-3081	Ext.	ISSUER LOCATED IN	Kern	COUNTY

Filing Contact

Name of Individual representing **Bond Counsel** who completed this form and maybe contacted for information.

First Name	Juan	Middle Name		Last Name	Redin, Esq.
Firm/ Agency	Fulbright & Jaworski LLP				
Address	555 South Flower Street, Suite 4100		Address (con't)		
Address (con't)			Address (con't)		
City	Los Angeles	State	CA	Zip Code	90071
Phone	213 892-9381	Ext.	E-Mail	jredin@fulbright.com	
Send acknowledgement to:	Stuart Clapp at Fulbright & Jaworski		E-Mail	sclapp@fulbright.com	

FINANCING PARTICIPANTS

Bond Counsel Fulbright & Jaworski LLP
Financial Advisor Caldwell Flores Winters, Inc.
Underwriter\ Purchaser Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus

IS THE INTEREST ON THE DEBT TAXABLE?

Under State Law No (tax-exempt) Under Federal Law No (tax-exempt)

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax? No, not a preference item

TYPE OF SALE Negotiated **PRIVATE PLACEMENT** No

TYPE OF DEBT INSTRUMENT

General Obligation (GOB)

Please specify if "Other Note/ Other Bond/ Other" was checked.

SOURCE(S) OF REPAYMENT

Property Tax Revenues (PRTX)

Please specify if "Other" was checked.

PURPOSE(S) OF FINANCING

K-12 School Facility (KSCH)

Please specify type/ name of project if different from above.

REPORT OF FINAL SALE

California Debt And Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 942009-0001
Phone: (916) 653-3269 Fax: (916) 654-7440

CDIAC # 2012-1421
Thursday, August 30, 2012
9:49:01AM

ISSUER NAME : McFarland Unified School District

ISSUE NAME : 2012 General Obligation Refunding Bonds

IF THIS IS A POOLED FINANCING, WHICH ISSUANCE STATUTE IS IT AUTHORIZED UNDER?

ACTUAL SALE DATE : 08-09-2012 **PRINCIPAL SOLD :** $4,400,000.00 **DATED DATE :** 08-30-2012

IS ANY PORTION OF THE DEBT FOR REFUNDING? (see 1) Yes, refunding amount (including cost) $4,454,839.00

REASON FOR NEGOTIATED REFUNDING :
If the issue is a negotiated refunding, indicate the reason(s) why the bonds were issued at a private or negotiated versus a competitive sale.

All, (1) Timing of the sale provided more flexibility than a public sale., (2) More cost savings were expected to be realized than a public sale., (3) More flexibility in debt structure was available than a public sale., (4) Issuer able to work with participants familiar with issue/r than a public sale.

Issuer Contact :

Name : Gabriel McCurtis

Title : Superintendent

Address : 601 Second Street

City : McFarland State : CA Zip Code : 93250 E-Mail : gmccurtis@mcfarland.k12.ca.us

Phone: 661 7923081 ext Issuer Located in : Kern County

Filing Contact :

Name of Individual representing Bond Counsel who completed this form and may be contacted for information.

Name : Russ Trice Esq

Firm/ Agency : Fulbright Jaworski LLP

Address : 555 South Flower Street Suite 4100

City : Los Angeles State : CA Zip Code : 90071 E-Mail : rtrice@fulbright.com

Phone: 213 8929317 ext

Send acknowledgement/ copies to : Stuart Clapp at Fulbright Jaworski LLP E-Mail : sclapp@fulbright.com

Name of individual to who an invoice for the CDIAC issue fee should be sent : (see 2)

First Name : John Baracy

Firm : Stifel Nicolaus Company Incorporated dba Stone Youngberg a Division of Stifel Nicolaus

Address : 515 South Figueroa Street Suite 1800

City : Los Angeles State : CA Zip Code : 90071

Phone: 213 4435025 ext E-Mail : jbaracy@syllc.com

FINANCING PARTICIPANTS (Firm Name)		Office Location (City/ State) :	
Financial Advisor :	Caldwell Flores Winters Inc	Emeryville	CA
Lead Underwriter/ Purchaser :	Stifel Nicolaus Company Incorporated dba Stone	Los Angeles	CA
Bond Counsel :	Fulbright Jaworski LLP	Los Angeles	CA
Co-Bond Counsel :			
Trustee/ Paying Agent :	Wells Fargo Bank National Association	Los Angeles	CA
Placement Agent :			

MATURITY SCHEDULE: Included in Official Statement

MATURITY STRUCTURE: Serial (S)

FINAL MATURITY DATE : 11-01-2024

FIRST OPTIONAL CALL DATE :

SENIOR STRUCTURE : No

SUBORDINATE STRUCTURE : No

OFFICIAL STATEMENT/ OFFERING MEMORANDUM :

Enclosed

WAS THE ISSUE INSURED OR GUARANTEED?

Bond Issuance (I)

GUARANTOR :

Assured Guaranty Municipal Corp

ENHANCEMENT EXPIRATION DATE :

11-01-2024

INDICATE CREDIT RATING : Rated

Standard & Poor's AA

Fitch

Moody's

Other

IS THE INTEREST ON THE DEBT TAXABLE?

Under State Law : No (tax-exempt)

Under Federal Law : No (tax-exempt)

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?

No, not a preference item

INTEREST TYPE (Please provide both NIC & TIC if avaliable) :

% TIC 2.715%

CAPITOL APPRECIATION BOND : No

ISSUANCE COSTS AND FEES :

A. Management Fee	0.00
B. Total Takedown	0.00
C. Underwriter Expenses	0.00
Underwriter Spread or Discount	26,400.00
D. Bond Counsel	50,000.00
E. Co-Bond Counsel	0.00
F. Disclosure Counsel	0.00
G. Financial Advisor	45,000.00
H. Rating Agency	9,000.00
I. Credit Enhancement	22,094.13
J. Trustee Feet	1,000.00
K. Placement Agent	0.00
L. Other Expenses	14,698.07
Total Issuance Costs :	168,192.20
M. Original Issue Premium	223,032.00
N. Original Issue Discount	0.00
O. Net Original Premium/ Discount	223,032.00

1 Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to CDIAC explaining the reasons why the local agency determined to sell the bonds at a private sale or on a negotiated basis instead of at a public sale.

2 This fee is authorized by Section 8856 of the California Government Code and is charged to the lead underwriter or purchaser of the issue. The fee is administratively sent by the Commission. The current fee schedule may be obtained from CDIAC.

Form **8038-G**
(Rev. September 2011)
Department of the Treasury
Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)
▶ See separate instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ▶ ☐

1 Issuer's name McFarland Unified School District	2 Issuer's employer identification number (EIN) 95-3401486
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)	3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address) Room/suite 601 Second Street	5 Report number *(For IRS Use Only)* 3
6 City, town, or post office, state, and ZIP code McFarland, CA 93250	7 Date of issue August 30, 2012
8 Name of issue General Obligation Refunding Bonds, 2012 Series A	9 CUSIP number 580415GT8
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Gabriel McCurtis, Superintendent	10b Telephone number of officer or other employee shown on 10a (661) 792-3081

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11	Education	11	4,623,032	00
12	Health and hospital	12		
13	Transportation	13		
14	Public safety	14		
15	Environment (including sewage bonds)	15		
16	Housing	16		
17	Utilities	17		
18	Other. Describe ▶	18		
19	If obligations are TANs or RANs, check only box 19a ▶ ☐ If obligations are BANs, check only box 19b ▶ ☐			
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐			

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	11/01/2024	$ 4,623,032.00	$ 4,400,000.00	7.5 years	2.7005 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0	00
23	Issue price of entire issue (enter amount from line 21, column (b))			23	4,623,032	00
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	146,098 07			
25	Proceeds used for credit enhancement	25	22,094 13			
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0 00			
27	Proceeds used to currently refund prior issues	27	345,669 40			
28	Proceeds used to advance refund prior issues	28	4,109,170 40			
29	Total (add lines 24 through 28)			29	4,623,032	00
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	0	00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31	Enter the remaining weighted average maturity of the bonds to be currently refunded ▶	3.6792 years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded ▶	7.9362 years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) ▶	11/01/2013
34	Enter the date(s) the refunded bonds were issued ▶ (MM/DD/YYYY)	09/15/1998 and 06/2/2004

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35		
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a		
b	Enter the final maturity date of the GIC ▶			
c	Enter the name of the GIC provider ▶			
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37		

38a If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the following information:

b Enter the date of the master pool obligation ▶

c Enter the EIN of the issuer of the master pool obligation ▶

d Enter the name of the issuer of the master pool obligation ▶

39 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☑

40 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

41a If the issuer has identified a hedge, check here ▶ ☐ and enter the following information:

b Name of hedge provider ▶

c Type of hedge ▶

d Term of hedge ▶

42 If the issuer has superintegrated the hedge, check box ▶ ☐

43 If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ▶ ☐

44 If the issuer has established written procedures to monitor the requirements of section 148, check box ▶ ☑

45a If some portion of the proceeds was used to reimburse expenditures, check here ▶ ☐ and enter the amount of reimbursement ▶

b Enter the date the official intent was adopted ▶

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, ~~to the~~ person that I have authorized above.

Signature of issuer's authorized representative — Date

Gabriel McCurtis, Superintendent
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Richard Kornblith	Richard J. Kornblith	8/30/12		P01063972

Firm's name ▶	Fulbright & Jaworski L.L.P.	Firm's EIN ▶	74-1201087
Firm's address ▶	555 S. Flower St., 41st Fl., Los Angeles, CA 90071	Phone no.	(213) 892-9312

CLOSING MEMORANDUM

$4,400,000
MCFARLAND UNIFIED SCHOOL DISTRICT
(County of Kern, California)
2012 General Obligation Refunding Bonds

DATE AND TIME

Pre-Closing: August 29, 2012 at 2:00 p.m.
Closing: August 30, 2012 at 8:00 a.m.

PLACE

Fulbright & Jaworski L.L.P.
555 South Flower Street, 41st Floor
Los Angeles, California 90071
Telephone: (213) 892-9200
Facsimile: (213) 892-9494

PARTIES

McFarland Unified School District ("District")

Fulbright & Jaworski L.L.P., as Bond Counsel and Disclosure Counsel ("BC")

Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus, as Underwriter ("UW")

Nossaman LLP, as Underwriter's Counsel ("UC")

Wells Fargo Bank, National Association, as Paying Agent ("Paying Agent") and 2004 Escrow Agent ("2004 Escrow Agent")

The Bank of New York Mellon Trust Company, N.A., 1998 Escrow Agent ("1998 Escrow Agent")

Assured Guaranty Municipal Corp., as Bond Insurer ("AGM")

Causey Demgen & Moore P.C., as Verification Agent ("VA")

Caldwell Flores Winters, Inc., as Financial Advisor ("FA")

Standard & Poor's Ratings Service, as Rating Agency ("RA")

The Depository Trust Company, as Securities Depository ("DTC")

SIGNING OF BONDS

At or before the Closing, the following documents will be provided by the parties indicated. Where appropriate, the party responsible for preparing the document is shown in parenthesis.

A. DISTRICT will provide:

1. Resolution of the Board of Trustees of McFarland Unified School District Authorizing the Issuance of the District's 2012 General Obligation Refunding Bonds, together with Certificate of Clerk. (District/BC)

2. Preliminary Official Statement. (BC)

3. Rule 15c2-12 Certificate of District. (BC)

4. Official Statement. (BC)

5. Certificate of District Regarding No Litigation and Authorization to Use Official Statement. (BC)

6. Incumbency and Signature Certificate of District. (BC)

7. Disclosure Certificate of District. (BC)

8. Certificate of District Pursuant to the Bond Purchase Agreement. (BC)

9. Written Order to Authenticate Bonds. (BC)

10. Specimen Bonds. (BC)

11. District's Receipt for Purchase Price. (BC)

12. Tax Certificate. (BC)

13. Continuing Disclosure Certificate. (BC)

14. Reserved.

15. Material Event Notice Regarding 1998 GO Bonds. (BC)

16. Material Event Notice Regarding 2004 GO Bonds. (BC)

17. Verification Report. (VA)

B. UNDERWRITER will provide:

1. Bond Purchase Agreement. (BC)

2. Certificate of Underwriter. (BC)

3. Receipt for Bonds. (BC)

4. Opinion of Underwriter's Counsel. (UC)

C. PAYING AGENT and 2004 ESCROW AGENT will provide:

1. Incumbency Certificate, together with Authorizing Resolution. (Paying Agent/2004 Escrow Agent)

2. Agreement for Services as Cost Administrator. (Paying Agent)

3. Acceptance of Duties of Paying Agent. (BC)

4. Certificate of Paying Agent. (BC)

5. Receipt of Paying Agent. (BC)

6. Receipt of 2004 Escrow Agent. (BC)

7. 2004 Escrow and Deposit Agreement. (BC)

8. SLGs Subscription. (2004 Escrow Agent)

D. 1998 ESCROW AGENT will provide:

1. Incumbency Certificate, together with Authorizing Resolution. (1998 Escrow Agent)

2. Receipt of 1998 Escrow Agent. (BC)

3. 1998 Escrow and Deposit Agreement. (BC)

E. BOND INSURER will provide:

1. Bond Insurance Policy. (AGM)

2. Certificate of Bond Insurer. (AGM)

3. Opinion of Counsel to Bond Insurer. (AGM)

4. Rating Letter. (AGM)

F. BOND COUNSEL will provide:

1. Final Opinion. (BC)

2. Reliance Letter. (BC)

3. Supplemental Opinion. (BC)

4. Opinion of Disclosure Counsel. (BC)

5. Defeasance Opinion. (BC)

6. California Debt and Investment Advisory Commission Report of Proposed Debt Issuance. (BC)

7. California Debt and Investment Advisory Commission Report of Final Sale. (BC)

8. IRS Form 8038-G. (BC)

G. Settlement by Federal Reserve Bank funds, computed as follows:

Principal/Issue Amount of Bonds:	$4,400,000.00
Plus Original Issue Premium:	223,032.00
(Less Underwriter's Discount):	(26,400.00)
(Less Costs of Issuance):	(119,698.07)
(Less Underwriter's wire transfer of Bond Insurance Premium):	(22,094.13)
NET AMOUNT DUE AT CLOSING:	$4,454,839.80

Upon confirmation of the wire transfers, the Bonds will be released to the Underwriter and the Bond Insurance Policy will be released to the Paying Agent.

Following the Closing, the Underwriter will be billed by the California Debt and Investment Advisory Commission for its statutory fee respecting the Bonds. Bond Counsel will prepare one transcript of documents for each of the parties.